Name of meeting: **Cabinet**
Date: **19th March 2019**
Title of report: **Corporate Financial Monitoring Report, Quarter 3, 2018-19**

Purpose of the Report

To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 3 (month 10), 2018-19.

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the Council's Forward Plan (key decisions and private reports?	Key decision - Yes
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director – Legal, Governance & Commissioning?**	Rachel Spencer Henshall – 6 March 2019 Eamonn Croston – 7 March 2019 Julie Muscroft – 7 March 2019
Cabinet member portfolio - Corporate	Give name of Portfolio Holders Cllr Graham Turner

Electoral wards affected: None
Ward Councillors consulted:
None

Public or private: Public
Have you considered GDPR? Yes, N/A

1. Summary

General Fund

1.1 The Council's General Fund controllable (net) revenue budget for 2018-19 is **£291.1m**. The budget includes planned (net) revenue savings of £16.2m in 2018-19.

1.2 There is a forecast overspend of £1.1m against the £291.1m revised budget at Quarter 3; equivalent to 0.4% variance against revised budget. In summary, the council is making good progress with a forecast headline delivery of £12.4m against £16.2m planned savings; equivalent to 77% forecast delivery. The balance of forecast undelivered savings of £3.8m includes continued pressures on schools transport at £1.9m and volume pressures on external residential placements plus other volume led placements within Children's at £1.2m. There are £2.7m net underspends elsewhere; details of which are included in the paragraphs further below in this report.

1.3 The forecast revenue outturn as at Quarter 3 is summarised by Strategic Director Portfolios in Table 1 below.

Table 1 - Overview of 2018-19 general fund forecast revenue outturn position at Quarter 3

Strategic Director Portfolios	Annual forecast			
	Revised Budget	Forecast	Variance	Change from Quarter 2
	£000	£000	£000	£000
Children & Families	76,956	82,600	5,644	(2,862)
Adults & Health	107,386	106,908	(478)	(464)
Economy & Infrastructure	39,277	40,899	1,622	(455)
Corporate Services	32,227	31,866	(361)	(121)
Central Budgets	35,250	29,902	(5,348)	49
Grand Total	**291,096**	**292,175**	**1,079**	**(3,673)**

1.4 It is expected that Strategic Directors continue to ensure as far as possible that management actions are taken between now and year end to manage down the remaining forecast overspend, to deliver an overall break-even positon for the Council for 2018-19.

Learning – High Needs

1.5 There is currently a net £6.9m pressure identified within the High Needs funding block of the Dedicated Schools Grant, shown within Children and Families in Table 1 above. This includes a projected overspend figure of £3.6m in respect of placements of Kirklees children in independent and other local authority specialist provisions; compared to a £2.7m overspend in 2017-18. The average annual number of active placements in independent specialist provision has significantly increased over the last few years moving from an average of 88 active placements in 2016-17 to a forecast 2018-19 average of 121, an increase of 38%. An increase is also evident over the same period in the annual average number of children placed in other local authority specialist provision, moving from an average of 20 children in 2016-17 to a forecast average of 35 children.

1.6 The balance of the High Needs pressure is made up of £1.6m for support funding payments for high needs students in the local further education sector

(predominantly at Kirklees College), £1.6m additional funding commitments in the special schools sector and £1.4m in respect of top-up funding to support rising numbers of increasingly complex need children within the mainstream schools sector. These pressures of £8.2m are offset in part by £1.3m High Needs Funding as described in paragraphs 1.7 to 1.9 below.

1.7 The Government's new National Funding Formula (NFF) for High Needs acknowledges that Kirklees requires more funding to support high needs issues from birth through to age 25. The initial outcome of the new formula indicated a near 21% increase in funding is merited, however maximum annual increases are capped at 3%, which translates to around £0.3m in 2018-19, increasing to £1.0m per year thereafter for Kirklees.

1.8 The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. The 2019-20 finance settlement included a supplementary national high needs funding allocation totaling £125m to offset current year high needs pressures. Government has confirmed a similar allocation in 2019-20.

1.9 The Council's share of this is £1.04m in each year. The 2018-19 allocation is a contributory factor to the overall shift in monitoring projections between Quarters 2 and 3.

1.10 In light of the high needs issues highlighted in paragraphs 1.5 to 1.9 and following Cabinet approval as part of the Quarter 1 Financial Monitoring Report £5.0m, of the £13.5m MRP overprovision has been applied in-year to part mitigate unfunded high needs pressures in-year.

1.11 Updated Council budget plans reflect a continuation of the underlying £8m current year high needs pressure in 2019-20 (before funding offsets) and the partial netting off from incremental Government High Needs Block Grant uplifts of £1m per annum. The additional £1.04m funding declared in the 2019-20 finance settlement, and referred to in paragraph 1.9 above, has also been added into budget plans from 2019-20 onwards.

1.12 In conjunction with the above, it is also anticipated that future year growth pressures can be mitigated through other emerging measures. This includes the outcome of the Kirklees-wide High Needs Strategic Review (reported to Cabinet in February 2018), with the Council currently working on the implementation of an action plan with key education partners across the district. Longer term, the recently approved capital budget plans 2019-24 include £25m to support increased District high needs specialist placement sufficiency. However, there is acknowledged to be a continued element of budget risk on high needs pressures over the medium term.

Learning and Early Support

1.13 There is a projected underspend of £1.0m on Early Intervention and Targeted Support. This is made up of £0.8m on employee budgets due to vacant posts, and a further £0.2m from savings on transport, supplies and services and commissioned services. It should be noted that these are one off savings and that this budget faces significant financial pressures in 2019-20; due in part to the termination of the Department for Education (DfE) Start-Up Funding grant.

