Name of meeting: Cabinet
Date: 28 January 2020

Title of report: Council Budget Report 2020-23; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

Purpose of the report

The purpose of this report is for Cabinet to receive information to enable them to recommend a budget to Council for Capital, General Fund revenue and Housing Revenue Account (HRA), and approve the Council Treasury Management strategy.

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 forward reports ?	Yes
Is it eligible for "call in" by Scrutiny?	No
Date signed off by Strategic Director and name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director – Legal, Governance & Commissioning?**	Jacqui Gedman – 20 January 2020 Eamonn Croston - 20 January 2020 Julie Muscroft – 20 January 2020
Cabinet member portfolio - Corporate Leader of the Council	Cllr Graham Turner Cllr Shabir Pandor

Electoral wards affected: All

Ward Councillors consulted: All

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

RESTRICTIONS ON VOTING

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where –

(a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

1. Summary

1.1 The structure of this report begins with an executive summary, followed by a range of Appendices. The reader will need to review these collectively in order to be informed of the overall consequences and implications.

The Appendices are as follows:

A	General Fund & HRA Medium Term Financial Plan 2020-23 - Revenue and Capital Budget Book
B	Supplementary Tables – Revenue
C	Financial Resilience Test Index – CIPFA Summary Commentary
D	General Fund Revenue Sensitivity Analysis
E	Corporate Risk Register Summary
F	Capital Strategy including Prudential Indicators
G	Motion to Council
H	Budget Consultation exercise – summary
I	Business Rates Pool – new arrangements for 2020/21
J	Treasury Management Strategy 2020/21 (appended report)

Integrated Impact Assessments

1.2 Members’ attention is drawn to the information and advice in paragraph 3.3.27 of this report which makes reference to the Council’s Public Sector Equality Duty.

1.3 <u>The report will</u>:-

(i) review the general fund revenue budget strategies over the medium term financial plan (MTFP), and budget proposals to achieve a balanced general fund revenue budget in 2020/21, and indicative revenue budget forecasts for the following two years;

(ii) incorporate the Government's announcement on the Local Government Finance Settlement for 2020/21, and consider the level of general fund revenue budget needed for Treasury Management and Central Contingencies;

(iii) review the current levels of general fund revenue reserves and balances and make recommendations on the level of reserves;

(iv) incorporate Housing Revenue Account (HRA) budget proposals to achieve a balanced HRA in 2020/21, and indicative revenue budget plan for the following two years, informed by the HRA 30 year business plan;

(v) review the current levels of Housing Revenue Account reserves, and make recommendations on the level of reserves;

(vi) review the multi-year plan for Capital Investment. The Cabinet is required under Financial Procedure Rules to recommend to the Council a multi-year Plan for Capital Investment;

(vii) review and approve the 2020/21 Treasury Management Strategy, Investment Strategy and Capital Strategy, which the Council must consider before the start of the financial year to comply both with the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code, and with the Ministry of Housing & Local Government (MHCLG) statutory guidance;

(viii) make recommendations on the Council tax requirement for 2020/21; and

(ix) incorporate a statement of assurance from the Council's statutory s151 officer in relation to the robustness of budget estimates and adequacy of General fund and HRA reserves.

2. Information required to make a decision

2.1 <u>SUMMARY GENERAL FUND BUDGET PLANS</u>

National Context

2.1.1 Prior to the Spending Review 2019 (SR2019) announcement, the Local Government Association (LGA) had predicted that the scale of the annual funding gap across English Councils would be about £8 billion by 2025 across general fund services, and an emerging further gap of at least £1.5 billion across High Needs provision by 2021. The latter is funded through the Dedicated Schools Grant funding allocation.

2.1.2 A one-year Spending Round (SR2019) was announced on 4th September 2019, setting out proposals for Government departmental spend over the 2020/21 financial year. Government noted that the announcement was '*fast tracked*' ahead of official Office of Budget Responsibility (OBR) independent fiscal forecasts which inform the Autumn Budget statement "…*so Departments can focus on delivering Brexit*".

2.1.3 The Chancellor outlined £13.8bn of investment in areas including Health and Education in what he described as the fastest increase for 15 years. A link to the relevant Government website which sets out details of the spending round is shown below:

Spending Round 2019

2.1.4 Following the general election on 12 December 2019, Government subsequently released the detail of the 2020/21 provisional local government financial settlement on 20 December 2019. At the time of writing this report, we are still awaiting confirmation of the finalised settlement, but in broad terms the headline settlement figures mirror those set out on 4 September 2019 as part of the Spending Review (SR2019) announcement for 2020/21. The final settlement is expected late January/February 2020. The link to the Government 2020/21 financial settlement website is shown below:

Provisional local government finance settlement 2020 to 2021: statement - GOV.UK

2.1.5 Government also confirmed its commitment to a more fundamental reform of business rates, including 3 yearly business rates re-valuations, from 2021 onwards (these were formerly every 5 years). This is alongside a national review of the Business Rates Retention Scheme, incorporating a re-basing of Council funding through a National Fair Funding Review; also due to be implemented from April 2021 (see also Section 2.2 of this report).

2.1.6 At the time of writing this report, the national timetable for the UK's exit from the European Union has been set out in the Withdrawal Agreement Bill currently going through Parliament. The intended timeline is that UK ceases its EU member status from 31 January 2020, and there will follow a transition period to allow time for a new agreement to be set with the EU, effective from the start of 2021. Depending on the timeline and terms of any new agreement therein, there will be a potential range of short, medium and longer term impacts on the medium term spending plan and associated funding assumptions set out in this multi-year budget report. These potential impacts are also set out as part of the Corporate Risk Register update at Appendix E, and will continued to be reviewed through the next 12 months in light of emerging detail.

2.1.7 Government will also set out its national fiscal policy intent over the next 12 months, through a national Budget. The budget has been scheduled for 11 March and is expected to focus on several key themes including investing all across the country, prioritising the environment and boosting spending on public services. There is also expected to be a significant focus on infrastructure, including the expected launch of the National Infrastructure Strategy.

Local Context

2.1.8 National Government policy from 2010 to 2020 over successive Parliaments included a significant reduction in funding across a range of public services, including local government (which accounts for about a quarter of annual public expenditure), as part of its austerity agenda to reduce the national public deficit position following the global financial crisis of 2008. Over the last 10 years, these measures resulted in significant overall reductions in national Government funding to local Government.

2.1.9 For Kirklees, these have been in the region of £150m; (equivalent to about 60% national funding reduction over the period), compared with average national funding reductions over the period nearer 50%.

2.1.10 Over the same period, Councils, in particular those with statutory social services and education responsibilities like Kirklees, had to plan for significant and growing demand on services; in particular in Children's Services and Adult Social Care Services, Homelessness, and more recently, High Needs. Demand on services are expected to continue to rise over future years.

2.1.11 This Council is currently the 7th lowest funded Council in the country, as measured by the Government's own spending power benchmark calculation, when expressed as spend per head of the population, and in the lowest quartile of the 152 comparator authorities with similar statutory responsibilities.

2.1.12 The combined impact of national funding reductions and demand on services on this Council resulted in a cumulative revenue savings requirement in excess of £200m over the 2010-20 period. The budget proposals set out in this report reflect a balanced general fund revenue budget position in 2020/21, and a forecast budget gap of £12m in 2021/22, increasing to £22m in 2022/23.

2.1.13 National funding measures set out as part of SR2019 and subsequently incorporated into the local government 2020/21 financial settlement have made a significant contribution to delivering an overall balanced budget in 2020/21. There remain financial challenges in future years, and the sector will continue to lobby Government for a longer term, sustainable funding settlement for the sector beyond 2020/21, including as well a sustainable longer term funding solution for adult social care.

Corporate Plan

2.1.14 The Council's Corporate Plan informs current and emerging Council spending plans. The existing 2018 to 2020 plan was recently updated and approved at Council on 17 July 2019. The link to the Council's Corporate Plan 2019 Re-fresh is shown below:

Council Meeting Agenda 17 July 2019 (Item 11 reference)

2.1.15 The Corporate Plan sets out a vision; "*a district which combines a strong, sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives."*

2.1.16 To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with Partners, and recognising the importance of local identity and how needs differ in different places. Existing budget plans for 2019 to 2022, whilst acknowledging the continuing financial challenges facing the Council, also include significant new investment; in particular in children services, adults, regeneration activity, housing growth agenda, transformation capability and corporate capacity to support this approach.

2.1.17 The Corporate Plan also makes reference to Councillors' changing roles, and that in representing and serving the people and places of Kirklees, Councillors' roles are growing – they are community leaders and at the heart of democratically elected local government.

Corporate Peer Challenge

2.1.18 A Corporate Peer challenge was undertaken in Summer 2019 (9-12 July), and involved substantial input from a wide range of staff, elected members and stakeholders. Peer challenges are improvement focused and tailored to meet individual Council needs. The process is not designed to provide an in-depth technical assessment of plans and proposals. They are designed to complement and add value to a Council's own performance and improvement.

2.1.19 Subsequent to the above, the recommendations of the Peer Challenge were agreed by Council on 15 January 2020. The report identified key strengths including strong communities with strong identities, incredibly dedicated and committed staff, and an ambitious investment budget.

2.1.20 The report also set out a series of key recommendations to the Council. These included:

- craft and tell your story, externally and internally, and put strategic communications at the heart of the organisation;
- develop and promote a high profile, permanent listening and dialogue action plan with residents and ensure system-wide coordination of engagement activity to harness the voice of residents;
- implement the 'Collaborate' recommendations around place-based working and harmonise place-based initiatives, using the lessons learned from Community Plus;
- strengthen the corporate centre to develop its capacity; and invest in the Council's ICT systems;
- prioritise a decision on the long-term future of the Arm's Length Management Organisation (ALMO);
- streamline decision-making and bring greater clarity to the roles and responsibilities of Members and officers, including greater congruence between officer and Member structures;
- consider reviewing the electoral cycle to bring it in line with councils that have adopted a longer, more stable electoral pattern with the strong leadership model;
- push for the establishment of a single Clinical Commissioning Group (CCG).

2.1.21 Reflecting the peer team's positive perspective of our direction of travel, some of their recommendations reflect work that is already in train. Actions to address the recommendations were set out in the action plan attached to the report presented to Council on 13 November 2019. See link to report below:

Agenda for Council on Wednesday 15th January 2020, 5.30 pm | Kirklees Council

2.1.22 The action plan will form an addendum to the Corporate Plan and progress against it will be reported on a quarterly basis, aligned with Corporate Plan progress reports. A number of budget proposals set out in this report also reflect investment in areas for improvement identified through the Peer Challenge feedback.

2.1.23 The Council's updated revenue budget plans for 2020-23 and updated capital plans 2020-25 include further investment proposals that reflect the Adminstration's political priorities; in particular in relation to delivery of outstanding children's services, tackling climate change and investing in our Places, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the District's residents.

2.1.24 At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the forseeable future.

2.1.25 Budget risks include further potential pressures on High Needs pupils, Social Care pressures, current lack of national funding certainty from Government post-2021, and potential impacts of the UK's withdrawal from the European Union, scheduled for 31 January 2020. These are also incorporated into the Council's updated summary corporate risk register set out at Appendix E.

2.1.26 Table 1 below sets out the updated summary general fund revenue budget plans for 2020-23, which incorporate key funding and spending changes, existing savings proposals rolled forward, and new savings proposals:

Table 1 – Summary General Fund budget plans 2020-23:

Summary General fund revenue position	**MTFP 2020/21 £000**	**MTFP 2021/22 £000**	**MTFP 2022/23 £000**
Baseline Funding (2019-22 MTFP)	(288.6)	(290.8)	(293.1)
Funding changes	(15.9)	(17.7)	(20.8)
Funding Available (2020-23 MTFP)	**(304.5)**	**(308.5)**	**(313.9)**
Baseline Spending Plans (2019-22 MTFP)	302.6	311.3	323.9
Service Investment / Administration Priorities	24.9	29.4	32.3
Service funding/re-investment	(15.3)	(16.1)	(16.0)
Central Budget adjustments	(9.4)	(8.1)	(8.8)
Efficiency savings	(0.5)	(1.0)	(1.5)
Spending Plans (2019-22 MTFP)	**302.3**	**315.5**	**329.9**
Net transfer to Reserves	2.2	5.0	6.0
Balanced Budget (2020/21); updated budget gaps years 2 & 3	**-**	**12.0**	**22.0**
Memo item : *Original Budget Gap (MTFP 2019-22)*	*14.0*	*20.5*	*30.8*

2.1.27 The updated budget plans summarised above build on the financial planning framework set out in the Council Budget Strategy Update report 2020-23, which was reported to Council on 16 October 2019. The link to this report is set out below:

[Budget Strategy Update Report 2019-22 to Council, 10 October 2018 (Item 8)]

2.1.28 A detailed reconciliation of funding changes, service investment, Administration priorities and central budget adjustments, as summarised in Table 1 above, is also included at Appendix B for information.

2.1.29 The above changes over the 2020-23 period are set out in further detail at Appendix A, including risks and impacts. Appendix A also sets out overall proposed revenue resource allocations in 2020/21 to deliver a balanced general fund revenue budget, and indicative resource allocations over the following 2 years across Strategic Director Portfolios and Central Budgets.

2.1.30 Updated budget forecasts for the following 2 years reflect an updated budget gap of **£12m** in 2021/22 increasing by a further £10.0m in 2022/23 to **£22m** in 2022/23, which would need to be addressed to deliver a balanced budget in these years.

2.1.31 To illustrate the current level of budget risk post-2020/21, the budget sensitivity analysis included in Section 2.18 later in this report highlights the range of potential budget forecast variations and risks relative to Council baseline forecast assumptions underpinning 2020-23 budget plans; in particular over the 2021-23 period.

2.1.32 Budget forecasts beyond 2020/21 remain relatively dependent on Government clarity; including the 2020 Spending Review which will set out the extent of any longer term funding settlement for local government; including factoring the impact of the UK's withdrawal from the European Union, and the impact of Government proposals for a more transparent and 'fair' re-set of baseline Council funding, 'fiscally neutral' at a national level, from April 2021 onwards.

2.1.33 Key baseline funding and spend assumptions underpinning Council 2020/21 budget proposals to deliver a balanced budget, and indicative budget forecasts for the following 2 years, are described in more detail in the following sections in this report.

FUNDING ASSUMPTIONS

2.2 Business Rates

2.2.1 The Queen's Speech on 19th December 2019 reaffirmed Central Government's commitment to promoting greater financial self-sufficiency in Local Government, with proposals for a white paper to be published next year including plans for "spending and local growth funding". It is anticipated that the government may propose devolving more services, powers and functions and possibly expand the number of mayoral deals.

2.2.2 Government plans include a fundamental review of business rates, including more frequent revaluations; with the next revaluation being brought forwards from 2022 to 2021 and a three yearly cycle proposed thereafter. There is little further detail available at this stage so assumptions remain that a 75% national Business Rates Retention Scheme will be adopted from 2021/22. The associated 're-set' of baseline Business Rates Retention funding at an individual Council level, through a National Fair Funding Review, is also still anticipated to be implemented in April 2021.

2.2.3 The Business Rates 75% Scheme, is intended to be 'fiscally neutral' at a national level, which means that the 'technical implementation' in itself would not leave any individual Council any better or worse-off. To compensate for the additional business rates income to be retained locally, it is anticipated that this is likely to also involve a transfer of current Government funding responsibilities for specific Council services at the same time.

2.2.4 The budget strategy update report to Council on 16 October 2019 had assumed that the most likely funding responsibility transfer from April 2021 would be the current Public Health grant, at about £25m, with a corresponding increase in business rates funding to compensate; resulting in a 'net nil' overall budget impact. However, pending further Government clarity on the detail of the national business rates implementation from April 2021, the budget plans set out in this report have, for purely presentational purposes, reversed the previously assumed funding transfer assumption; still 'net nil' overall budget impact.

2.2.5 The Provisional Local Government Finance Settlement released on 20th December 2019 revealed the highest Core Spending Power increase in over a decade (6.3% nationally, 6.6% Kirklees) and the first increase in Settlement Funding Assessment (1.6%) over the same time frame.

2.2.6 Existing budget plans had assumed the continuation of Government austerity funding reductions on local government from 2020/21 onwards, in the region of 2% per annum against baseline funding. However in light of the above, and widening national recognition of the extreme pressures faced by many Council's in today's climate, these funding reductions have now been reversed. This has released approximately £3m funding per annum over the duration of the MTFP. Notwithstanding the unpredictable impact that Brexit may have on the UK economy, this is considered a prudent assessment of future local government funding levels at this stage.

2.3 Appeals/Other

2.3.1 Government introduced a new, more stringent, appeals system implemented from April 2017 onwards. Based on 2018/19 revenue outturn and current in-year forecast to date, £1.7m has been added back to business rates baseline funding assumptions from 2020/21 onwards; in part resulting from an ongoing reduced bad debt provision requirement in light of reduced number of new appeals. The previous appeals process had resulted in significant volatility in estimating business rates income, and a set aside Council bad debt provision of £4.8m.

2.3.2 In light of the current economic climate, no net growth assumptions have been built in over the 2020 to 2023 period for business rates income, over and above a Government inflationary uplift for 2020/21 at 1.6%; equivalent to £1.8m in 2020/21. This is also consistent with previous budget round assumptions on net business rates growth. However, it is also acknowledged that the Council's multi-year capital plans include £495m planned investment in Sustainable Economy over the current 2019 to 2025 period, and it is anticipated that there is potential for business rates growth over the longer term, notwithstanding current national economic uncertainty and future outlook.

2.3.3 Also, the number of appeals emerging with respect to the current year has not been at the level anticipated as a result of the more stringent appeals process outlined above. The overall impact is a repayment of £3.4m from the collection fund to the general fund in 2020/21 which has been factored into updated budget plans (see also paragraph 2.4.10 and Appendix B).

North & West Yorkshire Business Rates Pool: 2020/21

2.3.4 Kirklees is part of the Leeds City Region (LCR) and North Yorkshire Joint Business Rates 75% Pool in 2019/20. The financial model underpinning the pool estimates a potential overall gain to the combined pool in the region of £24m in-year.

2.3.5 Pool income is shared out so that member authorities receive two thirds of the additional income generated through the 75% pilot, with the remaining third of additional income being retained by the pool. This retained funding is re-distributed to projects that meet the Pool's strategic aims; Reducing Digital Isolation, Inclusive Growth, Culture, Sport and Major Events, Business Support, Trade and Investment and Enabling Housing Growth.

2.3.6 The 75% pilot will cease at current year end, but Government confirmed a successful further Joint North and West Yorkshire Business Rates 50% Pool application for 2020/21. This was confirmed as part of the Provisional Finance Settlement announcement in December 2019. The impact of reverting to a 50% Business Rates Pool arrangement means that the Council's individual share from being a member of the 2019/20 Business Rates 75% Pool, estimated at £1.5m, will no longer continue in 2020/21. However, it is anticipated that the 50% Pool will still benefit, overall, from retained levies, in the region of £9m, albeit below the estimated gain of £24m under the 75% Pool. Appendix I attached sets out the proposed Regional Pool arrangements for 2020/21. Specific proposals for the allocation of retained levies will be considered through the Business Rates Joint Committee for the start of the new financial year. At this stage, this report makes no assumptions that any retained levies will be re-distributed to individual member Councils, nor any specific quantum for this Council.

2.4 Council Tax

2.4.1 Funding adjustments factored into Council budget plans for 2020/21 incorporate the 2020/21 Council Tax Base (CTB) which was approved at full Council on 15 January 2020. The link to this report is shown below:

Council 15 January (Item 10)

2.4.2 The CTB reflects assumed growth of 2,100 properties in 2020/21; including current year (2019/20) 1,000 CTB growth above previous budget estimates, rolled forward into 2020/21, alongside annual growth assumptions of 1,100 properties per annum over the 2020-23 period (Band D equivalent). These figures reflect the combined impact of net housing growth indicative forecasts over the period, and assume the continued rollout of the longer term Council ambition for housing growth.

2.4.3 Future year CTB forecasts will be subject to regular review, acknowledging as well the potential for external factors such as the UK's impending withdrawal from the EU and consequential impact on the UK economy, including the housing construction and house buying markets. The assumed CTB bad debt provision requirement is 1.43% based on current year forecast collection rates.

2.4.4 The local Council Tax Reduction (CTR) scheme is means tested and works so that those not "protected" are required to pay at least 20% of their full council tax liability. The local scheme only applies to those of working age. The national pension age scheme means there is no such minimum payment and many pensioners are assessed as having to pay nothing. CTB forecasts reflect the continuation of the current local CTR based on 20% for those not protected in 2020/21 and future years.

2.4.5 From 2019/20, Government made provision to allow Councils local discretion to implement 100% empty property premium charge after 12 months, increasing to 200% after 24 months and 300% after 36 months; the previous rate being a 50% premium charged on properties still empty after 24 months. The updated CTB for 2020/21 reflects the council's continued implementation of the above property premium rates; anticipated to generate approximately £170k additional income in 2020/21.

Council Tax Referendum Principles

2.4.6 Government's Council tax referendum principles are set out in the 2020/21 provisional finance settlement, and allow for a 2% council tax uplift. Council updated budget plans reflect a proposed 1.99% Council Tax uplift in 2020/21 (excluding precepts); equivalent to £3.6m additional funding. It is assumed at this stage that Government Council tax referendum principles will remain at 2% from 2021/22 onwards, and that the Council tax uplift would therefore also be 1.99% in these years.

2.4.7 In addition to allowable council tax uplifts within Government's referendum principles, Government have also granted Councils with Social Care responsibilities local discretion to uplift Council tax in 2020/21 up to a maximum of a further 2%. Council updated budget plans reflect this maximum allowable uplift of 2% for Adult Social Care (ASC) precept, equivalent to additional income of £3.6m, to be used entirely to fund additional adult social care pressures.

2.4.8 Taking into account both the basic council tax uplift and the ASC precept, the total council tax increase for 2020/21 will be 3.99%. It is assumed in the updated budget plans that the ASC precept will be in place for one year only, and will not continue after 2020/21. Therefore the total council tax uplift for subsequent years is 1.99% only. To put the proposed 3.99% overall Council tax uplift into context, this equates to an equivalent £0.77 per week band A uplift, and £1.16 per week band D uplift.

2.4.9 Charges to the general fund each year from the Council (the billing authority) for council tax and business rates, and to the major precepting authorities (Fire & Rescue Authority, Office of Police & Crime Commissioner) are based on estimates of CTB. Actual income collected year on year will vary. These timing differences result in actual surpluses or deficits which are rolled forward year on year through the collection fund, and 'settled' over following years, through relevant payment adjustments to the general fund/major precepting authorities.

2.4.10 Due to timing issues set out at paragraph 2.4.9 above, there is an overall planned repayment of £3.4m from the collection fund to the general fund in 2020/21; £3,377k from Business Rates and £58k in relation to Council Tax.

2.5 Un-ringfenced grants

2.5.1 While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. Budgets for 2020/21 include annual allocations set out in the provisional local government finance settlement, with those not yet announced reflecting existing budget plans. These are set out in more detail at Appendix B.

2.5.2 The main funding change in 2020/21 relates to Business Rates (Section 31) grants, with an anticipated reduction of approximately £1.5m in relation to the adoption of a 50% retention scheme (see also para 2.3.6 earlier). Conversely, the business rate relief multiplier compensation grant is likely to increase from previous estimates because of the widening of the gap between RPI and CPI. Final allocations will be derived from the Council's NNDR1 return, due to be completed by the end of January 2020.

2.5.3 The New Homes Bonus (NHB) Grant allocation for 2020/21 has been confirmed, based on updated national net housing growth data used by Government to calculate individual Council grant allocations. The £3.4m 2020/21 NHB grant allocation is approximately £0.4m lower than anticipated; in the main due to the overall cost of the scheme exceeding the £900m national allocation, leaving no surplus to redistribute.

2.5.4 It should be noted that the new amounts earned in 2020/21 (Year 10 of the scheme) will only attract a NHB reward for one year (2020/21). In the following year, rewards will only be paid in respect of years 8 and 9, and in year 2022/23 only for year 9, so NHB will effectively end by 2023/24. The government has made it very clear that going forwards it wants to replace NHB with something that is more "targeted". It is assumed at this stage that any replacement would distribute an equivalent quantum of funding to Kirklees, whether through an incentive scheme or by redistribution on a basis of need. Illustratively therefore, future year's NHB assumptions remain at the 2020/21 level.

2.5.5 Elsewhere, Housing and Council Tax Administration Grant allocations are forecast to reduce year on year by about £150k. This reflects the assumed pace of Universal Credit rollout in the District over the next three years, and consequential impact on reduced grant required due to decreasing volumes of Housing Benefit directly administered by the Council over the period.

2.6 Schools Funding (Dedicated Schools Grant or DSG)

2.6.1 SR2019 headline national funding allocations for schools stated that school spending would increase over 3 years by £7.1 billion. The national funding allocation specifically for 2020/21 totalled £2.6 billion. This overall figure for 2020/21 includes an additional national allocation of £700m to support children with special educational needs, and a further national £400m uplift for Further Education Colleges.

2.6.2 The headline funding allocations set out in SR2019 for the following 2 years were £2.2 billion in 2021/22 and £2.3 billion in 2022/23, albeit the breakdown of funding across the categories of education spend are not likely to be confirmed before the next spending round (SR2020).

2.6.3 SR2019 announced that for 2020/21, the funding floor would be set at a minimum increase of 1.84% per pupil in comparison to 2019/20 individual school funding levels per pupil, to protect per pupil allocations for all schools in real terms. Subsequent to this, the 2020/21 provisional financial settlement announcement confirmed the detail of schools funding arrangements for 2020/21, which are broadly in line with headline SR2019 headline figures. Kirklees schools funding arrangements for 2020/21 were reported to Cabinet on 14 January 2020. The link to this report is shown below:

Cabinet 14 January 2020 (Item 10)

2.6.4 Kirklees' Schools Block funding allocation for 2020/21 is £303.8m; an uplift of 2.88% overall compared to £295.3m in 2019/20. This includes growth for additional pupil numbers at £1.6m (compared to £1.8m the previous year). The High Needs block for 2020/21 is £43.2m; an uplift of 16.49% compared to £37.1m in 2019/20. The Early Years block for 2020/21 is £28.6m; an uplift of 1.96% compared to £28.1m in 2019/20. The Central School Services block is £2.2m; a reduction of 3.6% compared to £2.3m in 2019/20. The overall Dedicated Schools Grant funding allocation for 2020/21 is £377.8m; an overall uplift of 4.1% compared to £362.7m in 2019/20.

High Needs Funding Pressures

2.6.5 The National Fair Funding (NFF) regime was implemented by Government from 2018/19. The High Needs block under the new NFF acknowledges the level of previous under-funding, and Government intention was to increase Kirklees' annual allocation by £7m in comparison to the 2017/18 baseline. Due to transitional arrangements, this was to be phased over a 7 year period, at about £1m per annum. This phasing was reflected in existing budget plans.

2.6.6 The Council has reported extensively on the fact that since the 2014 Children and Families Act was implemented, there has already been a 44% rise in the number of Education Health & Care Plans (EHCP's) within Kirklees in the last four years (2015 to 2019; 47% nationally). The rising demand and cost pressures show no sign of slowing down, with continued growth of EHCP numbers expected in future years (over 10% in each of the last three years nationally).

2.6.7 The National Audit Office (NAO) scrutinises public spending for Parliament. NAO's public audit perspective helps Parliament hold government to account and improve public services. In September 2019, the NAO published a Report titled 'Support for pupils with special educational needs and disabilities in England'. The relevant web link to this report is included below:

https://www.nao.org.uk/report/support-for-pupils-with-special-educational-needs-and-disabilities/

2.6.8 The NAO Report's conclusions included the following:

"The system for supporting pupils with SEND is not, on current trends, financially sustainable. Many local authorities are failing to live within their high-needs budgets and meet the demand for support. Pressures – such as incentives for mainstream schools to be less inclusive, increased demand for special school places, growing use of independent schools and reductions in per-pupil funding – are making the system less, rather than more, sustainable. The Department needs to act urgently to secure the improvements in quality and sustainability that are needed to achieve value for money."

2.6.9 As reported extensively over the past 2 years, for Kirklees, there is a significant and increasing funding pressure against the High Needs block of the Dedicated Schools Grant; to the extent that the Council's general fund has supported unfunded DSG pressures at £4.4m in 2017/18 and £8m in 2018/19. However, this is considered unsustainable going forward, with further demand and cost pressures anticipated in future years, adding between £1.5m to £2m spend pressures per annum.

2.6.10 Government has acknowledged the extent of current and growing spend pressures on high needs through the SR2019 announcement which included £700m additional funding for high needs in 2020/21 (see also para 2.6.4 earlier); subsequently confirmed through the provisional 2020/21 financial settlement. This Council's share is £6.1m in 2020/21. This includes the minimum £1m annual uplift for Kirklees as part of transitional arrangements to mitigate the £7m baseline 2018/19 under-funding (see also para 2.6.1 above).

2.6.11 At the same time as the SR2019 announcement, the Department for Education (DfE) launched a formal consultation covering the requirements upon local authorities when the DSG is in deficit. The proposed changes state Government's intention that DSG deficits should not be covered in future from general fund resources but that over time they should be recovered from DSG income.

2.6.12 The DfE consultation proposals state that the local authority must carry forward the whole of any DSG overspend to the schools budget in future years. The change to the conditions would take effect from the end of the current financial year. Existing budget plans had previously made provision for use of £5m Minimum Revenue Provision (MRP) flexibility in-year, 2019/20, as a general fund contribution, to at least part offset the forecast 2019/20 High Needs overspend, and further MRP flexibility set asides of £4m in 2020/21 and £3m in 2021/22.

2.6.13 The DfE consultation does however provide for a mechanism by which the Council could, by exception, apply to the Secretary of State for permission to use General Fund monies to fund the deficit. The details around such exceptions are vague in terms of the specific circumstances in which it would be allowed.

2.6.14 The consultation also sets out proposals for reporting on any DSG deficits rolled forward on Council balance sheets; effectively to be included as part of the overall reported reserves position. This proposal is based on concurrent consultation with CIPFA to enable the relevant Accounting Code change to enable this to happen. For the purposes of this report, an illustrative forecast DSG deficit position is included within the overall medium term forecast Council Reserves position (see also, para 2.17.3 of this report, and Appendix B). The added significance here is the impact of rolled forward DSG deficits on the assessed overall financial resilience judgement of the Council (see also, para 2.17.15 of this report).

2.6.15 There is a current year (2019/20) forecast £11.2m high needs spend pressure that, as per the current DfE consultation, would roll forward into 2020/21, and a structural 'in-year' deficit anticipated of about £5m in 2020/21, net of the additional £6.1m annual funding for 2020/21. The forecast DSG 'deficit' at the end of 2020/21 is anticipated to be in excess of £16m.

2.6.16 Had Government uplifted Kirklees High Needs funding fully by the £7m it had assessed Kirklees was entitled following its NFF review, from 2018/19, this would have been sufficient to manage high need spend pressures over the period, and to the extent that the £16m forecast DSG deficit above, would not have happened.

2.6.17 At the time of writing this report, the outcome of this DfE consultation has yet to be announced. It is assumed for the purposes of this report that the DfE proposals will be implemented as set out above.

2.6.18 Elsewhere in this report, there are separate proposals for the establishment of a specific demand reserve (see also Section 2.17), which involves utilisation of the 2019/20 MRP £5m, and future year MRP set asides of £4m over the following 2 years, that would previously have been used to at least part offset in-year High needs spend pressures.

2.6.19 High Needs remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update current and future year forecasts from 2020/21 onwards, informed by local and national intelligence. It is anticipated that medium term growth pressures may be mitigated at least in part through other measures, with the Council currently working on the implementation of a ten point action plan with key education partners across the district.

2.6.20 Medium term, existing capital budget plans over the next 5 years already include £25m to support increased District high needs specialist placement sufficiency. However, as noted from the NAO Report at paragraph 2.6.7 earlier, the most significant factor in being able to close the structural DSG high needs deficit over the medium to longer term, is a sustainable national Government funding solution beyond 2020/21.

2.7 Adult Social Care Funding

2.7.1 Existing budget plans assumed that a number of current specific adult social care grants would roll into 2020/21 baseline. These include existing specific grants for winter pressures at £1.9m and the Improved Better Care Fund (iBCF) totalling £15.4m. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £17.2m. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements

2.7.2 The Provisional Local Government Finance Settlement has confirmed that all existing Social Care specific grants, including BCF, will roll into 2020/21 baselines. One of the specific adult social care grant allocations, at £1.2m, had been announced late in 2018/19, and had not been anticipated in existing budget plans. Updated baseline spending plans also now reflect continuation of the £1.2m into 2020/21, alongside other pre-existing specific grants referred to in para 2.7.1 above.

2.7.3 Also confirmed in the 2020/21 Provisional Local Government Finance Settlement was the overall national increase in social care funding by £1.5bn in 2020/21, announced in SR2019 as funding to 'stabilise the system'; described by the Chancellor as a down payment for more extensive reforms to 'fix' adult social care in the autumn through the delayed release of the Adult funding green paper.

2.7.4 Of this, £1 billion funding will be allocated to Councils as a specific Social Care grant in 2020/21, which Councils have discretion to allocate either to Children's or Adults Social Care. This will be distributed using the Adults Social Care relative needs formulae, with Kirklees' share being £7.8m.

2.7.5 Existing budget plans already assume £3.6m additional Adult Social Care grant in 2020/21. Therefore, of the anticipated £7.8m above, about £4.2m represents unbudgeted funding growth, which has been factored into updated baseline funding assumptions for 2020/21.

2.7.6 Existing budget plans also assumed further additional Adult Social Care grant funding of £3.6m in both 2021/22 and 2022/23. At this stage, this assumption remains unchanged, pending future clarification from SR2020 and the pending adult social care funding green paper.

2.7.7 As noted earlier in this report at paragraph 2.4.7, SR2019 includes provision for Councils with Social Care responsibilities to raise up to £500m further Adult Social Care funding through an Adult Social Care precept upto 2%. The additional 2% has been assumed in updated baseline funding forecasts for 2020/21 compared to existing budget plans; resulting in an estimated funding impact of £3.6m.

2.7.8 The significance of the additional SR2019 Social Care funding announcements for 2020/21 is that they effectively reduce the predicted gap for Councils like Kirklees, between multi-year spending plans which already factor in significant Social Care demand pressures over the medium term, and overall Council funding availability to support these spending plans.

2.8 Key revenue spending assumptions 2020-23

Current year financial performance - 2019/20

2.8.1 Organisational intelligence informing 2020/21 budget plans includes consideration of current year financial performance. The most recent quarter 2 financial monitoring report was presented to Cabinet on 3 December 2019. The link to this report is shown below.

Agenda for Cabinet on Tuesday 3rd December 2019, 4.00 pm | Kirklees Council (Item 7)

2.8.2 Quarter 2 monitoring indicated significant overall progress towards the delivery of £10.9m net savings requirement in-year. Forecast planned savings were projected to be £7.2m; equivalent to 66% delivery. Elsewhere, there were net underspends of £2.8m, culminating in an overall forecast overspend of £0.9m; equivalent to 0.3% against a revised budget of £291.5m.

2.8.3 Within the overall forecast position, there were some significant underlying current pressures and risks subsequently considered in formulating updated budget plans for 2020-23; in particular in relation to a then unbudgeted pressure of £9.9m in relation to high needs pressures, before an assumed MRP flexibility general fund offset of £5m.

2.8.4 The Council's Collection Fund was also forecast to have an overall surplus of £2.9m by current year end. Updated budget plans include a further re-payment of £0.5m to the general fund in 2020/21 over and above the £2.9m identified at quarter 2. This reflects an additional reduction in business rates appeals provision requirement based on an assessment of the most current appeals data from the Valuation Office. The updated Collection Fund forecast is summarised at Appendix B.

2.8.5 Subsequent to Quarter 2 monitoring, the most up to date in-year monthly monitoring projections (month 8) now forecasts a year end general fund overspend of just £0.5m, and that the Council will be in a balanced budget position by year end. The high needs unbudgeted pressure forecast has also been amended to £11.2m.

2.8.6 Month 8 monitoring also includes a current estimate of year end reserves, forecast at approximately £95.5m (excluding statutory schools reserves and public health reserves). The Reserves section later in this report (Section 2.17) considers Council reserves strategy in more detail, including further proposals to increase Council general fund reserves over the medium term for specific earmarked purposes.

2.8.7 The following sections set out in more detail, updated spend assumptions across Strategic Director Portfolios which have informed updated budget plans.

Strategic Director Portfolios – Service Improvement

2.9 Children's Services

2.9.1 The latest OFSTED judgement for Kirklees Council Children's Services was published on 5 August 2019, and represented a significant milestone for the Council's ongoing Children's Improvement Journey, following the previous 2016 Inspection that had rated the service inadequate.

2.9.2 The OFSTED judgement notes that there have been significant and sustainable improvements made across the Service, and gives much greater assurance that our most vulnerable Children in the District are appropriately safeguarded, with much greater prospects for improved life chances. The judgement also sets out a number of further improvements that if the service can sustainably deliver, could further develop the service offer from Requires Improvement, to Good and Outstanding.

2.9.3 The above progress also acknowledges the level of sustained revenue investment into the service through successive recent budget rounds.

2.9.4 Alongside the above, there is continued acknowledgement of growing pressures on High Needs as reported extensively earlier in this report at Section 2.6, as well as raised corporate parent expectations for support for Care Leavers up to the age of 25, and managing potential future demand pressures and associated increased costs of care.

2.9.5 There are also emerging challenges and risks which the service, wider Council and Partner organisations must continue to respond to in a timely and effective manner, such as gangs, knife crime, Child Sex Exploitation, and youth service sufficiency.

2.9.6 Given the above challenges and risks faced by the service, as well as further service improvements identified from the latest OFSTED inspection, a high level review has been undertaken of current spending plans on a risk based approach, and a number of key areas identified where existing planned savings over the 2020 to 2022 period are no longer appropriate.

2.9.7 Updated spending control totals have identified a number of planned saving reversals in light of the above. This includes reversing further Assessment and Care management savings of £260k in 2020/21, and a further £260k savings in 2021/22 (cumulative £520k savings reversal over 2 years). Planned reductions in legal disbursements have also been removed at £100k in 2020/21, rising to £200k in 2021/22 and £300k in 2022/23.

2.10 Adults & Health

2.10.1 Existing budget plans include additional base budget resources of about £9m per annum over the 2020 to 2023 period for volume/complexity of need pressures, and provider cost pressures; the latter relating to social care external provider costs impacted on by an assumed continuation of annual national living wage uplifts. A review of these resources has been undertaken using updated NLW rates for 2020/21, reflecting an uplift from £8.21 to £8.72 (6.2%), which is a significant uplift for 2020/21 with a further budget requirement of £1.2m added into base for 2020/21.This rises to £4.0m in 2021/22 and £5.9m in 2022/23 based on assumptions that NLW will increase to £10.50 by 2024/25.

2.10.2 Alongside the above, the service is continuing to work with local providers, in acknowledgement of the increasingly fragile adult social care provider market. This includes immediate in-year measures to increase the homecare rate to secure supply in the local market; forthcoming proposals and financial impacts to be reported to Cabinet for consideration in due course. The full year impact of these measures are estimated to be about £0.9m, and this has been factored into updated baseline spend controls totals.

2.10.3 There has also been a review of existing staffing levels in the Council's four older people's homes, acknowledging the increasing complexity of client care needs in these establishments. Alongside this, there has been a risk assessment of the sustainability of further social work staff planned savings, in light of emerging service demands and the requirement to ensure standards remain fully compliant with strengthened Care & Quality Commission regulatory standards.

2.10.4 The outcome of the above review has been to reverse further planned assessment and care management savings of £500k from 2020/21, and a further re-basing of existing in-house provision budgets (residential) by a further £1.4m.

2.10.5 Elsewhere, existing Customer Service savings of £100k have been reversed, alongside Older People day care service savings of £70k in 2020/21 rising to £170k in 2021/22. There has also been service investment of £250k for Mental Health Services for enhanced management arrangements.

2.11 Economy & Infrastructure

2.11.1 The Economy & Infrastructure Portfolio supports a number of key Council ambitions and priorities around Town Centre regeneration and vibrancy, Waste and Highways modernisation, Capital programme and delivery, Major Scheme delivery, Business Support and Inward investment, and Housing priorities.

2.11.2 Existing budget plans approved last year included a range of additional and sustainable revenue investment of just over £1m, including additional ward funding for Place based activity, organisational compliance capacity requirements, and additional technical and officer project capacity.

2.11.3 Alongside this, £5.4m was also made available within existing earmarked revenue reserves to address the likely scale of development costs required to support regeneration, capital investment and other major project activity over the 2019 to 2024 period.

2.11.4 The Council's current Private Finance Initiative (PFI) Waste Contract ends in 2022/23, and work is ongoing to review options for 2023/24 onwards. It is anticipated that there will be an overall increase in costs from current, as well as significant future capital investment in waste management of up to £33m; the latter already reflected in existing Council capital plans.

2.11.5 Existing budget plans acknowledge the infrastructure impact of increased housing supply over time across the district, with an initial £350k uplift in 2019/20, and further incremental uplifts of £250k over following years.

2.11.6 There has also been a review of current budgeted income targets for markets. These have been re-based to income levels that more realistically reflect current levels of actual income. Alongside this is the cumulative short to medium term impact of ongoing Town Centre Regeneration. This has resulted in a baseline budgeted income adjustment of £600k for Parking and £500k for Markets. Planned further savings in Schools Meals budgets have also been reversed totalling £110k by 2022/23, in light of ongoing inflationary cost pressures.

2.12 Corporate Services

2.12.1 In line with the peer challenge report, additional base budget funding has been added in to redress the impact of austerity on the ability of the organisation to deliver its ambition; £2.5m in total. This includes £0.9m new investment across a range of 'corporate support' activity. Alongside this investment there has also been the reversal of £1.36m existing Technology savings, £121k legal savings and £100k HD-One savings. These adjustments reflect the assessed needs of the wider organisation and corporate enabling capacity to support these needs going forward.

2.12.2 The existing commissioning brief and Partnering Agreement between the Council and Kirklees Active Leisure (KAL) is currently being reviewed and aligned to Council ambitions and outcomes focus, and relationship managed through Public Health. As part of this review, there is a recognition that an outcomes focused commission also requires a financially sustainable Partner.

2.12.3 Council subsidy levels to KAL have reduced markedly over a number of years, from just under £4m in 2009/10; equivalent to 35% of KAL turnover of about £11m, to just under £1m by 2019/20; equivalent to just 7% of KAL turnover of just under £16m. Council officers have been working closely with KAL to ensure that the Council's ongoing funding contribution makes due recognition of KAL's statutory pay commitments going forward, with an anticipated uplift in the current Council contribution by £300k in 2020/21, rising to £500k by 2022/23. Existing planned savings of £150k in 2021/22 in Council contribution to KAL has also been risk assessed and reversed.

2.12.4 A further £1m base revenue budget has been added into corporate budgets for the transformation team from 2020/21. This does not reflect a change in spend, but instead represents a shift in the way the team is funded; having previously been funded via the Council's flexible capital receipts strategy.

2.12.5 Reducing revenue capitalisation commitments against the £3m annual capital receipts previously set aside to support 'allowable' revenue capitalisation, mean that capital receipts can be more effectively deployed from 2020/21 onwards, against emerging capital priorities. Government had previously allowed for a revenue capitalisation flexibility only up to the end of 2020/21 against qualifying revenue expenditure, and at the time of writing this report, there is no indication that Government will extend this flexibility beyond 2020/21.

ADMINISTRATION PRIORITIES

2.13 Outstanding Children's Services

2.13.1 The Administration is committed to building on the OFSTED judgement summarised earlier at paras 2.9.1 to 2.9.2, to becoming a Good, and then Outstanding Children's service. Following a review of existing demand led savings targets, officers have identified that additional savings of £1m are achievable within Child Protection and Family Support in 2020/21, increasing by a further £100k in 2021/22 to 2021/22, and then applying about £0.6m of this cumulative saving to anticipated future year demand pressures in 2022/23.