Child Protection and Family Support

1.14 There is a pressure of £1.2m within Child Protection and Family Support relating to external residential placements. Reviews of each placement have taken place within the service and there are plans to bring some children back into Kirklees when appropriate arrangements are in place. The service has also engaged with the Clinical Commissioning Group (CCG) to ensure that health contributions are at the appropriate level. Work is underway to develop Early Intervention and Edge of Care processes which will hopefully impact on the future number of children and young people that need to be placed externally. However, this will be influenced by the availability of suitable in-house capacity and the wider development of a sufficiency strategy.

1.15 There is an offsetting underspend within Child protection and Family Support of £1.4m.This relates to savings from staff vacancies and turnover.

Adults and Health

1.16 Within Adults and Health there is a forecast underspend of £2.9m owing to a lack of capacity in the Independent Sector Home Care market to meet assessed user needs; resulting in lower spend. In turn, this is causing a significant alternate spend on residential placements and short term packages contributing to a forecast pressure in this area of £3.9m. In addition, the In-House Residential (Older People) budget has a forecast overspend of £0.5m

1.17 Government confirmed a national in-year (2018-19) £240m package of social care funding to ease pressure on the NHS over the winter months as part of the Autumn Budget announcement on 29 October 2018. Kirklees' share of this additional in-year funding is £1.86m. The funding must be spent on providing adult social care services, and be in addition to existing planned spending. The 2019-20 finance settlement confirmed the continuation of this funding in 2019-20.

1.18 As approved in the Quarter 2 Monitoring Report to Cabinet, this additional £1.86m in-year funding will be used to support four key elements of the adult social care system. This includes; increased funding for placements in residential care and new, short stay 'Choice and Recovery' beds; supporting local domiciliary care providers to adopt new ways of working and to reduce demand for domiciliary care; continuing to ensure that those with the greatest need receive domiciliary care; the introduction of a new model of intermediate care and re-ablement earlier than planned; and an increase in the capacity in both hospital based social work teams.

1.19 To date, £1.3m of the funding has been applied in-year to offset the net pressures highlighted in paragraphs 1.16 and 1.17 above. The balance of funding will be released subsequently targeted to the areas of anticipated additional spend highlighted above.

1.20 These proposals have been developed alongside the previous plans approved by Cabinet for use of the Improved Better Care Fund, Adults Social Care Grants and Leeds Business Rate Pool and form a crucial part for the wider transformation programme across health and social care.

1.21 There is an additional £2.8m resource set aside in reserves for Social Care Investment and Transformation. The funding is made up of £1.6m additional income from the 100% business rates pilot plus £1.2m additional Adult Social Care (ASC) grant from government. Specific resource allocation recommendations for this additional funding were approved at Cabinet on 18th August 2018 and the

reserve will be drawn down over a two year period to match actual spend. It should be noted that whilst the ASC grant must be spent fully on Adult Social Care, there are no additional specific reporting requirements in year.

Economy and Infrastructure

1.22 There is an overspend on schools transport of £1.9m due to volume pressures and the delayed implementation of savings rolled forwards from 2017-18. These savings are currently under review in terms of deliverability and timing. Updated budget plans include £1.4m to offset current unfunded schools transport service demand pressures; in particular impacted on by Special Educational Needs and Disability demand pressures on schools transport service.

1.23 Commercial Regulatory and Operational Service pressures include £0.4m relating to the loss of the West Yorkshire Driver Training Contract and with some offsetting underspends elsewhere across the service area.

1.24 There is an underspend of £0.9m within Economy, Regeneration and Culture, largely relating to staff vacancies and delayed start to schemes in Economic Resilience.

Corporate Services

1.25 Within the Office of the Chief Executive, there is a forecast underspend of £0.5m on Transformation budgets; in part freed up from the application of capital receipts flexibilities to capitalise Council corporate transformation costs in-year.

Central Budgets

1.26 As part of the 2019-20 provisional finance settlement, Government confirmed an unexpected "one off" business rates levy rebate to all councils in 2018-19. The Council's share of the national £180m re-distribution is £1.2m. This is factored into Central budget forecasts at Quarter 3.

1.27 There are also net pressures within contingency budgets of £0.9m. In the main, this is due to the Insurance Fund surplus target of £1m now being unachievable as a result of updated service and external insurance provider premia requirements.

1.28 Furthermore, within Central Budgets is a projected £0.4m Treasury Management underspend and a pressure of £0.4m in Joint Committees; mainly due to a higher than budgeted levy from West Yorkshire Combined Authority.

1.29 The MRP overprovision in 2018-19 is £13.5m. As noted in paragraph 1.10 earlier, £5m of the over-provision has been applied in-year to part offset high needs service pressures. A further £4.4m will transfer to financial resilience reserves at year end. This leaves a balance of £4.1m MRP over-provision in-year. At this stage, it is proposed to hold this as a central budget contingency, pending a potential release to the Property & Other Loans reserve at year end. The reserve was originally established in 2018-19 to reflect the requirements of a new accountancy code ('Financial Instruments' code) for local government, intended to strengthen balance sheet transparency. As part of the 2018-19 closure of accounts process, officers in conjunction with the Council's external auditors, will be reviewing whether or not the current £3m Property & Other Loans Reserve represents sufficient set aside against the potential risk of future loan default in order to meet the new code requirements.

General Fund Reserves

1.30 The reserves position as set out in Appendix 2 reflects the Council's reserves strategy and approach reported and approved as part of the overall Council budget plans, at Budget Council on 13 February 2019.

1.31 £4.3m 'temporary resources' has been added to this budget in-year, reflecting planned drawdown from "one-off" earmarked reserves to fund a number of "one-off" deferred expenditure commitments/other developments. This includes £1.1m from the revenue grants reserve, £1.4m from the revenue rollover reserve (previous year approvals), £0.6m from the adverse weather reserve, £0.7m schools reserve and £0.5m other. There is also an assumed contribution to financial resilience reserves of £4.4m, released out of Central Budgets; this relates to an in-year increase in Minimum Revenue Provision (MRP) overprovision release, approved at Budget Council on 13 February 2019 (see also paragraph 1.29). This results in a net transfer to reserves of £0.1m.

1.32 Financial resilience reserves at 1 April 2018 were £37.1m. As a result of the further 2018-19 MRP over-payment 'unwind' proposal above, a further £4.4m will be added to financial resilience reserves in-year. This gives a revised Financial Resilience Reserve balance of £41.5m at 31 March 2019.

1.33 General fund reserves and balances are forecast to increase through 2018-19 by £2.9m; from £88.8m at the start of the year to £91.7m as at 31 March 2019. The forecast increase includes the £4.4m additional in-year MRP overpayment unwind transfer to financial resilience reserves.

1.34 The forecast £91.7m general fund reserves and balances at year end includes £9.2m relating to statutory schools reserves (which cannot be re-directed for non-school uses), leaving £10.0m general balances and £72.5m usable reserves. The forecast usable reserves level at 31st March 2019 is equivalent to 24.9% of the current year £291.2m (net) controllable revenue budget. Within usable reserves, £31.0m relate to earmarked reserves commitments with £41.5m financial resilience reserves; the latter set aside to provide organisational resilience against future budget and other unfunded risks. Note that the reserves position at Appendix 2, and summarised in this section, assumes that the Q3 in-year overspend projection will be brought in line with budget by year end.

1.35 Revenue rollover reserves includes the £1.6m for Public realm works approved at Council on 11th July 2018 There is a separate report on this Cabinet agenda outlining specific proposals for its use on place based public realm activity.

1.36 Earlier this year central government announced a national funding pot of £56.5m for Local Authorities to help with Brexit preparations in 2018-19 and 2019-20. Kirklees' allocation of this funding is £210k; £105k in each year. The funding will form part of a resilience fund that the Council will use to protect our most vulnerable, and will be held in reserves in the first instance. The decision as to where to use the money will be carefully planned and decided by officers as part of the Brexit Tactical Group with recommendations decided by Cabinet in due course.

Collection Fund

1.37 The Collection Fund accounts separately for council tax and business rates income and payments. The position as at Quarter 3 is summarised at Table 2 below:

Table 2 – Collection Fund Summary

	Council Tax £'000	Business Rates £'000	Total £'000
(Surplus)/Deficit as at 1st April	(2,321)	(4)	(2,325)
Re-payments to/(from) General fund in 18-19	3,500	-	3,500
In Year financial performance	-	(6,925)	(6,925)
(Surplus)/Deficit at 31st March	1,179	(6,929)	(5,750)

1.38 Council tax in-year financial performance is in line with budget. Business Rates is projecting an in-year surplus of £6.9m; equivalent to 6.9% against planned income.

1.39 The business rates projected surplus reflects a review of the Council's current prudent £11.5m bad debt provision for historical appeals valuations outstanding (largely relating to the 2010 rating list). A recent officer assessment suggests that this requirement can now be revised downwards in-year. This mainly reflects the impact of many long standing appeals being either withdrawn or settled. This includes the recent withdrawal of a national appeal by Virgin Media which if successful would have cost the Council £2m in backdated rates adjustments to 2010. In addition, the number of appeals emerging with respect to the current year has not been at the level anticipated due to the embedding of a more stringent appeals system, implemented from April 2017 onwards.

1.40 Taking into account the opening balance and repayments to the general fund in year, the above in-year projections result in an overall forecast surplus for the collection fund of £5.8m at 31st March 2019; £1.2m deficit with respect to council tax and £6.9m surplus from business rates. The year-end forecast surplus has been factored into updated budget plans as a planned repayment to the general fund in 2019-20.

Housing Revenue Account

1.41 The Council's Housing Revenue Account (HRA) accounts for all Council housing related revenue expenditure and income in a separate statutory (ring-fenced) account. The forecast revenue outturn is a surplus of £1.3m against an annual turnover budget of £91.7m in 2018-19; equivalent to just 1.4%. Estimated HRA reserves at 31 March 2019, net of set asides for business risks and investment needs and a minimum working balance, is £54.1m.

Capital

1.42 Officers have undertaken a fundamental review of capital plan requirements over the 2018-24 period and these were reflected in the annual budget report to Council on 13 February 2019. This review included a significant re-profiling of existing plan proposals into 2019-20 and beyond, to more realistically reflect likely timescales and capacity to deliver across all years of the plan. Overall, £17.7m was re-profiled from 2018-19 into later years as part of this exercise.

1.43 The Council's revised capital budget for 2018-19 is £98.7m, before assumed slippage. Net of budgeted slippage, the revised budget is £79.6m. The forecast capital outturn at Quarter 3 is also £79.6m; forecast zero variance.