2.13.2 Updated budget plans assume that the additional savings identified above can be re-invested in key service developments across the period of the MTFP that support the Administrations' priorities for the service. These include budgets for developing foster carer support (Mockingbird) at £170k per annum over two years, and investment into Multi Systemic Therapy (MST) for those children in the Council's care system at £823k; funded in part by £400k per annum minimum external funding secured over the next 2 years.

2.13.3 The additional savings will be used to re-invest back into service in order to appoint key advanced practitioner posts crucial in achieving an outstanding offset rating and strengthening the service offer over the next 3 years; £484k per annum additional investment by 2022/23.

2.13.4 There are also plans for further investment into key intervention and prevention activity into Youth Services at £600k per annum, and improving provision to tackle anti-social behaviour, gang and knife crime. There is also an ongoing Council funding commitment to the District wide Healthy Holidays Programme through mainstreaming the Council's contribution at £225k per annum; co-ordinated through Kirklees Youth Alliance; funded through a combination of stronger families reserve funding and anticipated further income from other external bids.

2.13.5 Budget proposals also include £400k per annum to mainstream and enhance domestic abuse services, including perpetrator programmes; also acknowledging that 70% of all child protection cases have a factor of domestic abuse.

2.13.6 Provision has also been made for free digital autopsies for those families who have children 18 years and under that pass away, at £50k per annum from 2020/21.

2.13.7 Administration priorities also reflect priority investment in Early Learning Support and Education Support to Vulnerable Children. This includes reversal of previously planned savings against this activity totalling £250k in 2020/21, along with planned savings across Schools Organisation at £151k and Statutory Responsibilities at £250k in 2020/21. There is also planned investment of £206k per annum for Virtual Schools, in light of current demands on this activity which is a statutorily provided service that promotes better educational attainment for looked after children.

2.14 Tackling Climate Change

2.14.1 To support the Council's medium term spending plans and transformation to a modern Waste Service, as part of last year's approved plans, £11m had been set aside within existing earmarked revenue reserves to support both short and medium term investment requirements and Council base budget transition to a modernised service offer for Kirklees residents.

2.14.2 Updated budget proposals include an immediate revenue base budget uplift of £2m in 2020/21 to create the conditions for people to reduce waste, matched by an equivalent drawdown in Waste reserves to support a number of early investment initiatives, including re-cycling investment. Updated year 2 and 3 modelled assumptions reflect further phased investment of £1m per annum; partly offset by further Waste Reserve drawdowns of £2m each year in 2021/22 and 2022/23. Officers will continue to work with members on emerging Waste Management service investment requirements over the medium term, acknowledging that there is likely to be further re-profiling of spend requirements over time, in line with the further development of the Council's Waste Management Strategy.

2.14.3 A review has also been undertaken with regard to current and forecast spending requirement across Schools Transport relative to current budgetary provision. This was also reported as part of Quarter 2 financial monitoring 2019/20. In total, £1.1m has been added in to base budget for 2020/21 to address this structural budget shortfall. It is intended that officers conduct a more wide-ranging strategic review of schools transport across the District, which will also be informed by the emerging Climate Change agenda. This will include a review of previous proposals to move to a single borough wide school transport policy, and a commitment to work with local ward members in those areas where particular accessibility issues exist.

2.14.4 There has also been a strategic review of Parking income targets for parking, both in light of the emerging impact of ongoing Town Centre Regeneration, and broader Climate Change Emergency considerations. This has resulted in a baseline budgeted income adjustment of £600k for Parking.

2.14.5 A new revenue Reserve will be set up; Place Partnership Theme, £2m at the start of 2020/21 (see also para 2.17.2). Recognising the impact travel has on the environment, the £2m in-year allocation is across the District for Place lead members to work with ward councillors, schools and local communities on initiatives to encourage walking, cycling or alternatives to cars.

2.14.6 It is also intended to use £750k investment in a tree planting programme, working with children and young people, funded from existing earmarked strategic support and investment reserve. This is alongside exploration of strategic activity to support greening, including opportunities for externally funded partnership initiatives.

2.14.7 A report was presented to Council on 13 November 2019, titled Kirklees Climate Emergency Declaration and the Kirklees Air Quality and 5 year Air Quality Action Plan. The link to this report is shown below:

[Agenda for Council on Wednesday 13th November 2019, 5.30 pm | Kirklees Council (Item 8)]

2.14.8 The proposals set out in this report include a number of capital specific green initiatives that are included in the re-freshed Council multi-year capital plans, with an immediate investment of £2.4m into electric Council fleet and infrastructure, and incentives to be developed to encourage residents and businesses to change. A further £14.6m investment has been identified for Huddersfield heat network (see also paras 2.20.22 & 23).

2.15 Investing in our places

2.15.1 Budget proposals include a further £500k for Place Infrastructure capacity in 2020/21, increasing to £1m in 2021/22 and £1.5m per annum by 2022/23. This reflects the anticipated level of additionality requirement over future years to facilitate implementation of place plans. The above investment will be held short term within Council central budgets and released in line with emerging plans. This will help focus on local priorities such as dealing with 'grot spots', tidying streets and other local initiatives. This is in addition to the £350k allocated in 2019/20 and further £750k over the next 3 years in existing plans.

2.15.2 As part of the Place based agenda, officers are currently reviewing a range of fees and charges where they potentially inadvertently impact on 3rd sector Partnership working and capacity. Base budget provision of £300k has been set aside within income contingency inflation from 2020/21, to potentially offer more targeted and differential fees and charges where it is perceived to have a beneficial impact on 3rd sector sustainability and capacity building.

2.15.3 Within existing reserves, £1m has also been identified (within property related and other loans), as a potential set aside to underwrite a range of support (loans and/or grant) to 3rd sector anchor organisations, who may be considered key partners from a strategic commissioning perspective, but who may be at risk in terms of short term structural financial sustainability. Officers are continuing to work up a potential scheme with the intention to report back to Cabinet at a future date with a more detailed support 'offer'.

2.15.4 A review has also been undertaken of existing library capacity, and effectively current year (2019/20) savings have been reversed, at £370k, to ensure adequate Council resources to maintain the existing Library offer, and recognising the excellent contribution of local volunteers into the District's libraries.

2.15.5 In order to create the conditions for success, additional officer capacity is to be provided to support elected members in their ward member roles at £300k per annum from 2020/21 onwards. .

2.15.6 Officers are currently undertaking a review of the Council's asset base, including an external commission to support the development of a fit for purpose corporate asset strategy that is shaped by the Council's key ambitions, priorities and direction of travel. As part of this ongoing review, existing corporate landlord savings on operational buildings have been reversed at £300k per annum, in acknowledgement of ongoing increased operational asset investment requirements.

2.15.7 In conjunction with the above, the Council's multi-year capital plans have also been re-freshed. Existing approved plans already reflected significant recent investment to support major town centre regeneration. Further significant capital investment has been added into updated capital plan proposals; which includes a further £68m investment for Major Town centre action plans for Huddersfield and Dewsbury.

2.15.8 In addition to the current highway funding into A&B roads, there is also an immmediate investment of £15m into the unclassified road network across the District, and a further £10m for regeneration and greening of smaller towns and villages. These are also set out in in the capital sections of this report (section 2.20 and at Appendix A).

2.16 Central budgets

2.16.1 While the Council has delivered in excess of £200m revenue savings since 2010, officers acknowledge that in the context of a £300m net revenue budget organisation, the identification of specific efficiency savings equivalent to 1.5% of net revenue budget by new year 3 (2022/23) when taken cumulatively, is considered achievable in the context of striving to be an efficient and effective organisation. The Council's senior management team (Executive Team) will lead on the development of an organisation wide efficiency programme, and report quarterly on progress against the delivery of target efficiencies, through established quarterly financial monitoring processes.

2.16.2 Contingency inflation assumptions have been updated to reflect assumed pay awards of 2% for the duration of the MTFP. Provision for the anticipated uplifts of the National Living Wage (NLW) to £10.50 by 2024/25 as announced by the Chancellor at the Conservative Party Conference in September 2019, have been factored into social care provider contract budget uplifts over the next 3 years.

2.16.3 Elsewhere, price inflation is zero over existing 2019-22 budget plans. Updated budget forecasts include a continuation of this assumption, with Strategic Director portfolios continuing to operate within cash limit budgets over the 2020-23 period. The only exceptions relate to energy, waste contract and food inflation.

2.16.4 Income inflation is broadly assumed at 2% per annum, other than acknowledgement of ongoing pressures on car parking and markets income, which will continue to have zero inflation. There is also an income contingency offset at £300k, which relates to an officer review of fees and charges in relation 3rd Sector capacity (see also para 2.15.4 earlier).

2.16.5 A tri-ennial actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF) has been undertaken for the 2020-2023 period. Updated budget plans reflect the outcome of this review, with a 0.2% decrease in employer contributions over the 2020-23 period, from 16.1% to 15.9%; equivalent to a £1.9m reduction from existing budget plans which had assumed a 1% increase from 2020/21 onwards, to 17.1%. The marginal decrease from current rates largely reflects current WYPF fund investment performance. However, should there be a significant change in WYPF fund projections, the current contribution rates could be reviewed further prior to the next tri-ennial review in 2023.

2.16.6 The Council's contribution to the West Yorkshire Combined Authority (WYCA) has reduced by £0.2m in 2020/21 compared to existing budget plans, and reflects WYCA's commitment to passport a range of efficiency savings over the period, through reduced levy contribution requirements.

Treasury Management

2.16.7 Updated Treasury management budgets assume an uplift in bank of England base rate to 1.25%, in 2020/21 increasing to 1.5% in 2021/22 and 1.75% in 2022/23.

2.16.8 Treasury management budgets also take account of updated capital plan borrowing requirements, and associated annual revenue resources to be set aside to service Council debt. A 40% slippage factor has also been applied to borrowing specifically on strategic priority schemes over the updated 2020-25 capital plan. This is considered a reasonable assumption, given the nature and scale of strategic priority investment, and potential range of factors that can cause such programmes/schemes to slip over such a protracted timeline.

2.16.9 A key prudential indicator set out in the Capital Strategy attached at Appendix F shows the Council's forecast annual debt costs as a proportion of annual net revenue funding over the 2020-25 period. The forecast indicator is anticipated to be 8.4% by 2025 (including PFI).

2.16.10 To put this into context, the equivalent Council indicator in 2014 was 12.9% and by 2028, the forecast indicator would be 9.9%. The 2020-23 Treasury Management budget set out in this report indicates a net increase in revenue resource requirement of £1.5m to support the additional borrowing over the next 3 years. Longer term, this is expected to increase further by about £1m per year, to 2029.

Minimum Revenue Provision (MRP)

2.16.11 Existing Treasury Management budgets reflect changes to the Council's treasury management policy relating to minimum revenue provision (annual revenue resources set aside for repayment of debt, also known as MRP), implemented from 2017/18 onwards. This reduced ongoing MRP over the 2017 to 2027 period, effectively 'releasing' £9.1m annual base budget, intended to support organisational flexibility and financial resilience over the medium to longer term.

2.16.12 A revision to this re-profiling was approved at Budget Council on 13 February 2019 that increased the unwinding for 2018/19 and 2019/20 to the maximum allowable level of £13.5m. The impact of the additional unwind was transferred to revenue reserves in both years.

2.16.13 Existing budget plans reflect the release of MRP 'flexibility' to help offset service spend relating to High Needs spend pressures. As noted in Section 2.6 earlier in this report, new DfE guidelines state that the general fund can no longer be used to cover DSG deficit, but that over time these deficits should instead be covered by DSG income. The MRP release originally intended to offset High Needs pressures will instead be re-directed to a demand reserve, from 2019/20 onwards. For 2019/20 this will be £5m, reducing to £4m per annum over the following 3 years. This will be subject to ongoing review and is intended to support the Council's continued overall financial resilience in the face of a range of continuing demand risks.

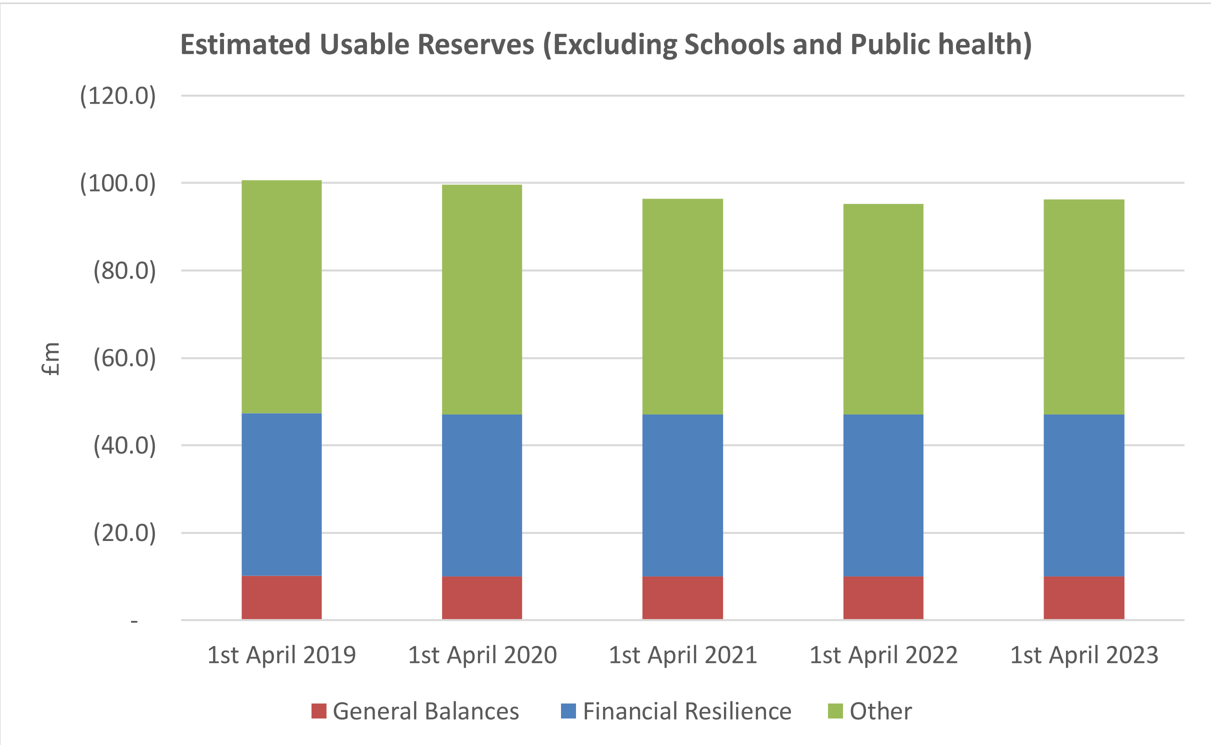
2.16.14 A further £1m MRP base budget 'flexibility' in 2020/21 will be transferred to a Place Partnership Theme reserve; (see also, para 2.17.2 below). A further £1m will be added to this reserve at the start of the year, re-directed from the existing Strategic Investment & Support Reserve, giving an opening balance of £2m on 1st April 2020.

2.16.15 Of the remaining £4.1m MRP, £3.6m will be released to enable a balanced budget to be achieved in 2020/21, with the balance of £0.5 base budget 'flexibility' being held as a central contingency provision, in light of the overall continuing financial challenges and budget risks set out elsewhere in this report.

2.17 General Fund Reserves

2.17.1 A high level forecast of general fund revenue reserves over the 2019-23 period is shown in Graph 1 below. These reserves are set out in more detail at Appendix B ii) together with a summary explanation of each reserve held:

Graph 1 - Forecast usable reserves (including general balances) over the 2019-23 period



** Note Graph 1 also excludes the forecast DSG deficit balance*

2.17.2 The reserves summarised above and in more detail at Appendix Bii) reflect changes made as part of this report to support a range of Council Administration priorities and investments. These include the creation of a Place Partnership Theme reserve at £2m to encourage Place specific local initiatives around themes such as active travel, and greening initiatives, and the drawdown of previously set aside Waste Reserves to fund the transition to a modernised Waste service offer for Kirklees residents.

2.17.3 The updated reserves position includes the new demand reserve, referred to previously in this report, and Appendix Bii) also illustrates the effect of the forecast carry forward of the 2019/20 DSG deficit in full on the balance sheet.

2.17.4 Revised forecast useable reserves (excluding Schools and Public Health) on 1st April 2020 at £99.7m, equates to 33% of the 2020/21 updated net annual revenue budget of £302.3m; equivalent to 17.2 weeks in-year spend. Useable Reserves are forecast to reduce to £96.2m as at 1st April 2023, which equates to 32% or 16.6 weeks spend, based on the same budget figure. This is largely due to set aside earmarked reserves to support key strategic Council developments, including capital plan and broader regeneration delivery, and emerging Waste Management Strategy and transformation.

2.17.5 It should be noted that the indicators above do not include the DSG deficit figures, now held on the balance sheet. If these amounts are included in the calculations, then the ratio of reserves to net revenue budget decreases from 33% to 29% as at 1st April 2020, and from 32% to 21%, as at 1st April 2023.

2.17.6 General balances are effectively unallocated reserves set aside to support day to day working capital requirements. The minimum level of balances was uplifted last year from £5m to £10m which was deemed more appropriate for a Council with an annual net revenue budget requirement of just under £300m.

2.17.7 Under Section 25 of the Local Government Act (2003), in setting annual budgets the statutory s151 officer is required to give positive assurance statements in relation to the robustness of budget estimates and the adequacy of reserves and balances. There is no prescriptive guidance on the latter. Most recent sectoral guidance comes from a joint CIPFA/Local Authority Accounting Panel paper in 2014, which states:

i) when reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves;

ii) authorities should make their own judgements on such matters taking into account all the relevant local circumstances; and

iii) in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

2.17.8 The updated reserves position set out in this section of the report takes into account the above guidance. A further assessment of reserves requirements will be undertaken as part of the 2019/20 final accounts process, and will be reported as part of the financial outturn and rollover report later in 2020.

2.17.9 This Council faces continuing and significant financial challenges and service pressures over the medium term. SR2019 and the subsequent provisional 2020/21 financial settlement has provided significant additional funding in 2020/21. However, the national funding landscape beyond 2020/21 remains uncertain at this stage. There is also potentially increased volatility in terms of impact from a range of risks recorded on the Council's updated corporate risk register (see Appendix E), including the potential impact from the United Kingdom's withdrawal from the European Union.

CIPFA - FINANCIAL RESILIENCE INDEX

2.17.10 The extent of the level of continuing national concern and commentary on the longer term financial sustainability for local government also extended to the sector's professional accounting body, CIPFA, who last year consulted Councils on proposals on a benchmark measure of Councils relative financial resilience. The CIPFA Index was finally released on 19 December 2019. A link to the Index is included below for reference:

https://www.cipfa.org/services/financial-resilience-index/financial-resilience

2.17.11 Appendix C attached includes a snapshot position for Kirklees Council, based largely on 2018/19 statutory financial returns to Government, using the other 35 metropolitan Councils as a basis for comparison. Broadly speaking, across a range of CIPFA indicators, Kirklees relative position benchmarked against other metropolitan authorities is broadly mid-range.

2.17.12 One of the most significant benchmark indicators is the level of Council general fund reserves as a proportion of net revenue budget (excluding public health and schools statutorily ring-fenced reserves). The Kirklees benchmark as shown is 34% as at 31 March 2019 which relatively speaking is in the mid-range of comparator authorities. The Kirklees percentage the previous year was 31%. One of the potential consequences of including the DSG deficit position within the overall reserves position, as noted at para 2.17.5 above, would be a potential reduction in the overall percentage. However, it is not clear to what extent other comparator authorities would also be impacted by potential DSG deficits to understand the overall relative benchmarked impact going forward.

2.17.13 Alongside CIPFA's recent release of its financial resilience index, CIPFA also released in October 2019, a financial management code of practice to guide officers and members in understanding and considering all relevant factors in assessing Council financial resilience, including local as well as national factors.

2.17.14 CIPFA intend that this will be formally implemented at a local level in time for the 2021/22 budget round, and officers intend to undertake a self-assessment review against the code requirements through early 2020/21, to be reported to the Corporate Governance and Audit Committee (CGAC) in due course and any subsequent actions arising subsequently incorporated into the Council's Annual Governance Statement, which is reviewed quarterly through CGAC.

2.17.15 The Council has also set out its ambition to invest, transform and change. Financial resilience reserves are a key element of the Council's budget strategy in terms of Council financial resilience to manage unbudgeted risks and pressures over the 2020 to 2023 period.

2.17.16 The s151 officer recommends that the existing £37m financial resilience reserves are maintained as a minimum at their current level, at least for the next financial year, pending further analysis and clarification of the broader national and local funding, policy and economic landscape.