1.44 The quarter 3 position is summarized in Table 3 below, categorised by Council primary outcomes as set out in the Corporate Plan, which illustrates how the Council's

investment proposals align with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline work programmes and one-off projects. Further details of the key highlight variances are shown in Appendix 5.

Table 3 – Forecast Capital Outturn 2018-19 at Quarter 3

By Category	Revised Budget £000	Actuals to date £000	Annual forecast £000	Variance £000
Achievement	15,057	8,640	14,528	(529)
Children	448	616	616	168
Independent	2,442	762	1,110	(1,332)
Sustainable Economy	46,112	20,339	37,084	(9,029)
Well	2,340	1,274	2,090	(250)
Clean & Green	547	0	0	(547)
Efficiency & Effectiveness	3,900	582	3,900	0
General Fund	**70,846**	**32,213**	**59,328**	**(11,518)**
Independent –Strategic Priorities	9,348	2,316	5,560	(3,788)
Independent - Baseline	18,478	6,914	14,719	(3,759)
Housing Revenue Account	**27,826**	**9,230**	**20,279**	**(7,547)**
Total Capital Plan	**98,672**	**41,443**	**79,607**	**(19,065)**
Forecast Slippage:				
Borrowing Funding*	(14,822)	-	-	14,822
Grants Funding*	(4,243)	-	-	4,243
Overall Forecast Funding Requirement	**79,607**	**-**	**79,607**	**0**

* Relates to General Fund only

1.45 A Cabinet report on 17th January 2017 gave approval for a programme of landlord works and to grant a lease to Kirklees college, to bring Pioneer House back in to use as a new education facility. The process of redeveloping Pioneer House (Dewsbury Learning Quarter) has been made more challenging by the fact that the original contractor went in to administration during the construction period. The Council's arms length management organisation, KNH, have stepped in to complete the works, during which time a number of complex issues have emerged, many of them structural, which have required work beyond that originally anticipated.

1.46 Approval is requested by Cabinet to vire £800k from the Risks & Pressures line, which is currently uncommitted, to help fund the additional scheme costs. It is also proposed to support the balance of £500k additional funding through drawdown from the existing Town Centre Action Plans budget, as the scheme is also a key part of Dewsbury town centre regeneration. The above funding proposals are reflected in the summary figures in Table 3 above, and at Appendix 5.

2019-20 Budget Proposals

1.47 Budget Council on 13 February 2019 approved a £33m capital investment in the Waste Strategy over 5 years; including £1m capital allocation in 2019-20. Cabinet are also asked to approve proposals for the £1m in readiness for early delivery and commencement of works in the new financial year:

a) Short Term Recycling Options, Waste Strategy – In order to stabilise a reducing recycling rate, 5 short term recycling projects are to be implemented.

Three of the schemes will be funded by capital investment:

i) *Chargeable Garden Waste Collection Service (£535k)* - The service aims to introduce a chargeable garden waste collection service in early 2019 to boost the Council's recycling rate in the approach to national 2020 targets. The capital budget will enable purchase of brown bins and hire costs of vehicles while the service advertises the offer, with income from subscriptions covering operating costs in year 2/3 provided at least 14,000 subscriptions are achieved from Kirklees residents. Staff, vehicle hire and bins is estimated to cost £521,000. The marketing campaign will cost £14,000.

ii) *Garden Composting (£218k)* - Purchase 4,000 composting units, provide them to residents for free and collect data on their usage and effectiveness among communities.

iii) *Incentive Schemes* - Any income generated from the garden waste service in year one will be used to fund incentive schemes for residents to encourage recycling among communities.

Two further schemes will be funded from the Strategic Investment Support Reserve:

iv) *Intensive Green Bin Monitoring (£78k)* - This involves bringing in agency staff and hiring vehicles to monitor green bins across the district from April to July 2019. The aim is to help residents understand what can and cannot be placed in the green bin and remove any unwanted green bins from properties, returning them to storage.

v) *Love Food, Save More (£86k)* – Running free informative workshops (hire of workshop facilitator and provision of workshop tools, equipment, materials and food) for residents to allow them to learn new recipes aimed at the above initiatives, access food storage tips to help their food last longer, and various other learning points related to the above initiatives.

1.48 Approval is requested for works to facilitate the relocation of Almondbury Library to the nearby Almondbury Children's Centre site (including dementia friendly design elements). This is part of the wider 'Services Support for Vulnerable Adults' Capital Programme (which has a budget of £3m). The planned expenditure for this initial scheme is likely to be up to £100k. Provisional timing for the works being undertaken is April/May 2019. The detail around any works beyond this in relation to the 'Services Support for Vulnerable Adults' Capital Programme will be brought back to Cabinet in due course.

2 Information required to take a decision

2.1 The Appendices accompanying this report provide a more detailed breakdown of the Quarter 3 financial monitoring position, as follows:

i) Appendix 1 sets out by service area, the forecast general fund revenue outturn position in 2018-19;

ii) Appendix 2 summarises the forecast general fund reserves and balances movements in-year,

iii) Appendix 3 summarises the forecast HRA financial position including movements in HRA reserves in-year;

iv) Appendix 4 highlights the more significant general fund and HRA forecast variances across service areas;

v) Appendix 5 sets out by Outcome area the forecast capital outturn position in 2018-19 and the reasons for the more significant forecast capital variances across strategic priority and baseline capital schemes.

3. Implications for the Council

3.1 The report provides summary information on current and forecast financial performance against annual Council revenue and capital budgets, as at Quarter 3, 2018-19. These budgets support the overall delivery of the following Council objectives and Priorities within available resources:

i) Early Intervention and Prevention (EIP)
ii) Economic Resilience (ER)
iii) Improving Outcomes for Children
iv) Reducing demand of services

3.2 Working with People

3.3 Working with Partners

3.4 Place Based working

3.5 Improving Outcomes for Children

3.6 Financial, Legal & Other Implications

3.6.1 The Council continues to face significant financial challenges and must ensure it can achieve a sustainable balanced budget over the medium term and beyond.

3.6.2 Current approved budget plans include a planned (net) saving requirement of £16.2m in 2018-19. Quarter 3 monitoring forecasts indicate the delivery in year of £12.4m net savings compared to planned savings; equivalent to 77% against target savings. There are also offsetting net forecasted underspends of £2.7m elsewhere; resulting in a total £1.1m projected overspend.

3.6.3 The offsetting £2.7m underspend includes £1.4m in Child Protection and Family Support and £1.0m in Learning and Early Support spend, mainly due to increased savings from staff vacancies and turnover. There is also a projected £0.9m underspend in Economy, Regeneration and Culture, relating to both staff vacancies and the delayed start to schemes in Economic Resilience and £0.5m savings within transformation due to an underspend against budgets set aside for investment. These are offset by a £0.9m pressure in contingencies due to the unachievable insurance fund surplus target, and other net pressures of £0.2m.

3.6.4 As noted at paragraph 1.10, it is proposed that £5.0m of the MRP (Minimum Revenue Provision) revision will be used to part offset the forecast high needs pressure at Quarter 3. High Needs pressures and actions relating to the strategic review were factored into the 2019-22 Annual Budget Report and it is noted that the service will consider any options for reducing costs through the remainder of the

year.

3.6.5 Building on the work of the Transformation Business Partner the Council is continuing to ensure robust financial governance, programme management, monitoring and review across a range of key activities. This includes deferred savings rolled forwards from 2017-18.

3.6.6 The overall projected overspend is in the region of £3.7m lower than at Quarter 2. £2.2m of this movement is related to the two additional income streams for 2018-19 announced in the 2019-20 finance settlement; £1.0m High Needs funding allocation and £1.2m redistributed Business Rates Levy (paragraphs 1.9 and 1.26 respectively). Other changes include net forecast spend reductions as outlined in paragraph 3.6.3 above.

3.6.7 It is expected that strategic directors ensure as far as possible that management actions are taken between now and year end to manage down the remaining net overspend position to a nearer overall break-even position.

3.6.8 The financial resilience reserve is forecast at £41.5m at year end. The purpose of this reserve is in part to mitigate against budget and other unfunded risks included in the corporate risk register. Because it is "one-off" in nature, it is short-term funding only and it is not a sustainable resource available to offset ongoing budget pressures. The recent 2019-22 Annual Budget Report set out proposals within the Council's reserves strategy to build and maintain financial resilience reserve levels in view of the uncertainty surrounding the national funding landscape post 2019-20.

3.6.9 The Collection Fund financial performance reflected at Quarter 3 suggests that £5.8m can be re-paid to the general fund in 2019-20. This was reflected in the 2019-22 Annual Budget Report to Cabinet and Council.

3.6.10 Council treasury management financing cost requirements (new borrowing) already factor in assumed slippage in borrowing requirement of £14.8m in 2018-19 against the approved capital plan. The impact of the forecast capital outturn position on current year treasury management revenue budget forecasts is anticipated to be marginal.

3.6.11 It is similarly marginal on the affordability prudential indicator (annual debt costs as a proportion of net revenue income stream), which is currently 7.9%.

3.6.12 As set out earlier in paragraph 1.29, officers will undertake a further review of reserves as part of the closure of accounts process, and reflect any further changes as appropriate, and which will be subsequently reported to Cabinet and Council early Summer 2019 as part of the 2018-19 financial outturn & rollover report.

4. Consultees and their opinions

This report has been prepared by the Service Director Finance, in consultation with the Executive Team.

5. Next Steps

To present this report to Cabinet as part of the Quarterly financial monitoring reporting cycle.

6. Cabinet portfolio holders recommendations

The portfolio holder notes the good progress being made in managing the in-year savings programme although recognising the continuing underlying financial challenges facing the Council.

7. Officer recommendations and reasons

Having read this report and the accompanying Appendices, Cabinet are asked to:

7.1 note the Quarter 3 forecast £1.1m revenue monitoring overspend;

7.2 note the expectation that Strategic Directors work to identify opportunities for spending plans to be collectively brought back in line within the Council's overall budget by year end;

7.3 note the additional in-year funding allocations for High Needs and Levy rebate announced as part of the 2019-20 Finance Settlement (paragraph 3.6.6) and also the Brexit funding allocation (paragraph 1.36);

7.4 note the forecast planned use of general fund earmarked reserves in-year, and note the forecast year end position at £91.7m;

7.5 note the anticipated overall forecast year end surplus of £5.8m on the Collection Fund;

7.6 note the Quarter 3 forecast HRA surplus at £1.3m and forecast reserves position at year end of £54.1m;

7.7 note the Quarter 3 forecast capital monitoring position, net of budgeted slippage, on line with budget;

7.8 approve the virement of £800k uncommitted capital budget from Risks & Pressures to support the Pioneer House scheme;

7.9 approve the £500k commitment from the existing Town Centre Action Plan budget to contribute to the Pioneer House project;

7.10 note the proposed drawdown from the Strategic Investment Support reserve, for the proposed waste management revenue developments;

7.11 approve the Garden waste containers and vehicles scheme (£1m) from the 2019-20 Council approved Capital Plan, to enable early rollout from April 2019; and

7.12 approve the request for works to facilitate the relocation of Almondbury Library.