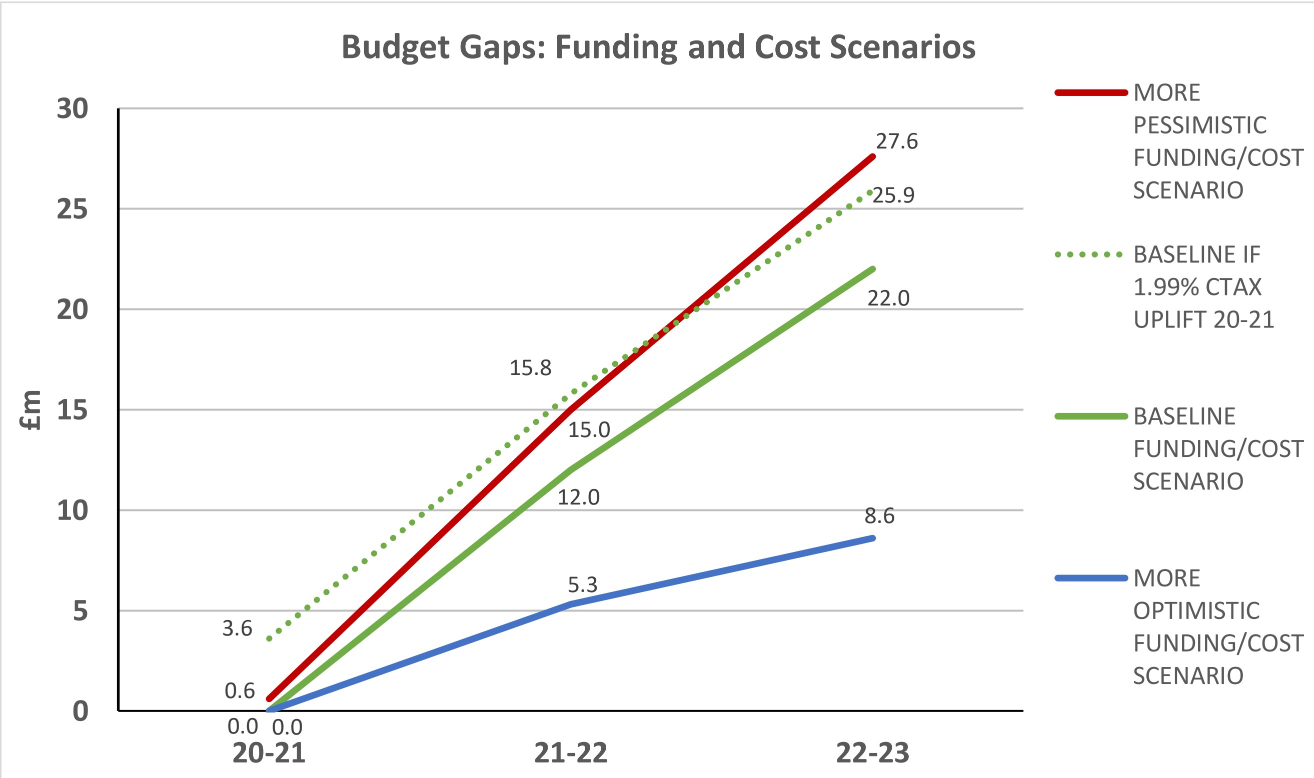
2.17.17 The following section includes some sensitivity analysis regarding updated baseline budget forecasts included in this report. The range of sensitivities reflect marginal changes to a number of key assumptions but show the extent of potential volatility of medium term budget forecasts, and pending Government confirmation on future year funding settlements for local government beyond 2020/21.

2.18 BUDGET FORECASTS – SENSITIVITY ANALYSIS

2.18.1 Included at Appendix D are a range of potential sensitivities on baseline budget assumptions as set out in this report. While these sensitivities are illustrative, and there can be different combinations, in broad terms they represent relatively minor changes to a number of key baseline budget forecast assumptions, and the cumulative impact of these over time.

2.18.2 The impact of these budget forecast sensitivities are summarised in Graph 2 below.

Graph 2 – Budget Forecast Sensitivities



2.18.3 Illustratively here, the forecast budget gap by 2022/23 could be in the actual range £8.6m to £27.6m, and to a large extent this reflects the extent of both Council funding uncertainty post-2020, and the potential impact of the highlighted headline corporate risks, compared to baseline budget forecast assumptions.

2.18.4 Also included in the sensitivity analysis for illustrative purposes is the cumulative impact on current baseline budget gap assumptions over the 2020-23 period, if the Council decided not to uplift council tax by the Adult Social Care Precept element, and instead applied an increase of just 1.99% in 2020/21. The impact of this would be a further £3.6m budget pressure in 2020-21, increasing to £3.9m by year 3.

2.19 Housing Revenue Account (HRA)

2.19.1 The overarching context for the existing multi-year HRA budget plans rolled forward into 2020 to 2023 MTFP update is a sustainable, self-financed 30 year HRA business plan, which delivers the following key objectives:

i) annual servicing of HRA debt
ii) capital improvements and maintenance of all Council housing stock to a minimum decency standard,
iii) delivery of high quality and cost effective housing management and repair service, and
iv) inclusion of funding for a number of HRA strategic capital priorities and scope to consider further investment opportunities

2.19.2 The main driver for the financial sustainability of the HRA is housing rents. Since 2001, these have been calculated based on national Government rent restructuring guidelines, applied locally. As part of Government austerity measures, over the 2016-20 period, housing rents were subject to annual reductions of 1% to alleviate pressures on the national housing benefit bill (about 60% of social housing rents are funded from housing benefit).

2.19.3 Government published a 'Rents for Social Housing from 2020/21' paper in February 2019 which confirmed its intent to allow Councils with HRA's to uplift annual rents over the 2020 to 2025 period by upto CPI (based on the preceding September CPI figure) +1% per annum. Previous Government announcements also included the lifting of HRA borrowing caps set by Government for individual Councils with HRA's under self-financing; effective from 29 October 2018.

2.19.4 Updated HRA budget proposals are summarised at Appendix A. They reflect a Cabinet approved uplift to social housing rents by CPI+1%; effectively 2.7% as per Government guidelines, from 6 April 2020, and similar indicative uplifts have been assumed in the MTFP for the following 2 years. The link to the annual HRA rent and service setting report for 2020/21 is shown below for reference :

Cabinet 14 January 2020 (Item 13)

2.19.5 Other assumptions include Right to Buys over the 2020 to 2023 period continuing at about 170 per annum based on current trends, void level targets of 1.1%, and gradual annual uplifts in rent and service charge bad debt provision requirement from 2.1% current year, to 2.5% by 2022/23.

2.19.6 The gradual uplift takes account of predicted rollout of universal credit, which includes housing benefit, and the adverse impact of direct payments to an increasing number of tenants in terms of timing of payments, consequential impact on household income and ability to pay backdated rents, and HRA bad debt provision requirement.

2.19.7 HRA revenue reserves commitments include a set aside of £4m for business risks; in particular, with regard to proposed welfare reform changes. The balance of commitments includes £1.5m working balance, and the planned build up (sinking fund) of reserves to support longer term HRA business plan capital investment requirements.

2.19.8 The Council, working in partnership with KNH, jointly and regularly reviews and updates the HRA 30 year business plan with the aim to produce a self-financed and balanced budget position over the 30 year plan that delivers the key objectives set out in paragraph 2.19.1 above.

2.20 CAPITAL STRATEGY

2.20.1 Under CIPFA's Code of Practice on Treasury Management (2017 Edition), the accompanying Prudential Code 2017 and MHCLG issued guidance, the Council must approve a Treasury Management Strategy, an Investment Strategy and a Capital Strategy at the start of each financial year. They are designed to increase transparency and are a response to the number and variety of ways Local Authorities are becoming involved in commercial activities and making commercial investments.

2.20.2 The Treasury Management Strategy focuses on the Council's borrowings and investments. It recommends a borrowing and a (treasury) investment strategy and a policy for calculating Minimum Revenue Provision (MRP).

2.20.3 The Investment Strategy focuses on and provides a detailed breakdown of all investments that the Council has. This includes both treasury investments, whereby the Council invests surplus cash as a result of its day-to-day activities; along with non-treasury investments incorporating investments to support local public services (via loans or purchases of shares) and commercial investments (to earn investment income). The Investment Strategy forms a part of the Treasury Management Strategy which is shown in the appended report at Appendix J.

2.20.4 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators. The detailed Capital Strategy is set out at Appendix F.

UPDATED CAPITAL PLAN PROPOSALS 2019-25

2.20.5 For capital purposes, longer term planning horizons are required to undertake feasibility work, design, plan and build. The Council's multi-year capital investment plan has been reviewed extensively to reflect the scale of the Council's ambition. The updated 6 year plan will deliver capital investment of £913.2m (£707.9m General Fund, £205.3m Housing Revenue Account). The plan is summarised in the table below, and shown in more detail at Appendix A.

Table 2 – Overall Capital Expenditure Summary 2019-25

Corporate Plan – Primary Outcomes	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	Total £m
Achieve & Aspire	12.7	12.8	20.2	17.5	12.5	5.6	**81.3**
Best Start	0.0	1.0	3.5	4.6	0.9	0.0	**10.0**
Independent	1.3	3.2	6.7	5.4	11.1	0.0	**27.7**
Sustainable Economy	50.7	107.8	109.4	113.8	68.0	44.8	**494.5**
Well	2.8	15.2	11.2	1.9	0.6	0.3	**32.0**
Safe & Cohesive	0.0	0.2	0.0	0.0	0.0	0.0	**0.2**
Clean & Green	2.0	7.8	0.1	20.5	20.6	0.9	**51.9**
Efficient & Effective	2.5	1.6	1.9	1.6	1.3	1.4	**10.3**
General Fund	**72.0**	**149.6**	**153.0**	**165.3**	**115.0**	**53.0**	**707.9**
HRA - Independent	**24.8**	**33.4**	**40.3**	**37.0**	**38.4**	**31.4**	**205.3**
Council Total	**96.8**	**183.0**	**193.3**	**202.3**	**153.4**	**84.4**	**913.2**

Capital Planning Context

2.20.6 The Council's updated multi-year capital plans continue to reflect the scaling up of ambition for the District's residents, noting that longer term planning horizons will continue to be required to design and deliver schemes in particular which meet the Council's strategic priorities.

2.20.7 It is also acknowledged that these scaled up capital plans reflect a range of assumptions regarding availability of external funding over the medium to longer term; in particular in light of the outcome of the recent General Election and Government's stated commitment to future major infrastructure investment outside of London and the South East, including a review of current HM Treasury business case criteria, to accommodate this change in approach. The firming up of specific Government proposals, and funding and delivery implications, are expected as part of the forthcoming March 11 2020 Budget announcement.

2.20.8 To illustrate the above point, there are a number of current external funding bids that have either been submitted or are due for submission by Council officers to Government/West Yorkshire Combined Authority (WYCA), totalling in excess of £88m. These include £22.5m Housing Infrastructure Fund bid (part of the Dewsbury Riverside Scheme for 4,000 new homes), High Street Fund Bid for upto £25m (Huddersfield Blueprint) and £33m Transforming Cities Fund regional fund bid (Dewsbury/ Huddersfield).

2.20.9 The scale of the above bids, which have been factored into external funding assumptions as appropriate, along with the anticipation of potential new funding where appropriate. The likely success rate associated with these bids, and capacity and deliverability challenges (both relating to internal technical and external technical resources), represent concurrent opportunities and challenges.

2.20.10 The capital plans set out in this report will be subject to some volatility, flexibility and potential re-prioritisation and slippage beyond the 5 year planning horizon set out in this report.

2.20.11 Officers have also reviewed internal governance arrangements to support the scale of capital investment and broader regeneration activity across the organisation, and while there are a number of headline new and existing capital investment proposals set out in the updated capital budget proposals contained in this report, these will be subject to more detailed officer and Cabinet scrutiny and business case review, alongside the emerging re-fresh of the Council's corporate asset strategy planned over the next 12 months.

2.20.12 Other funding sources such as Section 106/Community Infrastructure Levy/capital receipts and other external grant opportunities will continue to be reviewed on an ongoing basis. Capital Receipts from the general programme of asset sales will continue to be utilised to offset the overall borrowing requirement of the capital plan. This will help ensure that the Council can live within its means for the foreseeable future and help maintain affordable borrowing levels.

2.20.13 Members are requested to note an early and extensive further officer review of the multi-year capital investment plans set out in this report, by summer 2020. This is part of an earlier future annual planning cycle and approach for capital budget preparation, to further re-shape the plan to reflect realistic delivery timescales and funding needs/opportunities going forward; including emerging further national government and regional intelligence on emerging infrastructure developments. This also includes a review of the current 5 year MTFP planning period for capital, and whether or not, in light of the issues set out above, this planning period needs to be extended going forward.

Multi-Year Capital Plan Update

2.20.14 The overall capital plan is presented here in a primary outcomes focused approach, illustrating 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. The term primary outcome reflects the fact that a number of schemes will in reality contribute to a number of Council outcomes, not just the primary outcomes.

2.20.15 The updated multi-year capital plan includes a re-profiling of existing plan proposals across all years. This also includes a re-profiling of existing 2019/20 budget since that reported in the Quarter 2 Corporate Financial Monitoring Report to Cabinet on 3rd December 2019. Some £11m has been re-profiled from 2019/20 into later years. This more realistically reflects likely timescales and capacity to deliver across all years of the plan. Additional budget of £1m is also to be provided in 2019/20 for a landslide in Holme Moss on an exceptional basis, to be funded from the Adverse Weather reserve. A further £50k investment has been made in 2019/20 to support Lawrence Batley Theatre with internal refurbishment upgrades; the Council contribution allowing for an external grant funding contribution of £500k through the Arts Council.

2.20.16 New capital Investment proposals are also incorporated, and reflect strategic and baseline priority outcomes, funding availability and 'affordability'. The updated Capital plan includes £218.9m additional investment, (£170.7m General Fund, £48.2m HRA); of which £123.4m is to be funded by increased borrowing requirements (£109.3m General fund and £14.1m HRA), £39.6m by anticipated capital receipts, £46.8m via grants and £9.1m by planned HRA reserves earmarked for future capital investment need in line with the 30 year HRA business plan requirement. These new schemes / programme proposals are separately highlighted in more detail at Appendix A.

2.20.17 Updated Capital budget plan proposals over the 2019-25 period include significant investment in the Sustainable Economy (£494m) primary outcome, representing 70% of the overall general fund capital plan. The plan strongly links to the Corporate Plan setting out a vision for "*a district which combines a strong, sustainable economy with a great quality of life".*

2.20.18 Sustainable Economy capital budget proposals summarised at Table 2 above (and in more detail at Appendix A) incorporate existing schemes totalling £122.4m which are to be funded via the West Yorkshire plus Transport Fund (WY+TF).

2.20.19 The existing capital plan supports a number of key Council ambitions and priorities around Major Town Centre regeneration and vibrancy totalling £83m. Further capital investment of £54m to reflect the overall scale of ambition, which includes potential external funding as noted earlier at para 2.20.8. A further £10m is also included to support regeneration and greening of smaller towns and villages across the District.

2.20.20 The above is supplemented by a proposed Strategic Acquisition Fund at £14.5m which will allow the Council to respond to strategically beneficial opportunities which arise to purchase land and buildings that would facilitate the delivery of the Dewsbury and Huddersfield Blueprints or which would aid the delivery of other projects within the Council's capital plan.

2.20.21 The updated capital plan includes provision for £1m targeted capital grants for eligible businesses through the Council's Start Up and Retention Policy (SURP); funded from existing earmarked business rates reserves.

2.20.22 Updated capital proposals also reflect key investment priorities with regard to tackling Climate Change; including £2m is to support the transition to next generation Electric Vehicles and associated infrastructure works to reduce the Council's carbon emissions. Funding towards the delivery of the Air Quality Action Plan (£352k) is also included to reduce emissions from transportation.

2.20.23 In addition to the above, the Council has completed a successful feasibility study into the potential for a Huddersfield Heat Network, establishing the basis for a Town Centre heat network. This could bring significantly lower carbon emissions, increased future resilience and lower cost heat and power to premises in the town centre and potentially utilise waste heat from the town's energy-from-waste plant. The plan earmarks £15m to cover phase 1 (2022/23) and phase 2 (2024/25), dependent on external funding potential. The scheme would be integrated and synchronised with the town centre action plans.

2.20.24 Capital proposals also includes £2m provision to upgrade and refurbishment works to the Council's in-house Older People residential provision, incorporating dementia design standards. The Council's intent to ensure appropriate use of assistive technologies to support care strategies will be met by improvements to nurse call systems. As such, £50k from existing adult social care capital funding has been identified towards employment of a specialist consultant to contribute towards ensuring a co-ordinated approach to the delivery of schemes with assistive technologies. Adults proposals also include provision for the future replacement of the Care first system.

2.20.25 Baseline general fund capital provision supports continuing capital investment requirements across the Council's existing asset base, including Schools, Highways, and transport infrastructure.

2.20.26 Proposals to increase Council spending by £15m to reduce the backlog of Unclassified Roads which require immediate repair are added to the plan to meet both localities based and strategic priorities. This will reduce the pressure on revenue budgets to undertake reactive repairs to the roads. Funding assumptions for increased spending include corporate borrowing and anticipated future central government funding allocations.

2.20.27 In anticipation of the forthcoming corporate asset strategy review, additional capital investment has been allocated to the Council's general fund corporate landlord activity line; £15.5m in total, and further investment in fire safety compliance at £4m, to address the backlog of conditions and improvement works required across the Council's stock. Further additional provision has been made for Major Town Hall sustainability and service development, at £2.2m.

2.20.28 Dewsbury Riverside is also in view, which is a key part of the Housing growth agenda for North Kirklees. This is a significant scheme supporting up to 4,000 new homes, and associated infrastructure. The latter is currently subject to a Government Housing Infrastructure Fund bid at £22.5m, and regional funding bid of £4.6m through WYCA. The £33m capital included here represents key infrastructure development which will be managed by the Council through the early phases of the scheme. Further proposals on early phase development options will be considered by Cabinet; anticipated to be within the next couple of months.

2.20.29 Continued investment aimed at improving accessibility and service provision across the Council's active cemeteries as well as dealing with the backlog of paths and road works is provided for within the updated capital plan. Provision has also been made for inclusion of a new baseline programme of works for the upkeep of roads and paths at £150k per annum from 2021/22 onwards.

2.20.30 The Council's flexible capital receipts strategy previously allowed for the annual capitalisation of transformation related revenue costs, funded from in-year capital receipts at a target £2.8m per annum. Eligible transformation costs have been reviewed going forward, and it is anticipated that cost requirements are anticipated to reduce, and can instead be accommodated within revenue budgets, releasing in-year capital receipts to be redirected towards funding the wider capital plan. The £2.8m p.a. flexible capital receipts policy line within the capital plan has been removed from 2020/21 onwards.

2.20.31 HRA capital budget proposals include additional £3.5m to existing programme of improvements for 'Your Home, Your Place' housing capital. To help address growing demand for affordable housing needs in Kirklees, the capital plan supports a Council House Building programme (£42.5m) prioritising housing growth. The Council's commitment to safe and compliant housing stock is reflected by an additional £1.7m programme of improvements within Baseline, to be delivered in accordance to regulatory requirements within HRA.

2.20.32 A number of the capital proposals set out in the updated budget plans are at Programme level and will be subject to more detailed business case assessment and approval through to Cabinet in due course, in accordance with Council Financial Procedure rules.

2.20.33 For this budget round, there has also been a corporate review of funding sources supporting the overall capital plan proposals. Capital plan funding is summarised at Table 3 below:

Table 3 – Overall Capital Funding Summary 2019-25

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	Total £m
Direct/Earmarked Contributions to Schemes							
Capital Grants / Contributions	29.7	51.0	61.4	68.2	54.4	39.1	**303.8**
Earmarked Capital Receipts	4.1	6.3	10.6	16.4	10.0	9.9	**57.3**
Housing Revenue Contributions/ Reserves	11.2	15.4	15.8	10.0	14.7	2.0	**69.1**
Reserves (HRA MRR)	11.9	11.5	13.6	16.5	12.5	17.2	**83.2**
Revenue Contributions (General Fund)	3.3	0.2	0.2	0.2	0.2	0.2	**4.3**
Non Earmarked Capital Receipts	1.6	2.0	3.5	3.5	3.5	3.5	**17.6**
Corporate Prudential Borrowing	35.0	96.6	88.2	87.5	58.1	12.5	**377.9**
TOTAL	**96.8**	**183.0**	**193.3**	**202.3**	**153.4**	**84.4**	**913.2**

2.20.34 Corporate prudential borrowing requirements set out in Table 3 above have been assessed to be 'affordable' over the medium term, and are covered elsewhere in this report at paragraphs 2.16.8 to 2.16.9. The Section 151 officer's positive assurance statement further sets out the broad assumptions and factors underpinning current borrowing affordability, at paragraph 3.3.18 later in this report.

2.21 Corporate Risk Assessment

2.21.1 The corporate risk register at Appendix E summarises the key strategic risks or barriers to achieving the corporate objectives. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the council's budget. There isn't a direct link but they do help to inform the level of reserve held by the council.

2.21.2 Individual risks vary over time, and the need to set aside reserves changes depending on the underlying budget provisions. The risk assessment reflects the provisional budget proposals put forward by officers. Subsequent changes to these proposals may affect the risk assessment.

3. Implications for the Council

3.1 Formal Resolution

3.1.1 It is necessary for the motion to Council on 12 February 2020, set out at Appendix G, and for the final resolution to include certain statutory declarations. The motion to be put forward will be incomplete, because the precepts for the Fire and Police Authorities and Parish Councils may not be determined until after Council. The Council motion will include estimated precepts based on best available information at the time.

3.1.2 It may be necessary therefore for an amended motion to be moved, as in previous years, to correct the motion where there is any change between the estimated and actual precepts. This assumes that the precepting bodies will have determined their precepts before 12 February 2020.

3.1.3 It is requested that the Council's statutory s151 Officer (Service Director – Finance) be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police and Crime Commissioner, the Fire & Rescue Authority and Parish Councils, should these be received after 12 February 2020.

3.1.4 The Office of Police and Crime Commissioner, Fire & Rescue Authority and Parish Council precepts included in the Council motion do not affect the Council budget, and neither will any subsequent amendment to the precept figures, delegated to the Council's statutory s151 Officer.

3.2 Special Expenses

3.2.1 The expenditure of Parish and Town Councils is funded by way of a precept which is levied only on the area of the individual Parish Councils. There are, however, occasions when individual Parish and/or Town Councils provide services which would otherwise be provided by District Councils if there were no Parish Council in existence. The result is that residents of a parish council can pay twice for some services. This is known as "double taxation".

3.2.2 The Local Government Finance Act 1992 provides for expenditure incurred by district councils which ranks as double taxation to be treated as special expenses, which are not charged to the residents of the Parish and/or Town Councils concerned unless the district council resolves otherwise. This special expense arrangement has previously applied to certain services provided by Holme Valley parish council. The parish council has resolved to reverse the current special expenses arrangement from 2020/21 onwards, and any adjustment to effect this will be broadly budget neutral, with a compensating grant adjustment of about £3k. This is also reflected in the Motion documentation attached at Appendix G.

3.3 Positive Assurance Statement

3.3.1 Under Section 25 of the Local Government Act (2003) the statutory s151 Officer is required to give positive assurance statements in relation to the adequacy of reserves and balances and the robustness of budget estimates.

Statement from the Council's Section 151 Officer (Service Director - Finance)

3.3.2 This report sets out the Council's spending plans for the residents of the District. The Council's updated multi-year revenue plans include significant investment to support the District's most vulnerable children and adults, additional resources for increased corporate capacity to support the Council's delivery across the 7 key outcomes for residents, as set out in the Council's Corporate Plan, and additional investment that reflects the Administration's priorities. The Council's capital plans also reflect significant further investment over the next 5 years, building on last year's updated Plans.

3.3.3 The financial climate facing local government has improved in respect of SR2019 and the subsequent provisional 2020/21 financial settlement, and has been a significant contributor to reducing the originally forecast £14m budget gap for 2020/21, enabling the conditions to allow the budget proposals set out in this report to deliver a balanced budget for 2020/21 without the requirement for the unplanned use of existing reserves.

3.3.4 The above conditions also include the Council maximising the council tax increase without triggering a referendum at 1.99%, alongside applying the maximum 2% adult social care precept available for 2020/21, hypothecated to continuing and growing adult social care spending pressures.

3.3.5 Planned revenue savings total £5.3m over the 2020-23 period, which include some existing savings rolled forward from last year's approved 2019-22 budget plan, and new savings. The latter in part reflects the level of ambition within Children's Services for further review of out of area residential placements to re-invest back into service, alongside specific deliverable Council wide efficiency targets over the next 3 years. This reflects the Council's commitment to continuous improvement as an efficient and effective organisation, including exploration of opportunities for future income generation.

3.3.6 A corporate finance review of Council Tax Base and business rates appeals provision requirements has also secured additional resources for 2020/21. The 2020/21 joint business rates 50% pilot between Leeds City Region and North Yorkshire is also welcome, while acknowledging that any business rate levy gains available to the Pool are significantly less than were available under the previous year 75% Pool.

3.3.7 The Housing Revenue Account 30 year business plan remains relatively financially healthy, and has provided opportunities for key service investment in targeted sustainable tenancy measures for vulnerable tenants, alongside proposals for new build social housing over the longer term.

3.3.8 The corporate risk register sets out the anticipated barriers to achieving corporate objectives and current management actions in place to manage and mitigate these should they arise. Robust financial performance and strengthened risk management arrangements provide the framework for capturing any deviations from plan and applying corrective actions. The updated corporate risk register set out at Appendix E continues to reflect a range of potential impacts from the UK's planned withdrawal from the EU, acknowledging that the detail and timing of the withdrawal agreement, and transition arrangements, remain speculative at this stage.

3.3.9 Looking beyond 2020/21, the spend and funding assumptions set out in this report over the 2021-23 period reflect a baseline forecast budget gap of £12m in 2021/22, increasing to £22m by 2022/23. However, it is acknowledged that a significant element of these budget gaps reflect lack of current Government clarity on national funding support to alleviate future year social care pressures. This also includes anticipated publication of the hitherto delayed adult social care funding green paper.

3.3.10 Government has confirmed its intention to rollout a national 75% business rates retention scheme from 2021/22, which will also be informed by a re-set of individual Council baseline funding levels, through a national Fair Funding review. The potential re-distributional impact of both these measures on current baseline funding will be subject to more detailed technical Government consultations over the coming months, but ultimately will be subject to Ministerial judgement.

3.3.11 In light of post-2020/21 national funding uncertainties, this report also sets out a range of budget sensitivities which emphasise the relative range of budget forecasts over the 2021-23 period.

3.3.12 Appendix C attached also sets out CIPFA's analysis of the relative financial resilience of Councils; in particular, as measured in terms of revenue reserves held as a percentage of annual net revenue budget. The analysis for Kirklees as at 31 March 2019 indicates that our relative position with our comparator group of metropolitan authorities was 34% compared to the median (mid-point) at 35%. However, as also noted, potential DfE changes to existing rules regarding Dedicated School Grant deficits going forward, given the extent of Kirklees current structural high needs funding gap, could significantly weaken our financial resilience judgement over the medium term, from current.

3.3.13 While local measures will be implemented over the medium term, the single most significant mitigation has to be a sustainable Government funding solution over the medium term, as spelt out starkly as well from the September 2019 National Audit Report conclusions referenced earlier in this report at para 2.6.7.

3.3.14 Over-reliance on "one-off" revenue reserves to support an annual balanced budget is not financially sustainable over the longer term, and any significant depletion in reserves over time leaves the Council more exposed to financial risks.

3.3.15 Overall financial resilience of the Council continues to improve, enhanced as well by continuing technical MRP accounting flexibilities over the next 3 years which remain an essential component of the Council's financial strategy to support organisational flexibility over the medium term. This also enables further in-year transfers to reserves over the next 3 years through a new demand reserve, to support our continued financial resilience over the medium term.

3.3.16 The borrowing requirements to support Council capital investment over the 2019-25 period are considered 'affordable', assuming the continuation of relatively low interest rate borrowing available from the Public Works Loans Board over the same period, and notwithstanding the unexpected 1% uplift in PWLB rates from 9 October 2019 to an average rate of just under 3%.

3.3.17 The budget proposals set out in this report include significant capital investment in economic sustainability across the District over the longer term, intended to stimulate the right conditions to enable the Council to sustain and grow business rates and council tax in the District over the long term.

3.3.18 Whilst the Council's capital investment ambition over the next 5 years is considered to be affordable, the Council will continue to review its assessment of affordability, and potentially re-prioritise and flex current plans, if the national funding and economic landscape changes significantly over the next 12 months.

3.3.19 Years 2 and 3 revenue budget forecasts set out in this report, while considered reasonable at this stage, will be influenced by forthcoming Government proposals on future social care funding, the impact of the national business rates retention scheme and fair funding review proposed implementations from April 2021. The scale of continuing and growing pressures on high needs activity remains a significant concern nationally and locally; notwithstanding the additional £700m national allocation for 2020/21. It is hoped that Government will offer a sustainable longer term funding solution to support Councils over the longer term, beyond current measures.

3.3.20 Proposals to be laid out in the forthcoming March 11 2020 Budget may also offer significant opportunities for medium and longer term investment for the North of England.

3.3.21 Effective longer term financial planning remains especially challenging for Councils like Kirklees, and officers will continue to assess, review and update budget planning forecasts and implications through 2020, informed by emerging national and local intelligence. The broader sectoral position is that the 2020 spending review should incorporate a sustainable longer term funding settlement for Councils through the remainder of the current Parliament; in particular with regard to Councils like Kirklees that have statutory education and social care responsibilities. The number of people who require support continues to increase and the complexity of services provided to vulnerable children and adults require higher levels of resourcing, while the costs of services continues to increase (inflation).

Consequently in light of these factors;

I can give you positive assurance on the reliability and robustness of the forecasts and estimates in the budget proposals as far as we can based on current local and national intelligence.

If members approve the recommendations in this report I can give the Council positive assurance on the adequacy of reserves and balances at this time.

3.3.22 Working with people

3.3.23 Working with partners

3.3.24 Place based working

3.3.25 Climate Change & Air Quality

3.3.26 Improving outcomes for children

The budget proposals contained within this report have been developed to ensure that funding is made available in the areas that will allow the Council to further improve the outcomes for individuals and communities as a whole. To facilitate this resources have been allocated in areas that will allow the Council to maximise contributions to the Councils strategic priorities of working with people, working with partners and deliver

Administration priorities with regard to outstanding children's services, tackling climate change and investing in our Places.

3.3.27 Other Legal, Financial or other implications (not covered elsewhere in this report)

Paragraph 1.2 of this report refers to Integrated Impact Assessments. The Equality Act 2010 creates the Public Sector Equality Duty (PSED).

Under section 149 of the Act:

(1) A public authority must, in the exercise of its functions, have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic ; and persons who do not share it.

The relevant protected characteristics are:
age;
disability;
gender reassignment;
pregnancy and maternity;
race;
religion or belief;
sex; and
sexual orientation

In order to fulfil the PSED the Council is required to assess the impact of any proposed action on the equality objectives set out above. The way in which the Council has approached this task previously was to conduct Equality Impact Assessments (EIA's) as appropriate.

Integrated Impact Assessments

The Council has re-freshed its approach to Impact Assessments, following Cabinet approval on 8th October 2019; link to the report provided here for reference:

Cabinet Meeting Agenda 8th October 2019 (Item 9)

The current EIA process has been updated to an Integrated Impact Assessment (IIA) process, as part of the Council's developing approach to Inclusion & Diversity; to go beyond just PSED compliance, and to incorporate additional diversity characteristics, such as low income/poverty and unpaid carers.

The Climate Emergency Motion passed on 16th January 2019 also committed the Council to consider Environmental Impact as part of any new IIA policy. The proposed approach also seeks to assess impact across the range of environmental and sustainability impacts.

As in previous years, any specific savings proposals, where appropriate, still make reference to Impact Assessments. These are available for member reference on the following website link (Integrated Impact Assessments) and members should read the assessments in full in order to inform them in coming to their decision, as in previous years; cross referenced as appropriate to the savings templates.

There is also a clear expectation that the IIA process is not limited to consideration of savings proposals, but in the context of the totality of resource allocation proposals set out in this report, and other emerging policy changes and developments, any subsequent detailed proposals that result from these, will be informed by the IIA process to help inform key decision making in the future.

4. Consultees and their opinions

There was a public budget engagement exercise which ran from November 2019 to January 2020. The website link to the public engagement exercise is below:

Budget Priorities Consultation

This year the overall aim of the consultation was to provide a resident perspective on the 3 key priorities proposed for the Council's budget. Within this, the main objectives were to gather residents' views and suggestions on how they felt the council could achieve its 3 proposed key priorities, Tackling Climate change, Outstanding Children's Service and Investing in Our Places and to explore residents' views on the overall priorities set in the budget. There were 62 respondents to the survey.

Summary feedback from the above public budget engagement exercise is included at Appendix H to this report, and will need to be considered by members in coming to their decision at Cabinet and then their final decisions made on the revenue budget proposals at full Council on 12 February 2020.

Housing Revenue Account budget proposals were presented to the October 2019 Tenants & Residents Conference.

There has also been engagement with representatives of the voluntary and community sectors. Summary feedback is also included at Appendix H.

The Capital Investment Plan proposals have been considered by Cabinet and Strategic Directors in conjunction with the Service Director - Finance, following initial assessment through the Capital Governance Board.

The 2020/21 Treasury Management Strategy Report included at Appendix J, has been prepared by the Council's s151 Officer (Service Director - Finance), and in consultation with the Council's external treasury management advisors, Arlingclose Limited Treasury Management Consultants. The Treasury Management report has also been considered at the Council's Corporate Governance and Audit Committee (CGAC), on 24 January 2020.

5. Next Steps

5.1 This report and the draft Budget form the background and the proposed formal motion. The Cabinet will need to decide if they are to accept this or propose amendments to the draft budget which will be proposed to Council on 12 February 2020 (Cabinet draft budget). Members will need to decide if they are to accept this or propose amendments to the draft Budget which will be proposed to Council. Any such amendments will be published on 5 February 2020.

5.2 Proposed amendments shall be submitted to the Chief Executive on or before 10.00am on Monday 3 February 2020 to ensure that, in conjunction with the Service Director-Finance, they can be reviewed to ensure they are financially sound and sustainable prior to the final submission deadline of 5 February 2020.

5.3 Members should note that once a budget is agreed by Council there may be a number of further steps and/or actions which would need to be taken in order to implement budget decisions for example – consultation, further detail of the steps needed or final proposals for making the planned changes. This is to ensure that the Council complies with legal and other requirements.

5.4 Following Council approval of the Capital Investment Plan, schemes will be released subject to Financial Procedure Rules.

5.5 Any material Government changes to the provisional 2020/21 finance settlement figures will be reported to the meeting of full Council, depending on the timing of Government confirmation of the final settlement, which is expected late January/ early February 2020.

6. Cabinet recommendations and reasons

Having read this report and the accompanying appendices, and having regard to the consultation process and equality impact assessments, Cabinet are asked to recommend the following for approval by Council:

<u>General Fund Revenue</u>

6.1 That the draft Revenue Budget for 2020-23, be approved (Appendix A);

6.2 That the forecast levels of statutory and other Council reserves as set out at Appendix Bii), be noted;

6.3 That the strategy for the use of balances and reserves, is approved; (section 2.17);

6.4 To note that a further reassessment of reserves requirements will be undertaken at year end and reported to members as part of the 2019/20 financial outturn & rollover report; (paragraph 2.17.8);

6.5 That Cabinet note the Council's participation in the North & West Yorkshire business rates Pool for 2020/21, and to formally agree the new arrangements, in principle, for the 2020/21 Pool as set out at Appendix I, and to delegate authority to the Council's Service Director – Legal Governance and Commissioning in conjunction with the

Council's Service Director – Finance, to finalise the new arrangements with Leeds City Council's City solicitor; (paragraph 2.3.6);

6.6 That members approve the Council Tax requirement for 2020/21 (Appendix G, budget motion);

6.7 That members note the Council's Statutory s151 Officer's positive assurance statement; (paragraphs 3.3.1 – 3.3.21)

6.8 That the Council's Statutory s151 Officer be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police & Crime Commissioner, the Fire & Rescue Authority and Parish Councils should these be received after 12 February 2020 (paragraph 3.1.3);

Treasury Management

6.9 That members approve the following recommendations set out in the 2020/21 Treasury Management report at Appendix J:

6.10 The borrowing strategy outlined in paragraphs 2.15-2.21 of the appended report;

6.11 The investment strategy outlined in paragraphs 2.22 - 2.31 of the appended report, including Appendices A and B;

6.12 The policy for provision of repayment of debt (minimum revenue provision or MRP) outlined in the appended report outlined in paragraphs 2.32 - 2.36 of the appended report including Appendix C;

6.13 The treasury management indicators in the appended report, Appendix D;

6.14 The Investment Strategy (Non-Treasury Investments) in the appended report, at Appendix E;

Capital

6.15 That the updated Capital Plan for 2019-25, be approved; (Appendix A)

6.16 That the Capital Strategy (including Prudential Indicators), set out at Appendix F, be approved;

Housing Revenue Account (HRA)

6.17 That the draft HRA Budget for 2020-23 be approved; (Appendix A)

6.18 That the strategy for the use of HRA reserves, as set out at paragraph 2.19.7, be approved;

Other

6.19 That this report be referred to the Council as advice and background information, on which the other political groups can base their budget proposals.

7. Cabinet Portfolio Holder Recommendation

The Leader recommends that the attached General Fund revenue budget, Treasury Management Strategy, Investment Strategy, Capital Strategy, Capital Investment Plan, and HRA budget, should be presented to the Council meeting on 12 February 2020.

In presenting the draft Budget to the above full Council meeting, Cabinet members have taken due regard to the Council's public sector equalities duties in consideration of a range of key budget proposals, their impacts, and mitigating actions.

<u>Comments from the Leader</u>:

I am proud to be able to present this year's budget, my second as Leader of the Council and as a Labour majority administration. The past year has seen us raise the ambition for the borough, our places and our people and this year will see further large-scale investments that deliver improvements across Kirklees. We will deliver this because we are within budget and have set in place financial plans that ensure our finances are robust enough to invest massively across the borough.

I, and my Cabinet, are proud to deliver this budget which will help deliver our three key priorities:

- Investing in our place
- Tackling Climate Change
- Achieving Outstanding Children's Services

We recognise that to achieve these priorities, we need to continue to invest in the issues that matter to our residents – in the places they live. So we are investing in our roads with a £15m programme of improvements, our towns and villages, with one of the largest capital investment programmes Kirklees has seen in over a decade –and in our environment with a £2m investment in recycling. We are investing so we can all live in thriving town centres, travel on improved roads and live in areas that are not just cleaner but greener too.

This is why we must take climate change seriously. This is not just a global issue but a local one too and this year we will be doing our part by investing in reducing, reusing and recycling waste. We will be working with our schools and business to reduce the impact of travel on air-quality, amongst many other proposals contained within our environment strategies.

Investment will also be made in protecting our most vulnerable, to recognise the importance of creating conditions where children and young people don't just survive but thrive. We will invest in youth services to help tackle anti-social behaviour and gang-crime as well as investing in borough wide healthy holidays programme. This investment ensures our young people get the support they need for their futures. We will continue to look after our aging population, many of whom have worked all their lives and contributed to the economy and communities of Kirklees. This is despite the massive shortfall in local authority budgets to fund services for our aging population.

I have highlighted our main priorities but much more is detailed within this report that shows the careful investments we will make to deliver better outcomes for all of our residents. A vital component of this delivery will be our Ward Councillors. We will invest to create the right conditions for Ward Councillors to work with their communities to find the right solutions for their place.

As an administration we are proud to represent the people of Kirklees, its diversity, its places and its people and have delivered a balanced budget that recognises and reflects this. We are confident we can and will deliver and are excited for the next steps. We are not complacent, we know there is much to do but we are up for the challenge.

This is a budget that focusses on, and will deliver on, the issues that matter to local people and this administration is determined to deliver for them.

8. Contact Officer and Relevant Papers

Eamonn Croston	Service Director – Finance
James Anderson	Head of Accountancy
Sarah Hill	Finance Manager
Rachel Firth	Finance Manager

<u>Background Papers</u>

- Council approved annual budget report 2019-2022, 13 February 2019
- Council financial outturn report 2018-19 to full Council , 17 July 2019
- Government 2019 Spending Review, 4 September 2019
- Council budget update report 2020-23 to full Council, 16 October 2019
- Corporate Peer Challenge Report to Council, 15 January 2020
- Climate emergency declaration and Air Quality Report and Action Plan report to Council 13 November 2019
- Quarter 2 financial monitoring report 2019/20, Cabinet 3 December 2019
- Provisional Local Government Finance Settlement 2020/21, released 20 December 2019
- Council Tax Base Report to Cabinet/Council 14/15 January 2020
- Housing Revenue Account annual rent setting and service charge report 2020/21, to Cabinet on 14 January 2020
- Annual Schools funding settlement 2020//21, report to Cabinet on 14 January 2020
- Integrated Impact Assessments on key budget proposals and impacts
- Budget Consultation exercise 2020/21

Appendix A

KIRKLEES COUNCIL

General Fund and HRA Medium Term Financial Plan 2020-23

Revenue & Capital Budget Book

INTRODUCTION

How did we develop this documentation?

- The budget plans take account of existing year 2 and 3 Directorate budget plans, which have rolled forward into years 1 and 2 of the updated 2020-23 MTFP, and also incorporate new investment and savings proposals as appropriate.

- While revenue budgets are set annually before the start of each financial year, there is some limited flexibility for revenue budgets to be transferred between service activities in-year.

- The document refers to "controllable budgets": These are budgets that the budget holder can directly influence. Controllable expenditure includes direct operational costs including overheads which are specific to that department.

- Examples of controllable expenditure are staff costs, premises, supplies & services, and payments to contractors. Controllable income includes schools income, other traded income, fees & charges, and specific government grants.

- For a small number of services all the controllable expenditure is entirely funded by income. These services have £0 in the net controllable expenditure column.

- The column labelled "2019-20 net controllable budget" provides the baseline or starting point for savings or increases proposed in the following three years to the financial year 2022-23.

- Inflation provision for all years is held within Central Budgets. Inflation for 2020/21 will subsequently be allocated out to relevant services at the start of the financial year.

- The columns labelled "Minuses" are proposed reductions in net expenditure. This can be because of:
    - planned savings
    - reduced demand for that service, or
    - a planned increase in associated income.

- The columns labelled "Pluses" are proposed increases in net expenditure. This can be because of:
    - proposed increased spending, or
    - a planned reduction in associated income.

- The "minuses" that relate specifically to planned savings cross-reference to specific budget savings templates outlining the specific minus proposal. The budget savings template sets out :
    - the minus amount profiled across years
    - the impact on the budget to which the proposal relates

- the impact on staffing numbers where relevant
- a service description of what the proposal is (including inter-dependencies and risk)
- potential impact of the proposal on service outcomes and any mitigating actions proposed
- does the proposal require an integrated impact assessment
- will the proposal require a specific service consultation
- accountable head of service

* To support the budget process, we have published integrated impact assessments.

* Current Full Time Equivalent (FTE) numbers for the Council are approximately 5,500, excluding schools. It is anticipated that these FTE numbers will remain relatively steady over the course of the MTFP.

GLOSSARY

Controllable budgets: Budgets that the budget holder can directly influence. Controllable expenditure includes direct operational costs including departmental specific management overheads (e.g. staff, premises, supplies & services, payments to contractors). Controllable income includes schools income, other traded income, fees & charges, specific government grants.

2019-20 net controllable budgets provide the baseline or starting point for savings or increases proposed in subsequent years.

Minuses: are reductions in spending, because of planned savings or a reduced demand for that service, or because of a planned increase in associated income. At this stage, the profiling of the minuses is indicative.

Pluses: are increased spending or reduced income. At this stage the profiling of the pluses is indicative.