8. Contact Officer

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9. Background papers and History of Decisions

Annual budget report 2019-22

Budget Strategy Update Report 2019-22
Annual budget report 2018-20
Annual outturn and rollover report 2017-18

10. Service Director responsible

Eamonn Croston, Service Director Finance.
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Appendix 1

Corporate Revenue Budget Monitoring 2018/19 – Month 10									
	Year To Date			Annual					
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Actuals	Variance	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Forecast	Variance	Change in Variance from Q2
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000
Child Protection & Family Support	50,781	50,624	(157)	58,016	283	58,299	58,144	(155)	(626)
Learning & Early Support & Schools	30,865	26,639	(4,226)	17,049	1,608	18,657	24,456	5,799	(2,056)
Sub Total (Children & Families)	**81,646**	**77,263**	**(4,383)**	**75,065**	**1,891**	**76,956**	**82,600**	**5,644**	**(2,682)**
Adults Social Care Operation	55,555	43,201	(12,354)	43,372	-	43,372	42,090	(1,282)	474
Policy, Intelligence & Public Health	593	(329)	(922)	3,733	898	4,631	4,152	(479)	(466)
Commissioning, Quality and Performance	54,667	53,328	(1,339)	52,415		52,415	54,696	2,281	(45)
Service Integration	5,905	4,768	(1,137)	6,968		6,968	5,970	(998)	(427)
Sub Total (Adults & Health)	**116,720**	**100,968**	**(15,752)**	**106,488**	**898**	**107,386**	**106,908**	**(478)**	**(464)**
Economy, Regeneration & Culture	6,835	5,978	(857)	8,118	(176)	7,942	7,085	(857)	(729)
Commercial, Regulatory & Operational Services	23,773	25,755	1,982	30,840	495	31,335	33,814	2,479	274
Sub Total (Economy & Infrastructure)	**30,608**	**31,733**	**1,125**	**38,958**	**319**	**39,277**	**40,899**	**1,622**	**(455)**
Finance & Transactional Services	70,970	71,479	509	19,427	464	19,891	20,062	171	281
Governance & Commissioning	1,987	2,209	222	2,137	-	2,137	2,358	221	124
Corporate Services (OCE)	7,684	7,431	(253)	9,494	705	10,199	9,446	(753)	(526)
Sub Total (Corporate Services)	**80,641**	**81,119**	**478**	**31,058**	**1,169**	**32,227**	**31,866**	**(361)**	**(121)**
Central	34,357	34,357	-	39,658	(4,408)	35,250	29,902	(5,348)	49
General Fund Total	**343,972**	**325,440**	**(18,532)**	**291,227**	**(131)**	**291,096**	**292,175**	**1,079**	**(3,673)**

	General Fund Earmarked Reserves						
	As at 1st April 2018	Reserves Review 2018/19 Annual Budget Report	Revised Balance	Planned drawdown in-year	Planned contribution in-year	Unplanned use of Reserves (forecast overspend)	Forecasted Reserves Position as at 31st March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Statutory (School Reserves)	**(9,827)**	**-**	**(9,827)**	**661**	**-**	**-**	**(9,166)**
Earmarked							
Financial Resilience Reserves	**(37,146)**		**(37,146)**	**-**	**(4,400)**		**(41,546)**
Earmarked (Other)							
Workforce Restructure	(5,091)	5,091	0	-	-		0
Transformation	(4,944)	4,944	0	-	-	-	0
Rollover	(3,437)		(3,437)	1,437	-	-	(2,000)
Revenue Grants (various)	(10,615)	703	(9,912)	1,068	-		(8,844)
Trouble Families Grant	(1,924)		(1,924)	-	-	-	(1,924)
Prepayment Reserve (PFI)	(3,055)	3,055	(0)	-	-	-	(0)
Insurance	(1,900)		(1,900)	-	-	-	(1,900)
Other	(2,905)		(2,905)	465	-	-	(2,440)
Ward Based Activity	(706)		(706)	39	-		(667)
Social Care Reserve	-	(2,800)	(2,800)		-		(2,800)
Property and Other Loans		(3,000)	(3,000)				(3,000)
Adverse Weather		(4,000)	(4,000)	600			(3,400)
Strategic Investment Support		(4,000)	(4,000)				(4,000)
Total – Earmarked Other	**(34,577)**	**(7)**	**(34,584)**	**3,609**	**-**	**-**	**(30,975)**
Sub-total Earmarked Reserves	**(71,723)**	**(4,407)**	**(71,730)**	**3,609**	**(4,400)**	**-**	**(72,521)**
General Balances	(7,233)	(2,793)	(10,026)			-	(10,026)
Grand Total	**(88,783)**	**(7,200)**	**(91,583)**	**4,270**	**(4,400)**	**-**	**(91,713)**
Total usable reserves (excluding schools)	*(78,956)*	*(7,200)*	*(81,756)*	*3,609*	*(4,400)*	-	*(82,547)*