BUDGET DOCUMENTATION 2020-23
CONTENTS

Overall General Fund Summary By Strategic Director Portfolio

STRATEGIC DIRECTOR PORTFOLIOS	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Children & Families												
Child Protection & Family Support	61,370	(2,255)	**59,115**	(2,617)	2,191	**58,689**	(1,272)	734	**58,151**	(593)	1,903	**59,461**
Learning & Early Support	300,216	(282,731)	**17,485**	(6,925)	7,812	**18,372**			**18,372**			**18,372**
Total Children & Families	**361,586**	**(284,986)**	**76,600**	**(9,542)**	**10,003**	**77,061**	**(1,272)**	**734**	**76,523**	**(593)**	**1,903**	**77,833**
Adults & Health												
Customers & Communities	15,599	(5,465)	**10,134**		370	**10,504**			**10,504**			**10,504**
Adult Social Care Operation	77,999	(54,380)	**23,619**	(10,533)	12,092	**25,178**	(4,491)	10,150	**30,837**	(4,975)	6,541	**32,403**
Learning Disabilities & Mental Health	76,376	(18,325)	**58,051**		1,620	**59,671**		1,551	**61,222**		4,500	**65,722**
Adults Sufficiency	20,392	(6,857)	**13,535**			**13,535**			**13,535**			**13,535**
Total Adults & Health	**190,366**	**(85,027)**	**105,339**	**(10,533)**	**14,082**	**108,888**	**(4,491)**	**11,701**	**116,098**	**(4,975)**	**11,041**	**122,164**
Economy & Infrastructure												
Growth & Housing	14,978	(9,317)	**5,661**		500	**6,161**			**6,161**			**6,161**
Economy & Skills	20,534	(11,682)	**8,852**			**8,852**			**8,852**			**8,852**
Environment	100,011	(74,621)	**25,390**	(50)	3,776	**29,116**	(50)	1,450	**30,516**		1,250	**31,766**
Total Economy & Infrastructure	**135,523**	**(95,620)**	**39,903**	**(50)**	**4,276**	**44,129**	**(50)**	**1,450**	**45,529**		**1,250**	**46,779**
Corporate Strategy, Commissioning & Public Health	**143,119**	**(113,941)**	**29,178**	**(50)**	**1,954**	**31,082**	**(823)**	**923**	**31,182**		**100**	**31,282**
Sub Total Strategic Director Portfolio	**830,594**	**(579,574)**	**251,020**	**(20,175)**	**30,315**	**261,160**	**(6,636)**	**14,808**	**269,332**	**(5,568)**	**14,294**	**278,058**
Central Budgets	47,354	(2,044)	**45,310**	(13,631)	9,460	**41,139**	(5,844)	10,931	**46,226**	(1,500)	7,167	**51,893**
Total Budgets	**877,948**	**(581,618)**	**296,330**	**(33,806)**	**39,775**	**302,299**	**(12,480)**	**25,739**	**315,558**	**(7,068)**	**21,461**	**329,951**

Funding Available:				
Business Rates Retention		(93,386)	(92,327)	(92,267)
Unringfenced Grants		(18,053)	(21,000)	(20,851)
Council Tax		(173,520)	(179,024)	(184,672)
Adult Social Care Precept		(16,155)	(16,155)	(16,155)
Collection fund balance		(3,435)		
Total Funding Available		**(304,549)**	**(308,506)**	**(313,945)**
Transfer to Reserves		**2,250**	**5,000**	**6,000**
Balanced 2020-21 budget		**0**	**12,052**	**22,006**

CHILD PROTECTION & FAMILY SUPPORT

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Assessment & Intervention												
Assessment & Intervention (North)	5,024	0	5,024		103	5,127			5,127			5,127
Emergency Duty Service	708	(415)	293			293			293			293
Assessment & Intervention (South)	3,030	0	3,030		103	3,133			3,133			3,133
Disabled Children Service	3,587	0	3,587		35	3,622		35	3,657		35	3,692
Total	**12,349**	**(415)**	**11,934**	**0**	**241**	**12,175**	**0**	**35**	**12,210**	**0**	**35**	**12,245**
Sustainability, Capacity & Resourcing												
Family Placement Unit (including Help Desk)	1,254	0	1,254			1,254			1,254			1,254
Fostering Service	1,376	0	1,376			1,376			1,376			1,376
Fostering Service (including Recruitment)	13,043	(97)	12,946		421	13,367		251	13,618	(170)	251	13,699
Contact Team	871	0	871			871			871			871
Internal Residential Placements	2,238	0	2,238			2,238			2,238			2,238
External Residential Placements	5,467	(198)	5,269	(2,217)	230	3,282	(1,272)	230	2,240		1,083	3,323
Leaving Care Supported	2,924	0	2,924		35	2,959		35	2,994		35	3,029
Guardianship and Residency Orders	3,909	0	3,909		74	3,983		74	4,057		74	4,131
Adoption Allowances	1,270	0	1,270		25	1,295		25	1,320		25	1,345
Family Assessment	151	0	151			151			151			151
Persons from Abroad	379	(149)	230			230			230			230
Disabled Children Service Young Peoples Activity	519	(20)	499			499			499			499
Disabled Children Service - Internal Residential	1,962	(121)	1,841			1,841			1,841			1,841
Commissioned Service	1,120	0	1,120			1,120			1,120			1,120
Total	**36,483**	**(585)**	**35,898**	**(2,217)**	**785**	**34,466**	**(1,272)**	**615**	**33,809**	**(170)**	**1,468**	**35,107**
Corporate Parenting Service												
Looked After Children 0-18	3,161	(42)	3,119			3,119			3,119			3,119
Leaving Care Post 18	1,253	0	1,253		70	1,323		84	1,407			1,407
Youth Offending Team	1,543	(755)	788			788			788			788
Total	**5,957**	**(797)**	**5,160**	**0**	**70**	**5,230**	**0**	**84**	**5,314**	**0**	**0**	**5,314**
Quality Assurance, Standards and Safeguarding												
Service Specialist Training (Children)	170	(90)	80			80			80			80
Safeguarding & Quality Assurance	2,672	(116)	2,556			2,556			2,556			2,556
Total	**2,842**	**(206)**	**2,636**	**0**	**0**	**2,636**	**0**	**0**	**2,636**	**0**	**0**	**2,636**
Management & Regulatory	3,739	(252)	3,487	(400)	1,095	4,182			4,182	(423)	400	4,159
TOTAL CHILD PROTECTION & FAMILY SUPPORT	**61,370**	**(2,255)**	**59,115**	**(2,617)**	**2,191**	**58,689**	**(1,272)**	**734**	**58,151**	**(593)**	**1,903**	**59,461**

CHILD PROTECTION & FAMILY SUPPORT - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP MINUSES						
Sustainability, Capacity & Resourcing						
External Residential	Planned reduction of percentage of children placed outside Kirklees district.	EX CP1	(1,224)	(1,188)		(2,412)
NEW MTFP MINUSES						
Sustainability, Capacity & Resourcing						
External Residential	Planned reduction of percentage of children placed outside Kirklees district - reinvestment projects	NEW CP1	(993)	(84)		(1,077)
Fostering Service (including Recruitment)	Developing foster carer support (Mockingbird) - mainstreamed in year 3 (see pluses page)				(170)	(170)
Management & Regulatory	Multi Systemic Therapy - grant funding		(400)		(423)	(823)
			(1,393)	**(84)**	**(593)**	**(2,070)**
TOTAL MINUSES FOR CHILD PROTECTION & FAMILY SUPPORT			**(2,617)**	**(1,272)**	**(593)**	**(4,482)**

CHILD PROTECTION & FAMILY SUPPORT - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000 2020-21	2021-22	2022-23	Total
EXISTING MTFP PLUSES						
Assessment & Intervention						
Assessment & Intervention	Re-alignment of additional Government social care funding		100	100	360	560
Quality Assurance, Standards and Safeguarding						
Safeguarding & Quality Assurance	Childrens social care - inflationary pressures		550	550	550	1,650
			650	**650**	**910**	**2,210**
NEW MTFP PLUSES						
Assessment & Intervention						
Assessment & Intervention	Strengthening service offer - new posts		206			206
Sustainability, Capacity & Resourcing						
Fostering Service (including Recruitment)	Developing foster carer support (Mockingbird) - mainstreamed in year 3 (see minuses page)		170			170
External Residential	Planned reduction of percentage of children placed outside Kirklees district - reinvestment projects. Decrease in saving in year 3 matched by reduction in re-investment	NEW CP1			593	593
Corporate Parenting						
Leaving Care post 18	Strengthening service offer - new posts		70	84		154
Management & Regulatory	Transformation Team - funding switch from capital to revenue		147			147
	Multi Systemic Therapy base budget		823		400	1,223
	Strengthening service offer - new posts		125			125
			1,541	**84**	**993**	**2,618**
TOTAL PLUSES FOR CHILD PROTECTION & FAMILY SUPPORT			**2,191**	**734**	**1,903**	**4,828**

LEARNING & EARLY SUPPORT

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Strategic Leadership												
Statutory Responsibility for the Education	1,025	(528)	497			497			497			497
Music Service	24	0	24			24			24			24
School Forum allocations	241	(243)	(2)			(2)			(2)			(2)
Total	**1,290**	**(771)**	**519**	**0**	**0**	**519**	**0**	**0**	**519**	**0**	**0**	**519**
Schools Organisation, Planning and Admissions												
Schools Organisation & Planning	206	(131)	75			75			75			75
School Admissions	398	(406)	(8)			(8)			(8)			(8)
Total	**604**	**(537)**	**67**	**0**	**0**	**67**	**0**	**0**	**67**	**0**	**0**	**67**
Education for Vulnerable Children Services incl												
Kirklees Special Educational Needs (SEN) pupils	370	(230)	140			140			140			140
Specialist Provision Co-ordination	789	(790)	(1)			(1)			(1)			(1)
SEN Assessment & Commissioning team	1,137	(165)	972			972			972			972
Education of Looked After Children	343	(20)	323		206	529			529			529
Attendance & Pupil Support	1,386	(772)	614			614			614			614
Education Services for Vulnerable Children	986	(203)	783			783			783			783
Early Years SEN Support - Portex and ICAN	185	(190)	(5)			(5)			(5)			(5)
Early Years SEN Support including Portage	1,085	0	1,085			1,085			1,085			1,085
International New Arrivals	70	(69)	1			1			1			1
Total	**6,351**	**(2,439)**	**3,912**	**0**	**206**	**4,118**	**0**	**0**	**4,118**	0	0	**4,118**
Early Learning												
Private Voluntary & Independent Formula	15,466	(15,476)	(10)			(10)			(10)			(10)
Two year old funding	4,974	(4,974)	0			0			0			0
Early Years Quality Improvement, Workforce &	761	(585)	176			176			176			176
Total	**21,201**	**(21,035)**	**166**	**0**	**0**	**166**	**0**	**0**	**166**	**0**	**0**	**166**
Post 16 services	529	(21)	508		550	1,058			1,058			1,058
Learning Services Trading												
Traded School Improvement, Swimming,	1,808	(1,758)	50			50			50			50
Total	**1,808**	**(1,758)**	**50**	**0**	**0**	**50**	**0**	**0**	**50**	**0**	**0**	**50**

LEARNING & EARLY SUPPORT

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Early Support												
Early Support Service Wide	763	0	763	(825)	825	763			763			763
Early Family Support	3,438	0	3,438			3,438			3,438			3,438
Children's Hubs	262	0	262			262			262			262
Family Group Conferencing & Family Mental	791	0	791			791			791			791
Risk & Assessment	206	0	206			206			206			206
Total	**5,460**	**0**	**5,460**	**(825)**	**825**	**5,460**	**0**	**0**	**5,460**	**0**	**0**	**5,460**
Commissioning												
Other Commissioned Services	2,256	(47)	2,209		131	2,340			2,340			2,340
Targeted Mental Health Service Contracts	360	0	360			360			360			360
Stronger Families	1,303	(1,381)	(78)			(78)			(78)			(78)
Total	**3,919**	**(1,428)**	**2,491**	**0**	**131**	**2,622**	**0**	**0**	**2,622**	**0**	**0**	**2,622**
DSG Schools												
Specialist Education Placements	6,213	(2,513)	3,700			3,700			3,700			3,700
Behavioural, Emotional & Exclusions	1,464	(1,461)	3			3			3			3
Further Education High Needs	2,405	(805)	1,600			1,600			1,600			1,600
Delegated School Budgets	228,793	(226,740)	2,053			2,053			2,053			2,053
SEN support including Further Education Post 16	552	(5,852)	(5,300)	(6,100)	6,100	(5,300)			(5,300)			(5,300)
Centrally Managed School Budgets	4,491	(5,261)	(770)			(770)			(770)			(770)
Childrens Pensions	3,906	(631)	3,275			3,275			3,275			3,275
Childrens Contingencies	10,471	(10,946)	(475)			(475)			(475)			(475)
Total	**258,295**	**(254,209)**	**4,086**	**(6,100)**	**6,100**	**4,086**	**0**	**0**	**4,086**	**0**	**0**	**4,086**
Management & Regulatory	759	(533)	226	0	0	226	0	0	226	0	0	226
TOTAL LEARNING & FAMILY SUPPORT	**300,216**	**(282,731)**	**17,485**	**(6,925)**	**7,812**	**18,372**	**0**	**0**	**18,372**	**0**	**0**	**18,372**

LEARNING & EARLY SUPPORT - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
NEW MTFP MINUSES						
Early Support	Use of Stronger Families reserve/other external bids		(825)			(825)
Special Educational Needs (SEN) support including Further Education (FE) Post 16	High Needs Block - additional Government funding allocation		(6,100)			(6,100)
TOTAL MINUSES FOR LEARNING & EARLY SUPPORT			**(6,925)**	**0**	**0**	**(6,925)**

LEARNING & EARLY SUPPORT - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
NEW MTFP PLUSES						
Education for Vulnerable Children Services incl Special Educational Needs						
Education of looked after children	Virtual Schools Investment - Develop capacity of Virtual School team in order to extend the age range from 0-25		206			206
Post 16 services	School Transport review - to address increased demand on Post-16 Transport budget		550			550
Early Support	Detached youth work - development of effective Youth Service offer		600			600
	Healthy Holidays - Summer holiday activities targeted towards children eligible for Free School Meals		225			225
Commissioning						
Other commissioned services	Corporate capacity review - additional Service Director post Children & Families		131			131
DSG Schools						
SEN support including Further Education Post 16	High Needs Block budget increase in line with additional Government funding allocation		6,100			6,100
TOTAL PLUSES FOR LEARNING & EARLY SUPPORT			**7,812**	**0**	**0**	**7,812**

CUSTOMERS AND COMMUNITIES

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Community Plus	1,991	(257)	1,734			1,734			1,734			1,734
Communities	1,759	(428)	1,331			1,331			1,331			1,331
Community Safety Hub	1,084	(507)	577			577			577			577
Prevent	286	(127)	159			159			159			159
Access, Strategy & Delivery												
Library & Information Centres	3,255	(55)	3,200		370	3,570			3,570			3,570
Registrars	757	(754)	3			3			3			3
Customer Service Centres	1,396	(74)	1,322			1,322			1,322			1,322
Kirklees Direct	2,565	(859)	1,706			1,706			1,706			1,706
Community Languages	596	(720)	(124)			(124)			(124)			(124)
Total	**8,569**	**(2,462)**	**6,107**	**0**	**370**	**6,477**	**0**	**0**	**6,477**	**0**	**0**	**6,477**
Integrated Wellness Model	1,765	(1,684)	81			81			81			81
Management & Regulatory	145	0	145			145			145			145
TOTAL CUSTOMERS & COMMUNITIES	**15,599**	**(5,465)**	**10,134**	**0**	**370**	**10,504**	**0**	**0**	**10,504**	**0**	**0**	**10,504**

CUSTOMER & COMMUNITIES - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000		
			2020-21	2021-22	2022-23
EXISTING MTFP PLUSES **Access, Strategy & Delivery** Library & Information Centres	Place based capacity library provision		370		
TOTAL PLUSES FOR CUSTOMER & COMMUNITIES			**370**	**0**	**0**

ADULTS SOCIAL CARE

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Assessment and Care Management												
Assessment and Care Management	6,094	(1,045)	5,049			5,049			5,049			5,049
Gateway to Care	1,320	(119)	1,201			1,201			1,201			1,201
Total	**7,414**	**(1,164)**	**6,250**	**0**	**0**	**6,250**	**0**	**0**	**6,250**	**0**	**0**	**6,250**
Demand Led Activity												
Self Directed Support	10,134	(9,998)	136		10,150	10,286		10,150	20,436		6,541	26,977
Independent Sector Residential and Nursing												
Independent Sector Residential and Nursing	36,557	(14,903)	21,654			21,654			21,654			21,654
Independent Sector Residential and Nursing	4,801	(965)	3,836			3,836			3,836			3,836
Total	**41,358**	**(15,868)**	**25,490**	**0**	**0**	**25,490**	**0**	**0**	**25,490**	**0**	**0**	**25,490**
In-House Residential - Older People	5,433	(1,804)	3,629		1,400	5,029			5,029			5,029
In-House Day Care	872	(38)	834			834			834			834
Other Demand-Led Services												
Re-ablement	6,324	(5,338)	986			986			986			986
Emergency Support (including Persons from	386	0	386			386			386			386
Care Phones and Assistive Technology	1,131	(1,110)	21			21			21			21
Other Demand Led	570	779	1,349	(1,379)		(30)	(600)		(630)	(600)		(1,230)
Adult Social Care Grant & Better Care Funding	0	(18,559)	(18,559)	(9,154)		(27,713)	(3,891)		(31,604)	(4,375)		(35,979)
Total	**8,411**	**(24,228)**	**(15,817)**	**(10,533)**	**0**	**(26,350)**	**(4,491)**	**0**	**(30,841)**	**(4,975)**	**0**	**(35,816)**
Total Demand Led	**66,208**	**(51,936)**	**14,272**	**(10,533)**	**11,550**	**15,289**	**(4,491)**	**10,150**	**20,948**	**(4,975)**	**6,541**	**22,514**
Older People Residential Strategy	0	(901)	(901)			(901)			(901)			(901)
Management & Regulatory	**4,377**	(379)	3,998		542	4,540			4,540			4,540
TOTAL ADULTS SOCIAL CARE	**77,999**	**(54,380)**	**23,619**	**(10,533)**	**12,092**	**25,178**	**(4,491)**	**10,150**	**30,837**	**(4,975)**	**6,541**	**32,403**

ADULTS SOCIAL CARE - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP MINUSES						
Demand Led Activity						
Self Directed Support (SDS)	Adult Social Care assumed additional Government grant funding in 21/22 and 22/23			(3,791)	(4,015)	(7,806)
			0	**(3,791)**	**(4,015)**	**(7,806)**
NEW MTFP MINUSES						
Demand Led Activity						
Adult Social Care Grant & Better Care	Adult Social Care Funding - government announcement of £1bn national funding allocation.		(7,854)			(7,854)
	Realignment and baselining of existing social care grants		(1,300)	(100)	(360)	(1,760)
Other Demand Led	Better Care Fund Government inflation uplift		(1,379)	(600)	(600)	(2,579)
			(10,533)	**(700)**	**(960)**	**(12,193)**
TOTAL MINUSES FOR ADULTS SOCIAL			**(10,533)**	**(4,491)**	**(4,975)**	**(19,999)**

ADULTS SOCIAL CARE - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP PLUSES						
Demand Led Activity						
Self Directed Support	Adult Social Care - Third Party Contracts		4,300	3,600	4,641	12,541
	Adult Social Care - demand led pressures		3,750	3,750		7,500
			8,050	**7,350**	**4,641**	**20,041**
NEW MTFP PLUSES						
Demand Led Activity						
Self Directed Support	Adult Social Care additional cost pressures - National Living Wage contract pressures		1,200	2,800	1,900	5,900
	Additional cost pressures - market stability measures		900			900
In-House Residential - Older People	In-house residential provision re-base		1,400			1,400
Management & Regulatory	Transformation Team - funding switch from capital to revenue		142			142
	Mainstream and enhance Domestic Abuse service		400			400
			4,042	**2,800**	**1,900**	**8,742**
TOTAL PLUSES FOR ADULTS SOCIAL CARE			**12,092**	**10,150**	**6,541**	**28,783**

LEARNING DISABILITIES & MENTAL HEALTH

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Assessment and Care Management	3,517	(604)	2,913			2,913			2,913			2,913
Demand Led Activity												
Self Directed Support	24,157	(4,001)	20,156			20,156			20,156			20,156
Independent Sector Residential and Nursing												
Independent Sector Residential and Nursing	9,738	(4,176)	5,562		1,370	6,932		1,551	8,483		4,500	12,983
Independent Sector Residential and Nursing	31,682	(8,448)	23,234			23,234			23,234			23,234
Total	**41,420**	**(12,624)**	**28,796**	**0**	**1,370**	**30,166**	**0**	**1,551**	**31,717**	**0**	**4,500**	**36,217**
In-House Residential - Learning disability	2,645	(713)	1,932			1,932			1,932			1,932
In-House Day Care	3,110	(383)	2,727			2,727			2,727			2,727
Other Demand-Led Services												
Emergency Support	12	0	12			12			12			12
Learning Disability Shared Lives	1,086	0	1,086			1,086			1,086			1,086
Total	**1,098**	**0**	**1,098**	**0**	**0**	**1,098**	**0**	**0**	**1,098**	**0**	**0**	**1,098**
Total Demand Led	**72,430**	**(17,721)**	**54,709**	**0**	**1,370**	**56,079**	**0**	**1,551**	**57,630**	**0**	**4,500**	**62,130**
Management & Regulatory	429	0	429		250	679			679			679
TOTAL LEARNING DISABILITIES & MENTAL HEALT	**76,376**	**(18,325)**	**58,051**	**0**	**1,620**	**59,671**	**0**	**1,551**	**61,222**	**0**	**4,500**	**65,722**

LEARNING DISABILITIES & MENTAL HEALTH - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000 2020-21	2021-22	2022-23	Total
EXISTING MTFP PLUSES						
Demand Led Activity						
Independent Sector Residential & Nursing Placements - Mental Health	Further demand led pressures		1,370	1,551	4,500	7,421
			1,370	**1,551**	**4,500**	**7,421**
NEW MTFP PLUSES						
Management & Regulatory	Mental Health Services - additional management capacity		250			250
			250	**0**	**0**	**250**
TOTAL PLUSES FOR LEARNING DISABILITES & MENTAL HEALTH			**1,620**	**1,551**	**4,500**	**7,671**

ADULTS SUFFICIENCY

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Demand Led Activity												
Contracted Services	**6,176**	**(763)**	**5,413**			**5,413**			**5,413**			**5,413**
Other Demand-Led Services												
Excellent Homes for Life (supported living)	1,750	(488)	1,262			1,262			1,262			1,262
Provision of Community Equipment	4,535	(3,824)	711			711			711			711
Total	**6,285**	**(4,312)**	**1,973**	**0**	**0**	**1,973**	**0**	**0**	**1,973**	**0**	**0**	**1,973**
Total Demand Led	**12,461**	**(5,075)**	**7,386**	**0**	**0**	**7,386**	**0**	**0**	**7,386**	**0**	**0**	**7,386**
Early Intervention & Prevention												
Supporting People	5,923	(1,309)	4,614			4,614			4,614			4,614
Support for Carers	375	0	375			375			375			375
Total	**6,298**	**(1,309)**	**4,989**	**0**	**0**	**4,989**	**0**	**0**	**4,989**	**0**	**0**	**4,989**
Commissioning												
Contracts Management	757	(312)	445			445			445			445
Other Commissioning Infrastructure	747	(161)	586			586			586			586
Business & Performance Unit	50	0	50			50			50			50
Total	**1,554**	**(473)**	**1,081**	**0**	**0**	**1,081**	**0**	**0**	**1,081**	**0**	**0**	**1,081**
Management & Regulatory	79	0	79			79			79			79
TOTAL ADULTS SUFFICIENCY	**20,392**	**(6,857)**	**13,535**	**0**	**0**	**13,535**	**0**	**0**	**13,535**	**0**	**0**	**13,535**