HOUSING REVENUE ACCOUNT 2018/19 - MONTH 10

	Year to Date			Annual				
	Controllable Budget (Net)	Actuals	Variance	Revised Budget	Forecast	Variance	Variance from previous quarter	Change in Variance From Q2
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & Maintenance	20,901	19,251	**(1,650)**	22,800	22,836	**36**	**(12)**	**48**
Housing Management	28,878	27,763	**(1,115)**	34,344	33,625	**(719)**	**(564)**	**(155)**
Other Expenditure	17,137	16,977	**(160)**	28,290	27,090	**(1,200)**	**(911)**	**(289)**
Total Expenditure	**66,916**	**63,991**	**(2,925)**	**85,434**	**83,551**	**(1,883)**	**(1,487)**	**(396)**
Rent & Other Income	**(74,772)**	**(72,442)**	**2,330**	**(91,747)**	**(91,171)**	**576**	**592**	**(16)**
Revenue Contribution to Capital Funding	**0**	**0**	**0**	6,313	6,313	**0**	**0**	**0**
Planned transfer to HRA Reserves	**0**	**0**	**0**	0	0	**0**	**0**	**0**
Total	**(7,856)**	**(8,451)**	**(595)**	**0**	**(1,307)**	**(1,307)**	**(895)**	**(412)**

HRA RESERVES

	Balance at 31 March 2018	Approved Movement in Reserves	Balance at 31 March 2019
	£'000	£'000	£'000
Set aside for business risks	(4,000)		(4,000)
Forecast in Year Surplus/Deficit		(1,307)	(1,307)
Set aside to meet investment needs (as per HRA Business Plan)	(54,858)	7,538	(47,320)
Working balance	(1,500)		(1,500)
Total	**(60,358)**	**6,231**	**(54,127)**

Key Highlights – Child Protection & Family Support

Appendix 4

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
External Residential Placements	% of Children placed outside Kirklees	6,134	720	750	Overspending on volume led External Residential placements. Under review as part of wider Sufficiency strategy.
Various	Accelerated Progression/Turnover Savings	18,032	(1,124)	(1,399)	Slippage savings to date on substantive vacant posts /Turnover.
Various	Net volume placement savings/pressures linked to Outturn 17/18	18,828	258	431	Pressure on volume led placements including External / Internal Fostering, Leaving Care Supported Accommodation, Special Guardianship, Child Arrangement, Adoption Orders.

Key Highlights – Learning & Early Support & Schools

Appendix 4 (continued)

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
High Needs	Independent Schools Fees	2,513	3,035	3,600	Service pressure on placement costs
High Needs	FE High Needs	800	713	1,600	Payments to Kirklees College
High Needs	Schools High Needs Top-Up funding	20,600	2,744	1,400	Top up funding to Schools
High Needs	Special Schools			1,600	Additional Funding Commitments in the Special Schools sector.
High Needs	Less anticipated increase to High Needs DSG Funding			(300)	
High Needs				(1,044)	Supplementary High Needs funding allocation
Early Intervention & Targeted Support		13,066	(918)	(1,037)	£0.8m vacant posts. £0.2m transport, supplies & services & commissioned services.

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Self-Directed Support - OP	Reduced spend on independent sector home care & Apply proportional spend on direct payments & Review taskforce.	2,598	(3,328)	(1,081)	Lack of capacity in the independent Sector Home Care market is resulting in lower spend, but offset by alternate spend on placements/short term packages and direct payments.
Self-Directed Support - PD	Reduced spend on independent sector home care & Apply proportional spend on direct payments	7,813	(951)	(728)	Lack of capacity in the Independent Sector Home Care market is resulting in lower spend.
Independent Sector – OP	Reduction of OP Placements	17,392	(1,125)	769	Lack of capacity in the Independent Sector Home Care market is resulting in alternate spend on placements/short-term packages. Nursing costs are higher than anticipated.

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Supporting People		2,880	848	512	Mental health housing related support - £500k pressure funded from 2019/20.
Self-Directed Support - LD	Apply proportional spend on direct payments	14,277	(2,143)	(1,228)	Lower activity and costs on LD Direct Payments than anticipated.
Independent Sector Residential. & Nursing- LD	Reduction of LD Placements	15,941	(821)	2,070	Higher residential activity and higher nursing costs than anticipated.
Independent Sector Residential. & Nursing- MH	Reduction of MH Placements	4,054	1,166	1,028	Higher residential costs than anticipated.

Key Highlights – Commercial, Regulatory & Operational Services

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Schools Transport	Combined Authority working	2,554	1,402	1,898	Timing of transport policy review and demand from Special Educational Needs.
Driver Training		(502)	369	369	Kirklees no longer have the contract to deliver the driver training courses on behalf of West Yorkshire Police.
Schools FM - Catering		(2,173)	(385)	(385)	Improved efficiencies of Relief staff and delayed rise in food costs.
Car Parking		(3,257)	409	409	Local economic factors continue to impact on Parking Services ability to deliver target budget income.
Waste Services		17,849	(416)	(416)	Decrease in tonnage diverted to landfill and release of provision following industrial action.

Key Highlights – Economy, Regeneration & Culture

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Economic Resilience		2,555	(886)	(886)	Staff Vacancies & delayed start to schemes.

Key Highlights – Corporate Services (OCE)

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Transformation				(500)	£0.75m transformation fund set aside for investment, no longer required in full

Key Highlights – Central Budgets

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Treasury Management	Planned overprovision of MRP			(5,000)	£5m MRP overprovision released at this stage to offset High Needs pressure. Remaining £4.1m to Financial Resilience reserves as planned.
Treasury Management	Review of Treasury Management budget requirement			(400)	Requirement for short term borrowing has reduced due to greater than expected slippage in Capital plan and greater levels of internal borrowing due to reserves position.
General Contingencies				(1,248)	Surplus in 18/19 Levy account.
General Contingencies				900	£0.9m net pressures in contingencies budgets. Includes £1m insurance fund surplus not achievable.
Joint Committees				400	West Yorkshire Combined Authority levy higher than budgeted.