GROWTH & HOUSING

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Housing General Fund	4,935	(3,017)	1,918			1,918			1,918			1,918
Development & Master Planning	4,821	(3,841)	980			980			980			980
Culture & Tourism	3,353	(2,407)	946		500	1,446			1,446			1,446
Housing Growth & Regeneration	1,869	(52)	1,817			1,817			1,817			1,817
TOTAL GROWTH & HOUSING	**14,978**	**(9,317)**	**5,661**	**0**	**500**	**6,161**	**0**	**0**	**6,161**	**0**	**0**	**6,161**

GROWTH AND HOUSING - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
NEW MTFP PLUSES						
Culture & Tourism	Revenue implications of capital developments - markets		500			500
TOTAL PLUSES FOR GROWTH & HOUSING			**500**	**0**	**0**	**500**

ECONOMY & SKILLS

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Corporate Landlord & Capital												
Asset Strategy	975	(1,129)	(154)			(154)			(154)			(154)
Corporate Landlord	11,953	(1,302)	10,651			10,651			10,651			10,651
Commercial Properties	946	(2,769)	(1,823)			(1,823)			(1,823)			(1,823)
Landbank	341	(2)	339			339			339			339
Capital Delivery/Development	1,309	(2,240)	(931)			(931)			(931)			(931)
Assett Maintenance	1,863	(2,613)	(750)			(750)			(750)			(750)
	17,387	(10,055)	7,332	0	0	7,332	0	0	7,332	0	0	7,332
Business & Skills	1,642	(1,291)	351			351			351			351
Major Projects	646	(336)	310			310			310			310
Management & Regulatory	859	0	859			859			859			859
TOTAL ECONOMY & SKILLS	**20,534**	**(11,682)**	**8,852**	**0**	**0**	**8,852**	**0**	**0**	**8,852**	**0**	**0**	**8,852**

ENVIRONMENT

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Highways	24,345	(19,377)	4,968			4,968			4,968			4,968
Seasonal Weather	1,232	(31)	1,201			1,201			1,201			1,201
Waste Services	24,182	(8,082)	16,100		2,376	18,476		1,250	19,726		1,250	20,976
Transport Services	5,661	(3,066)	2,595			2,595			2,595			2,595
Parking	1,855	(6,685)	(4,830)		850	(3,980)		200	(3,780)			(3,780)
Parks & Greenspaces	6,045	(3,580)	2,465	(50)		2,415	(50)		2,365			2,365
Public Protection												
Licensing	518	(1,249)	(731)			(731)			(731)			(731)
Local Land Charges & Highways	265	(330)	(65)			(65)			(65)			(65)
Environmental Health	2,146	(741)	1,405			1,405			1,405			1,405
Schools Transport	4,197	(230)	3,967		550	4,517			4,517			4,517
	7,126	(2,550)	4,576	0	550	5,126	0	0	5,126	0	0	5,126
Venue Management												
Cliffe House	451	(451)	0			0			0			0
DRAM Centre	77	(47)	30			30			30			30
Town Halls & Public Halls	956	(891)	65			65			65			65
Catering	18,192	(20,138)	(1,946)			(1,946)			(1,946)			(1,946)
Caretaking & Cleaning	7,177	(6,297)	880			880			880			880
Bereavement	1,593	(3,424)	(1,831)			(1,831)			(1,831)			(1,831)
	28,446	(31,248)	(2,802)	0	0	(2,802)	0	0	(2,802)	0	0	(2,802)
Quality & Standards	156	(2)	154			154			154			154
Management & Regulatory	963	0	963			963			963			963
TOTAL ENVIRONMENT	**100,011**	**(74,621)**	**25,390**	**(50)**	**3,776**	**29,116**	**(50)**	**1,450**	**30,516**	**0**	**1,250**	**31,766**

ENVIRONMENT - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP MINUSES						
Parks & Greenspaces	Cost Recovery on Services	EX EN1	(50)	(50)		(100)
TOTAL MINUSES FOR ENVIRONMENT			**(50)**	**(50)**	**0**	**(100)**

ENVIRONMENT - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP PLUSES						
Car Parking	existing pressure on car parking budget		250	200		450
Waste Services	Place infrastructure capacity		250	250	250	750
			500	**450**	**250**	**1,200**
NEW MTFP PLUSES						
Waste Services	Waste Management - recyling investment		2,000	1,000	1,000	4,000
	Transformation Team - funding switch from capital to revenue		126			126
Car Parking	Strategic review of car parking income		600			600
Schools Transport	School Transport review		550			550
			3,276	**1,000**	**1,000**	**5,276**
TOTAL PLUSES FOR ENVIRONMENT			**3,776**	**1,450**	**1,250**	**6,476**

CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
STRATEGY, INNOVATION & PLANNING												
IT	12,600	(1,704)	10,896		24	10,920			10,920			10,920
Policy, Partnerships & Corporate												
Policy	493	(23)	470		272	742			742			742
Chief Executive & Corporate Support	882	(25)	857		172	1,029			1,029			1,029
	1,375	(48)	1,327	0	444	1,771	0	0	1,771	0	0	1,771
Transformation	111	0	111		585	696			696			696
Strategic Communications	953	(293)	660		125	785			785			785
Intelligence & Performance	1,969	(466)	1,503			1,503			1,503			1,503
TOTAL STRATEGY, INNOVATION &PLANNING	**17,008**	**(2,511)**	**14,497**	**0**	**1,178**	**15,675**	**0**	**0**	**15,675**	**0**	**0**	**15,675**
PUBLIC HEALTH & PEOPLE												
Peoples Service	6,050	(2,504)	3,546		80	3,626			3,626			3,626
Electoral Services	830	(8)	822			822			822			822
Public Health												
Sexual Health	3,846	0	3,846			3,846	(423)		3,423			3,423
Health Checks	279	0	279			279			279			279
Health Protection	506	(38)	468			468			468			468
Child Measurement	14	0	14			14			14			14
Substance Misuse	5,781	(273)	5,508			5,508	(400)		5,108			5,108
Obesity	151	0	151			151			151			151
Physical Activity	332	0	332			332			332			332
Smoking & Tobacco	565	0	565			565			565			565
5-19 Public Health	1,485	0	1,485			1,485			1,485			1,485
Health at Work	4	0	4			4			4			4
Public Mental Health	6	0	6			6			6			6
Public Health - Miscellaneous	6,838	0	6,838			6,838			6,838			6,838
Emergency Planning Team	283	(107)	176			176			176			176

CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Corporate Health & Safety	250	(40)	210			210			210			210
Public Health - Management &	655	0	655			655			655			655
Public Health Grant	0	(26,128)	(26,128)			(26,128)		823	(25,305)			(25,305)
	20,995	(26,586)	(5,591)	0	0	(5,591)	(823)	823	(5,591)	0	0	(5,591)
Sport & Physical Activity												
Leisure Management	82	(28)	54			54			54			54
Sport & Physical Activity	50	0	50			50			50			50
Grant to KAL	1,156	0	1,156		300	1,456		100	1,556		100	1,656
	1,288	(28)	1,260	0	300	1,560	0	100	1,660	0	100	1,760
TOTAL PUBLIC HEALTH & PEOPLE	**29,163**	**(29,126)**	**37**	**0**	**380**	**417**	**(823)**	**923**	**517**	**0**	**100**	**617**
GOVERNANCE & COMMISSIONING												
Legal	1,790	(332)	1,458			1,458			1,458			1,458
Procurement	974	(105)	869			869			869			869
Risk	576	(376)	200			200			200			200
Democracy												
District Committees	460	0	460			460			460			460
Governance & Democratic Services	3,354	(197)	3,157		396	3,553			3,553			3,553
	3,814	(197)	3,617	0	396	4,013	0	0	4,013	0	0	4,013
Management & Regulatory	127	0	127			127			127			127
TOTAL GOVERNANCE & COMMISSIONING	**7,281**	**(1,010)**	**6,271**	**0**	**396**	**6,667**	**0**	**0**	**6,667**	**0**	**0**	**6,667**
FINANCE												
Finance and Accountancy	2,164	(444)	1,720			1,720			1,720			1,720
Commercial Services	175	0	175			175			175			175
Welfare & Exchequer	9,795	(3,351)	6,444	(50)		6,394			6,394			6,394

CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Benefit Payments	77,418	(77,499)	(81)			(81)			(81)			(81)
Management & Regulatory	115	0	115			115			115			115
TOTAL FINANCE	**89,667**	**(81,294)**	**8,373**	**(50)**	**0**	**8,323**	**0**	**0**	**8,323**	**0**	**0**	**8,323**
COMMISSIONING & PUBLIC HEALTH	**143,119**	**(113,941)**	**29,178**	**(50)**	**1,954**	**31,082**	**(823)**	**923**	**31,182**	**0**	**100**	**31,282**

CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000 2020-21	2021-22	2022-23	Total
EXISTING MTFP MINUSES						
Public Health & People						
Sexual Health	Incorporating additional schemes into Integrated Sexual Health Services Main	EX CS1		(423)		(423)
Substance Misuse	Reducing payments in Primary Care and ongoing contract efficiencies	EX CS2		(400)		(400)
Finance						
Welfare & Complimentary Benefits	More Automation of back office services	EX CS3	(50)			(50)
			(50)	(823)	0	(873)
TOTAL MINUSES FOR CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH			**(50)**	**(823)**	**0**	**(873)**

CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
EXISTING MTFP PLUSES						
Public Health & People						
Public Health Grant	Public Health savings deferred funded by use of reserve			823		823
			0	**823**	**0**	**823**
NEW PLUSES						
STRATEGIC, INNOVATION & PLANNING						
IT	Corporate capacity review		24			24
Policy , Partnerships & Corporate Planning						
Policy , Partnerships & Transformation	Corporate capacity review		272			272
Chief Executive & Corporate Support	Corporate capacity review		172			172
Transformation	Transformation team - funding switch from capital to revenue		585			585
Strategic Communications	Corporate capacity review		125			125
PUBLIC HEALTH & PEOPLE						
Peoples Service	Corporate capacity review		80			80
Sport & Physical Activity						
Grant to KAL	Leisure Commissioning review		300	100	100	500
GOVERNANCE & COMMISSIONING						
Governance & Democratic Services	Place Standards Activity Support		300			300
	Corporate capacity review		96			96
			1,954	**100**	**100**	**2,154**
TOTAL PLUSES FOR CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH			**1,954**	**923**	**100**	**2,977**

CENTRAL BUDGETS

SERVICE ACTIVITY	19-20 CONTROLLABLE GROSS EXPENDITURE £000	19-20 CONTROLLABLE INCOME £000	19-20 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	22-23 BUDGET PROPOSAL £000
Treasury Management	23,909	(1,063)	22,846	(9,506)	690	14,030	(3,000)	5,968	16,998	(1,000)	3,917	19,915
General Contingencies	557	(235)	322	(2,425)	4,370	2,267	(1,754)	546	1,059	(500)	500	1,059
Inflation	479	0	479	(1,300)	4,350	3,529	(1,300)	4,050	6,279		2,750	9,029
Central Pension & Related Costs	2,117	(314)	1,803			1,803			1,803			1,803
Joint Committees	19,588	0	19,588	(400)	50	19,238	210	367	19,815			19,815
Corporate Governance, Management & DRM	704	(432)	272			272			272			272
TOTAL CENTRAL BUDGETS	**47,354**	**(2,044)**	**45,310**	**(13,631)**	**9,460**	**41,139**	**(5,844)**	**10,931**	**46,226**	**(1,500)**	**7,167**	**51,893**

CENTRAL BUDGETS - TECHNICAL ADJUSTMENTS

Service Activity	Proposed Change	Savings Template Reference	£000 2020-21	£000 2021-22	£000 2022-23	£000 Total
General Contingencies	Review of general contingencies requirement		1,515	(458)		1,057
	Employers superannuation rate change		(320)			(320)
	Place infrastructure capacity		500	500	500	1,500
	New efficiency savings	NEW CE1	(500)	(500)	(500)	(1,500)
	Tree planting programme - one year only		750	(750)		0
Inflation	Future years inflation requirement		2,750	2,750	2,750	8,250
	Income inflation adjustment aligned to fees and charges review and 3rd sector capacity		300			300
Treasury Management	Budget aligned to current and future capital financing requirements		(199)	1,351	3,917	5,069
	MRP - release to demand reserve		(4,000)			(4,000)
	MRP - release to place partnership theme reserve		(1,000)	1,000		
	MRP - release to property and other loans reserve			(2,000)	(1,000)	(3,000)
	MRP - release to strategic investment reserve			(1,000)		(1,000)
	MRP - release to support general fund		(3,617)	3,617		0
Joint Committees	Combined Authority Transport Levy Contribution Review - Reflects the third year of a temporary levy reduction in 2020/21, reversed out the following year		(400)	577		177
	Coroners service - free digital autopsies for families with children 18 or under		50			50
TOTAL TECHNICAL ADJUSTMENTS FOR CENTRAL BUDGETS			**(4,171)**	**5,087**	**5,667**	**6,583**

HRA Revenue Budget

ACTIVITY	2019-20 Net Controllable Budget	Minuses	Pluses	2020-21 Budget Proposal	Minuses	Pluses	2021-22 Budget Proposal	Minuses	Pluses	2022-23 Budget proposal
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Repairs & Maintenance	**23,949**	(342)	3,385	**26,992**	(63)		**26,929**	(62)		**26,867**
Housing Management										
Policy & Management	**13,449**		100	**13,549**			**13,549**			**13,549**
Council Services bought in	**2,524**			**2,524**			**2,524**			**2,524**
Kirklees Neighbourhood Housing (KNH) Fee	**17,004**		51	**17,055**			**17,055**			**17,055**
Special Services (Communal facilities)	**1,604**			**1,604**			**1,604**			**1,604**
sub-total	**34,581**	**0**	**151**	**34,732**	**0**	**0**	**34,732**	**0**	**0**	**34,732**
Other Expenditure										
Depreciation charge on HRA Assets	**16,500**			**16,500**			**16,500**			**16,500**
Interest payable on capital debt	**8,132**	(229)		**7,903**	(316)		**7,587**			**7,587**
Bad debt provision	**2,252**	(1,252)		**1,000**		500	**1,500**			**1,500**
HRA share of corporate & democratic core	**388**		32	**420**			**420**			**420**
Rents, Rates , Taxes & other charges	**296**			**296**			**296**			**296**
Inflation Provision	**(943)**		943	**0**		992	**992**		1,007	**1,999**
Sub total	**26,625**	**(1,481)**	**975**	**26,119**	**(316)**	**1,492**	**27,295**	**0**	**1,007**	**28,302**
Total Expenditure	**85,155**	**(1,823)**	**4,511**	**87,843**	**(379)**	**1,492**	**88,956**	**(62)**	**1,007**	**89,901**
Dwelling Rent income	**(79,899)**	(1,345)	1,514	**(79,730)**	(1,850)		**(81,580)**	(1,697)		**(83,277)**
Non-Dwelling Rent Income	**(702)**	(22)	29	**(695)**	(37)		**(732)**	(17)		**(749)**
Tenant & Leaseholder charges for services & facilities	**(3,316)**	(42)	485	**(2,873)**	(28)		**(2,901)**	(9)		**(2,910)**
HRA Interest income on cashflow	**(170)**	(100)		**(270)**			**(270)**			**(270)**
Excellent Homes for Life (PFI) Government Grant	**(7,912)**			**(7,912)**			**(7,912)**			**(7,912)**
Total Income	**(91,999)**	**(1,509)**	**2,028**	**(91,480)**	**(1,915)**	**0**	**(93,395)**	**(1,723)**	**0**	**(95,118)**
Net Operating Expenditure	**(6,844)**	**(3,332)**	**6,539**	**(3,637)**	**(2,294)**	**1,492**	**(4,439)**	**(1,785)**	**1,007**	**(5,217)**
Revenue contribution to capital expenditure	**6,844**	(3,207)		**3,637**		802	**4,439**		778	**5,217**
Net Surplus/deficit	**0**	**(6,539)**	**6,539**	**0**	**(2,294)**	**2,294**	**0**	**(1,785)**	**1,785**	**0**

HOUSING REVENUE ACCOUNT - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
Repair & Maintenance	Efficiency savings	EX HRA 1	(342)	(63)	(62)	(467)
Income						
Dwelling Rent	To reflect assumed uplift of CPI +1%		(1,345)	(1,850)	(1,697)	(4,892)
Tenant & leaseholder service and other charges	Review of Service Charge costs including Assisted Gardens		(42)	(28)	(9)	(79)
Non Dwelling Rent Income	Garage Rent Inflation		(22)	(37)	(17)	(76)
Other	HRA Interest Income		(100)			(100)
Interest payable on capital debt	interest charges in line with current profile of debt repayment across		(229)	(316)		(545)
Bad Debt Provision	Reviewed for anticipated rollout of Universal Credit		(1,252)			(1,252)
TOTAL MINUSES FOR HRA (net operating expenditure)			**(3,332)**	**(2,294)**	**(1,785)**	**(7,411)**
Revenue contribution to capital			(3,207)			(3,207)
TOTAL MINUSES FOR HRA			**(6,539)**	**(2,294)**	**(1,785)**	**(10,618)**

HOUSING REVENUE ACCOUNT - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2020-21	2021-22	2022-23	Total
Repair & Maintenance	Enhanced Lettable Standard		3,385			3,385
KNH Management Fee	General Manager for Enhanced Lettable Standard/Older Peoples		51			51
Policy & Management	Grounds Maintenance Kirklees Recharge		100			100
Other expenditure						
Bad Debt Provision	Full year effect of Universal Credit being implemented			500		500
Inflation provision requirement	Annual provision requirement reflects RPI assumption for repair & maintenance, utility uplift and salary increases		943	992	1,007	2,942
Corporate and democratic core	Council Support Services (Recharges)		32			32
Income						
Dwelling Rent Income	Year 1 reflects revert back to 52 week rent year		1,514			1,514
Tenant & leaseholder service and other	Income reviewed from Service Charges and Rechargeable repairs		485			485
Non Dwelling Rent Income	Shop Void Levels		29			29
TOTAL PLUSES FOR HRA (net operating			**6,539**	**1,492**	**1,007**	**9,038**
Revenue Contribution to Capital				802	778	1,580
TOTAL PLUSES FOR HRA			**6,539**	**2,294**	**1,785**	**10,618**

Service Director	Child Protection & Family Support
Service Area	Demand Led Activity – External Residential
Headline Proposal	Percentage of children placed outside Kirklees reduced by March 2020
Reference	EX CP1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(1,224)	(1,188)	
Cumulative Savings	(1,224)	(2,412)	
Budget after Savings (Controllable Budget)	3,282	2,240	3,323
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)

OfSTED highlighted areas where our care needs to improve, from the way that legal proceedings are managed when concerns become serious, to the quality of care planning, to the way we organise placements for our Children who are Looked After.

Aims

- Improve social work practice with Children Looked After.
- Improve speed and rigour of decision making and legal processes so no child is left at risk
- Ensure more children are placed in family type settings and as close to their existing communities as possible
- Improve the range, quality and cost-effectiveness of placements for Children Looked After
- Improve support for returning home safely
- Strengthen the role of Corporate Parenting Board

Actions

- Reduce the numbers of children and young people who are Looked After by the Local Authority.
- Review internal residential provision
- Review fostering service and recruitment strategy
- Continue to review of all external placements and all placements with parents and implement action planning to move children on where safe and suitable
- Develop and agree a Medium Term Sufficiency Strategy
- Implement improved decision making governance to include a Gateway Panel, a Permanency Panel and improved Adoption Decision Making
- Implement stronger legal case management processes
- Develop a reunification strategy to support safe and successful return to family or kinship carers
- Review and implement improvements for Independent Visitor Scheme
- Strengthen Corporate Parenting through improved involvement of children and young people and better data to inform their work. Develop role and influence of Children Looked After.

Deliverables

- Care planning model was developed and agreed in April 2018. Training was completed for all staff by end of October 2019
- Sufficiency Strategy including reviews and action plans for internal and external fostering, residential and Placed with Parents (PWP), reunification was in place by March 2019. There are ongoing monthly reviews of all external placements to ensure that where appropriate young people are placed in internal resources or returned to parents or extended family.
- Revised local offer for Foster Carers in place by March 2020
- Improved governance and legal processes– robust Permanence, Gateway and Adoption Decision Making panels in place, supported by strengthened case manager support and review.
- New support arrangements in place for Corporate Parenting Board
- Development of reunification assessment and planning to enhance the opportunity for young people to have Care Orders discharged and no longer be Children Looked After

Success Measures

- Proportion of children placed outside Kirklees continues to be reduced safely and appropriately. Indicative target of 10 by March 20.
- Increase in timeliness of independent return interviews for Children Looked After (CLA) that have been missing. Target within 72 hours 90% by March 2020.
- Placement costs reduced and a formal review of placement types and numbers for Children Looked After as part of the wider Sufficiency Strategy.