Corporate Capital Budget Monitoring 2018/19 – Month 9

Appendix 5

	Revised Budget £'000	Actuals to Date £'000	Forecast £'000	Variance £'000	Variance %
General Fund					
Achievement	15,057	8,640	14,528	(529)	(4)
Children	448	616	616	168	38
Independent	2,442	762	1,110	(1,332)	(55)
Sustainable Economy	46,112	20,339	37,084	(9,028)	(20)
Well	2,340	1,274	2,090	(250)	(11)
Clean and Green	547	0	0	(547)	(100)
Efficiency & Effectiveness	3,900	582	3,900	0	0
GENERAL FUND TOTAL	**70,846**	**32,213**	**59,328**	**(11,518)**	**(16)**
Housing Revenue Account					
Strategic Priorities	9,348	2,316	5,560	(3,788)	(41)
Baseline	18,478	6,914	14,719	(3,759)	(20)
HOUSING REVENUE TOTAL	**27,826**	**9,230**	**20,279**	**(7,547)**	**(27)**
CAPITAL PLAN TOTAL	**98,672**	**41,443**	**79,607**	**(19,065)**	**(19)**

Capital Monitoring Key Highlights – Independent

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
One Off Projects			
Information Technology (Digital)	942	(942)	Capitalisation of costs for Digital resources requirement have not yet come to fruition. The budget is recommended to be re-profiled forward into the next financial year before year end.
Information Technology	1,150	(300)	Underspend on budget set aside for potential one-off costs in relation to upgrade of IT systems to ensure GDPR compliance has not yet come to fruition, our major business system suppliers have not made substantial changes to date. The budget is recommended to be re-profiled into the next financial year before year end.
Independent Total	**2,092**	**(1,242)**	

Capital Monitoring Key Highlights – Sustainable Economy

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
Town Centre Action Plans	2,255	(1,620)	Progress on work has been delayed due to the Town Centre Christmas standstill, waiting for work to be completed by CityFibre to avoid having to redo work already done by ourselves and coordinating work with WYCA/City Connect and the Town Centre master plan.
Loans – Development Finance	1,100	(900)	The HD One scheme start date for the John Smith's Stadium site, has been put back and not due on site until May 2019. The Council is providing a secured loan facility to Kirklees Stadium Development Ltd (KSDL) which would allow KSDL to take a majority equity stake in the complex.

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
Highways	14,759	(2,038)	Design resource issues in both the Structures Team and the Road Safety Team has seen programme delivery slip by £1.2m into 2019-20. There is an ongoing programme of repairs to Huddersfield Town Centre Car Parks where an element of slippage has meant re-profiling £220k into 2019-20 and works to Castlegate, Huddersfield have slipped to 2019-20 due to the need to co-ordinate with gas utility works. The Unadopted Road programme has been delayed to allow priority work to go ahead.
Corporate Landlord Asset Investment	4,671	(1,429)	Some works are still uncommitted at this stage of the financial year and an element of risk remains to deal with any emergency additions to the programme. Approximately 5% of the construction value is held as retention on the majority of schemes and will not be spent in this financial year but needed to rollover as contractually committed funding.
Baseline Priorities Total	**19,430**	**(3,467)**	

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
One Off Projects			
Highways – Local Community Roads	2,711	(1,171)	Additional works are underway but the full spend of this additional grant cannot be achieved this financial year. The budget is recommended to be re-profiled forward into the next financial year before year end.
Leeds City Region Revolving Fund	1,632	(632)	£1m is expected to be drawn down against the Kirklees contribution towards the Leeds City Region Revolving Fund loan by the end of the financial year. The balance will be rolled forward into next year.
Housing Private	601	(460)	The underspend is represented by budgets held for Section 106 works of £169k, Capital Allowances of £153k and Large Housing sites of £143k where costs were anticipated but have slipped into next financial year.
One Off Projects Total	**4,944**	**(2,263)**	
Sustainable Economy Total	**28,905**	**(7,949)**	

Capital Monitoring Key Highlights – Housing Revenue Account

Appendix 5 (continued)

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
HRA Strategic Priorities			
Housing Growth	4,320	(1,200)	Housing growth reports underspend to date of £972k with an anticipated underspend of £1,200k – we continue to ramp up purchases to achieve the target of 63 in-year. We are in discussion with 3H York to consider the possible purchase of 9 units at Scholes. YE forecast in Mid Feb.
Remodelling / High Rise	2,000	(1,750)	£250k works to be delivered this financial year. The balance of funding to be rolled over to fund refurbishment/remodeling and potential redevelopment of the site dependent on cabinet approvals.
HRA Strategic Priorities Total	**6,320**	**(2,950)**	
HRA Baseline			
Estate Improvements	1,988	(1,644)	Environmental works will be undertaken Wain Court and Farehill Flats in-year, aiming to commit funds to the remaining 10no 6 storey blocks to enable roll over
Housing Capital Plan (Neighbourhood Investment)	10,889	(1,171)	Dale lane will not be complete by end of march with an estimated completion of May 19. Kirklees wide boiler/heating replacement schemes expected to slip into the next financial year. Roll over applications will be made accordingly.
Compliance	2,200	(1,014)	Fire door programmes expect to deliver 1000 units in addition to compartmentation improvements, Sprinkler installations will roll over to 2019/20
HRA Baseline Total	**15,077**	**(3,829)**	
HRA TOTAL	**21,397**	**(6,779)**	