Risk

- Increased numbers of LAC
- Foster carer recruitment target not met
- More children and young people presented with very complex needs that require high cost placements
- Reduction in Health and Education funding

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Does this proposal require an Integrated Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Elaine McShane Service Director Child Protection & Family Support

Service Director	Family Support & Child Protection
Service Area	Additional Demand Led Savings
Headline Proposal	Re-Investment Projects
Reference	New CP1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(993)	(84)	593
Cumulative Savings	(993)	(1,077)	(484)
Budget after Savings (Controllable Budget)	3,282	2,240	3,323
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)
Following on from the Ofsted inspection (August 2019) the service is focussed on achieving an "Outstanding" Ofsted rating. As part of this journey, a number of projects have been earmarked that will help to strengthen the service offer and address the recommendations made in the Ofsted report. The service is forecast to achieve savings from demand led budget areas, primarily due to a significant reduction in the number of external residential placements since 2018. The result of this is projected savings over and above the MTFP savings target of £1,224K (20/21) and £1,188K (21/22) and it has been agreed that the additional savings will be re-invested into the service, to enable service development to be carried out and strengthen the staffing resource within the service, all of which should help to achieve an Outstanding rating. Included in the re-investment programme is the development of an additional Multi-Systemic Therapy (MST) FIT Team to help provide early support to children at risk of being taken into care. It is anticipated that through the work of this team, young people and families will have intensive support to ensure that family relationships are strengthened and young people will not need to remain in the care system beyond a 12 week period and therefore costs associated with this will be avoided. The introduction of the "Mockingbird" approach to support Internal Fostering Provision will provide additional support to Kirklees Foster Carers. It is hoped that retention rates of foster carers will improve, new foster carers will be attracted to Kirklees and outcomes for children will be improved as placement breakdowns will hopefully be reduced. New posts will be recruited to across the Assessment and Intervention Team (1 Service Manager and 2 Team Managers), The Transformation Team (3 Project Managers) and the Leaving Care Team (2 Personal Advisors). These appointments will enable the service to develop an even more effective service and address issues highlighted in the Ofsted report.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
As part of the cost avoidance process the Childrens Social Work Senior Leadership Team will review each vacancy as it arises and prior to agreeing recruitment will consider any potential pressures within the service and redeploy posts as appropriate.

The revised Ten Point Improvement Plan sets out the ongoing improvement work required alongside the day to day business and usual. Any decisions taken will be set alongside the desired outcomes set out in the plan and what is required to achieve these.

Does this proposal require an Integrated Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Elaine McShane Service Director Child Protection & Family Support

Service Director	Environment
Service Area	Parks & Greenspaces
Headline Proposal	Cost recovery on services
Reference	EX EN1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(50)	(50)	
Cumulative Savings	(50)	(100)	(100)
Budget after Savings (Controllable Budget)	2,415	2,365	2,365
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
Parks & Open Spaces provide a number of services to our partners Kirklees Neighbourhood Housing (KNH), from maintaining gardens to grounds maintenance on estates. These services have traditionally been provided with a significant subsidy and as such the service has commenced a programme of reviewing actual costs against any charges. This work was completed in 2018 and it is proposed to now pass through the full cost to KNH in 2021/22.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
It is proposed that there is full cost recovery to remove any cross subsidy of the HRA fund, but at the same time we will use our Volunteer Community Coordinators, Environment Strategy Unit and other such resources to design out costs and ensure value for money. The final level of saving will be dependent on the level of cost recovery that balances the benefits/outcomes with the resource pressures we face, but it is estimated at £125,000 by 2019/20.

Does this proposal require an Integrated Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Will Acornley

Service Director	Policy, Intelligence & Public Health
Service Area	Sexual Health
Headline Proposal	Incorporating Additional Schemes into Integrated Sexual Health Services Main Contract
Reference	EX CS1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings		(423)	
Cumulative Savings		(423)	(423)
Budget after Savings (Controllable Budget)		3,423	3,423
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)

The current contract is due to end on 31/03/2021 and a new service will be commissioned and procured with a start date of 01/04/2021.

Original savings of £523k were due to be found in 2019/20 but these will be staggered until 2021/22 by using Public Health reserves to alleviate the pressure until then. £100k will be found in 2019/20 from unplanned variances on other budget headings which will allow partial savings to be made.

Work has begun with the current providers in order to determine the impact on services and identify any potential risks from the reduced budget in 2021/22 and ensure that the new model takes this into consideration.

Possible exploration of savings to be found in 2021/22 will be through the following:

- Review the HIV prevention element by working with the provider to find contract efficiencies
- Reducing tariff prices in primary care and expanding the spokes from the integrated service to ensure maximum coverage across Kirklees
- Greater focus and emphasis on early intervention and prevention. This will reduce the need for more costly clinical interventions later on in the treatment journey

Risks:

- GP prescribing in primary care may decrease due to a reduction in tariff prices, which would result in higher demand in the main service and increased waiting times.
- Out of area payments are out of our control and hence may increase.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
We may see an increase in HIV late diagnosis. In order to mitigate against this we will look to increase investment in rapid HIV testing. In order to mitigate against the risks to the main integrated service we will work with the provider to refocus the service on high risk groups.	
Does this proposal require an Integrated Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO
Accountable Head of Service	Emily Parry-Harries

Service Director	Policy, Intelligence & Public Health
Service Area	Substance Misuse
Headline Proposal	Reducing payments in Primary Care and Ongoing Contract Efficiencies
Reference	EX CS2

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings		(400)	
Cumulative Savings		(400)	(400)
Budget after Savings (Controllable Budget)		5,108	5.108
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
The current contract is due to end on 31/03/2021 and a new service will be commissioned and procured with a start date of 01/04/2021. Original savings of £500k were due to be found in 2019/20 but these will be staggered until 2021/22 by using Public Health reserves to alleviate the pressure until then. £100k will be found in 2019/20 from unplanned variances on other budget headings which will allow partial savings to be made. Work has begun with the current providers in order to determine the impact on services and identify any potential risks from the reduced budget in 2021/22 and ensure that the new model takes this into consideration. Possible exploration of savings to be found in 2021/22 will be through the following: • Working with the provider to find efficiencies via a whole integrated system approach (the provider is now responsible for managing the full integrated substance misuse provision including services in primary care and acute care) • Greater focus and emphasis on early intervention and prevention. This will reduce the need for more costly clinical interventions later on in the treatment journey. Risks: The implications of further reduction will be assessed to ensure the viability of the service is not threatened.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
We propose that a new model will be co-produced with the current providers; identified risk will be explored and mitigated as the model develops in more detail. Planning and detailed discussions with the provider will ensure that any risks identified will be managed in preparation for the savings (2021/22).

Does this proposal require an Integrated Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Emily Parry-Harries

Service Director	Finance, IT & Transactional Services
Service Area	Welfare and Exchequer - Welfare & Complimentary Benefits
Headline Proposal	More Automation of back office services
Reference	EX CS3

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(50)		
Cumulative Savings	(50)	(50)	(50)
Budget after Savings (Controllable Budget)	6,394	6,394	6,394
FTE Reduction	2		

Description of Savings Proposal (Including interdependencies and risk)
Review of welfare and complimentary benefits staffing, in light of changes to automation, caseload changes and implementation of Universal Credit (UC) in Kirklees. (UC rollout will run until at least 2023.)

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
The migration to Universal Credit (UC) is a national process run by the Department for Work and Pensions, the migration of working age Housing Benefit claimants to UC has already started in Kirklees for single people in June 2015. November 2017 saw the start of couples UC migration in Kirklees. The Council already has procedures in place to assist residents with the changes including "Advice Kirklees".

Does this proposal require an Integrated Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Steven Bird

Service Director	Central
Service Area	General Contingencies
Headline Proposal	New efficiency savings
Reference	NEW CE1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(500)	(500)	(500)
Cumulative Savings	(500)	(1,000)	(1,500)
Budget after Savings (Controllable Budget)			
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
As part of the Council's continuous improvement approach to being an 'efficient and effective' organisation, future year efficiency targets have been set, which in the context of the overall net budget, are considered deliverable. As well as potential cost efficiencies, this will also include opportunities for additional income opportunities. The development and implementation of proposals will be monitored and reviewed through the Council's senior leadership team and progress against them reported quarterly to Cabinet through established financial reporting processes in-year

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
Does this proposal require an Integrated Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO
Accountable Head of Service	TBC

Directorate	Housing
Service Area	Housing Revenue Account
Headline Proposal	Repairs & Maintenance Fee
Reference	EX HRA 1

Forecast Savings	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(342)	(63)	(62)
Cumulative Savings	(342)	(405)	(467)
Budget after Savings (Controllable Budget)	(26,992)	(26,929)	(26,866)
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
Balance of target efficiency savings rolled forward from last year's plans.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
Effective consultation and engagement with staff and tenants where relevant will continue.	
Does this proposal require an Integrated Impact Assessment?	No
Will this proposal require a Specific Service Consultation	No

Accountable Head of Service	Naz Parker

Overall Capital Plan Expenditure Summary

APPENDIX A

	Revised Capital Plan Budget						
2019/20 – 2023/24 Capital Plan Expenditure Summary	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**Total £'000**
General Fund:							
Achieve & Aspire	12,669	12,815	20,213	17,529	12,530	5,590	**81,346**
Best Start	10	940	3,500	4,600	950	0	**10,000**
Independent	1,263	3,236	6,650	5,350	11,164	0	**27,663**
Sustainable Economy	50,752	107,856	109,435	113,842	67,859	44,840	**494,584**
Well	2,821	15,209	11,181	1,925	550	300	**31,986**
Safe & Cohesive	25	175	0	0	0	0	**200**
Clean & Green	2,005	7,827	125	20,466	20,600	894	**51,917**
Efficient & Effective	2,479	1,587	1,940	1,570	1,275	1,400	**10,251**
General Fund Capital Plan	**72,024**	**149,645**	**153,044**	**165,282**	**114,928**	**53,024**	**707,947**
Housing Revenue Account:							
Independent - Strategic Priorities	5,800	12,864	19,223	17,072	18,864	15,364	**89,187**
Independent - Baseline	19,024	20,533	21,092	19,887	19,533	16,033	**116,102**
HRA Capital Plan	**24,824**	**33,397**	**40,315**	**36,959**	**38,397**	**31,397**	**205,289**
TOTAL EXPENDITURE	**96,848**	**183,042**	**193,359**	**202,241**	**153,325**	**84,421**	**913,236**

Overall Capital Plan Funding Summary

APPENDIX A

Funding Summary	Revised Capital Plan Budget 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Capital Grants / Contributions applied	29,716	51,019	61,417	68,161	54,407	39,079	**303,799**
Earmarked Capital Receipts	4,127	6,179	10,632	16,399	10,032	9,916	**57,285**
Non Earmarked Capital Receipts	1,547	2,053	3,450	3,500	3,500	3,500	**17,550**
HRA Reserves (MRR)	11,917	11,493	13,579	16,500	12,532	17,167	**83,188**
HRA Revenue Contributions	11,222	15,434	15,790	9,958	14,645	2,042	**69,091**
General Fund Revenue Contributions	3,290	200	200	200	200	200	**4,290**
Self-Funded Prudential Borrowing	5,053	7,300	5,190	2,870	8,375	1,500	**30,288**
General Fund Prudential Borrowing	29,976	88,031	80,268	81,653	46,301	7,350	**333,579**
HRA Prudential Porrowing	0	1,333	2,833	3,000	3,333	3,667	**14,166**
FUNDING	**96,848**	**183,042**	**193,359**	**202,241**	**153,325**	**84,421**	**913,236**

GENERAL FUND CAPITAL PLAN		Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
ACHIEVEMENT									
	Strategic Priorities								
	Alternative Provision School	B	0	499	5,000	4,250	250	0	**9,999**
	Special School - SEMHD	B	0	500	1,000	5,500	7,500	500	**15,000**
	District Sufficiency - SEND		**0**	**999**	**6,000**	**9,750**	**7,750**	**500**	**24,999**
	New Pupil Places in Primary/Secondary Schools	G/S106/B	2,679	3,980	5,563	1,500	780	1,090	**15,592**
	Delivery of an Autistic Spectrum Disorder (ASD) School to mitigate expenditure on out of area ASD placements	B	0	500	2,150	350	0	0	**3,000**
	Dewsbury Learning Quarter	B	2,086	0	0	0	0	0	**2,086**
	Libraries & Public Buildings	B	280	1,041	2,000	1,679	0	0	**5,000**
	Strategic Priorities Total		**5,045**	**6,520**	**15,713**	**13,279**	**8,530**	**1,590**	**50,677**
	Baseline								
	Basic Need	G	577	500	500	500	500	500	**3,077**
	Capital Maintenance	G/B	4,408	3,400	3,200	3,000	2,800	2,800	**19,608**
	Devolved Formula Capital	G	1,500	850	800	750	700	700	**5,300**
	Baseline Total		**6,485**	**4,750**	**4,500**	**4,250**	**4,000**	**4,000**	**27,985**
	One Off Projects								
	SEND Provision	G	650	1,110	0	0	0	0	**1,760**
	Healthy Pupils	G	360	0	0	0	0	0	**360**
	Completed Schemes	B	29	0	0	0	0	0	**29**
	Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs	B	100	435	0	0	0	0	**535**
	One Off Projects Total		**1,139**	**1,545**	**0**	**0**	**0**	**0**	**2,684**
	ACHIEVEMENT TOTAL		**12,669**	**12,815**	**20,213**	**17,529**	**12,530**	**5,590**	**81,346**
BEST START									
	Strategic Priorities								
	Specialist Accommodation/Youth Services	B/G	10	940	3,500	4,600	950	0	**10,000**
	Strategic Priorities Total		**10**	**940**	**3,500**	**4,600**	**950**	**0**	**10,000**
	CHILDREN TOTAL		**10**	**940**	**3,500**	**4,600**	**950**	**0**	**10,000**
INDEPENDENT									
	Strategic Priorities								

	GENERAL FUND CAPITAL PLAN	Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy & Pump Prime Monies	B	100	0	0	0	0	0	**100**
	Cherry Trees	B	100	636	0	0	0	0	**736**
	Day Services Support for Vulnerable Adults	B	49	700	4,250	4,100	11,164	0	**20,263**
*	Day Services Support for Vulnerable Adults - additional investment	B	0	500	1,000	500	0	0	**2,000**
	Strategic Priorities Total		**249**	**1,836**	**5,250**	**4,600**	**11,164**	**0**	**23,099**
	One Off Projects								
	Adults Social Care Operation	G	164	0	650	50	0	0	**864**
	Adults Social Care Operation - AT IT Consultant	G	0	50	0	0	0	0	**50**
*	Carefirst System Replacement	R	0	550	50	0	0	0	**600**
	Information Technology (Digital)	B	200	800	700	700	0	0	**2,400**
	Information Technology	B	600	0	0	0	0	0	**600**
	Occupational Health IT	B	50	0	0	0	0	0	**50**
	One Off Projects Total		**1,014**	**1,400**	**1,400**	**750**	**0**	**0**	**4,564**
	INDEPENDENT TOTAL		**1,263**	**3,236**	**6,650**	**5,350**	**11,164**	**0**	**27,663**
SUSTAINABLE ECONOMY									
	Strategic Priorities								
	A62 & A644 Corridors & Cooper Bridge	G	560	623	1,500	14,634	28,265	22,901	**68,483**
	Corridor Improvement Programme – A62 Smart Corridor	G	338	2,021	5,098	0	0	0	**7,457**
	Corridor Improvement Programme - Holmfirth Town Centre Access Plan	G	72	646	4,019	0	0	0	**4,737**
	Huddersfield Southern Corridors	G	300	3,894	3,625	100	0	0	**7,919**
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	410	1,850	8,500	1,518	0	0	**12,278**
	A629 Ainley Top to Huddersfield (Phase 5)	G	316	2,541	4,325	2,898	755	100	**10,935**
	Huddersfield Station Gateway Phase 1	G	0	1,324	3,640	0	0	0	**4,964**
	Huddersfield Station gateway Phase 2	G	0	0	0	4,991	0	0	**4,991**
	WYTF Land Acquisition	B	0	591	0	0	0	0	**591**
	West Yorkshire plus Transport Schemes		1,996	13,490	30,707	24,141	29,020	23,001	**122,355**
	Aspirational Regeneration of Major Town Centres - Feasibility	B	331	150	0	0	0	0	**481**
	Regeneration of Strategic Town Centres - Dewsbury	B	1,202	6,310	4,144	3,256	0	0	**14,912**
	Regeneration of Strategic Town Centres - Huddersfield	B	6,058	4,226	7,000	12,406	0	0	**29,690**
	Town Centre Action Plans		7,591	10,686	11,144	15,662	0	0	**45,083**
*	Strategic Acquisition Fund	B/B*	0	6,450	4,000	4,000	0	0	**14,450**
*	Regeneration and Greening of Smaller Towns and Villages	B	0	1,000	2,000	3,000	3,000	1,000	**10,000**

	GENERAL FUND CAPITAL PLAN	Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
*	Additional Investment into Strategic Town Centres	B/G/R	0	4,000	11,500	23,000	15,000	0	**53,500**
*	Dewsbury Riverside	G/B	0	12,000	9,000	12,000	0	0	**33,000**
	KSDL (HD One)	B	0	4,100	4,900	4,000	0	0	**13,000**
	Property Investment Fund	B**	1,000	17,500	6,327	0	0	0	**24,827**
	Loans - Development Finance		1,000	21,600	11,227	4,000	0	0	**37,827**
	Local Growth Fund	B	153	0	0	0	0	0	**153**
	Site Development	G	0	6,000	0	0	0	0	**6,000**
	Public Realm	Res	1,246	0	0	0	0	0	**1,246**
*	Start Up and Retention Policy Capital Grants	Res	0	200	200	200	200	200	**1,000**
	Strategic Priorities Total		**11,986**	**75,426**	**79,778**	**86,003**	**47,220**	**24,201**	**324,614**
SUSTAINABLE ECONOMY									
	Baseline								
	Housing (Private)	G/R	3,599	4,983	3,584	3,584	3,584	3,584	**22,918**
	Highways	G/B	16,318	10,346	9,873	9,155	9,155	9,155	**64,002**
*	Highways - Locality based U Roads Improvement	G/B	0	5,000	5,000	5,000	0	0	**15,000**
	Corporate Landlord Asset Investment	B	4,794	4,232	2,300	2,300	2,300	2,300	**18,226**
*	Corporate Asset Strategy Review	B	0	500	5,000	4,000	3,000	3,000	**15,500**
	Corporate Landlord Compliance	B	1,295	1,000	0	0	0	0	**2,295**
*	Corporate Landlord Compliance	B	0	0	1,000	1,000	1,000	1,000	**4,000**
	Bereavement	B/R	153	25	0	0	0	0	**178**
*	Bereavement - Cemetaries	B	0	390	0	0	0	0	**390**
*	Bereavement - Paths & Road Works	B	0	265	250	150	150	150	**965**
	Vehicle Replacement Programme	B	2,506	1,250	1,250	1,250	1,250	1,250	**8,756**
	School Catering	B	271	200	200	200	200	200	**1,271**
	Baseline Total		**28,936**	**28,191**	**28,457**	**26,639**	**20,639**	**20,639**	**153,501**
	One-Off Projects								
	Housing (Private)	G/R/B	545	428	0	0	0	0	**973**
	Economic Resilience	G/B/R	932	461	0	0	0	0	**1,393**
	Strategic Asset Utilisation	B	947	150	0	0	0	0	**1,097**
	Leeds City Region Revolving Fund	B	1211	0	0	0	0	0	**1,211**

GENERAL FUND CAPITAL PLAN		Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
	Highways	B/B*/ S278	4744	3000	1000	1000	0	0	**9,744**
*	Highways - Holme Moss Landslide	Res	1,010	0	0	0	0	0	**1,010**
*	Lawrence Batley Theatre	R	50	0	0	0	0	0	**50**
	School Catering - Compliance Essential Works	B*	280	200	200	200	0	0	**880**
	Ward Based Activity	B	111	0	0	0	0	0	**111**
	One-Off Projects Total		**9,830**	**4,239**	**1,200**	**1,200**	**0**	**0**	**16,469**
	SUSTAINABLE ECONOMY TOTAL		**50,752**	**107,856**	**109,435**	**113,842**	**67,859**	**44,840**	**494,584**
WELL									
	Strategic Priorities								
	Spen Valley Leisure Centre	B/R/B*	1,000	9,300	5,288	225	0	0	**15,813**
	Hudds Leisure Centre	B	220	0	0	0	0	0	**220**
	Dewsbury Sports Centre Priorities	B	300	250	300	1,400	250	0	**2,500**
	Strategic Priorities Total		**1,520**	**9,550**	**5,588**	**1,625**	**250**	**0**	**18,533**
	Baseline								
	KAL Self Finance Programme	B*	362	300	1,500	300	300	300	**3,062**
	Play Strategy	B/G	939	5,359	4,093	0	0	0	**10,391**
	Baseline Total		**1,301**	**5,659**	**5,593**	**300**	**300**	**300**	**13,453**
	WELL TOTAL		**2,821**	**15,209**	**11,181**	**1,925**	**550**	**300**	**31,986**
SAFE AND COHESIVE									
	Strategic Priorities								
	Youth Offending Team	B	25	175	0	0	0	0	**200**
	Strategic Priorities Total		**25**	**175**	**0**	**0**	**0**	**0**	**200**
	SAFE AND COHESIVE TOTAL		**25**	**175**	**0**	**0**	**0**	**0**	**200**
CLEAN AND GREEN									
	Strategic Priorities								
	Depot Works	B	100	375	25	0	0	0	**500**
	Waste Management Plant/Infrastructure	B/G/B*/Res	1,000	5,000	0	6,500	20,500	0	**33,000**

	GENERAL FUND CAPITAL PLAN	Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
*	Climate Emergency - Green Travel	B	0	2,000	0	0	0	0	**2,000**
*	Air Quality	B	0	352	0	0	0	0	**352**
*	Huddersfield Heat Network	G	0	0	0	13,866	0	794	**14,660**
	Strategic Priorities Total		**1,100**	**7,727**	**25**	**20,366**	**20,500**	**794**	**50,512**
	Baseline								
	Environment & Strategic Waste	B/G	360	100	100	100	100	100	**860**
	Baseline Total		**360**	**100**	**100**	**100**	**100**	**100**	**860**
	One Off Projects								
	Electric Vehicle Charge Points	G	545	0	0	0	0	0	**545**
	One Off Projects Total		**545**	**0**	**0**	**0**	**0**	**0**	**545**
	CLEAN AND GREEN TOTAL		**2,005**	**7,827**	**125**	**20,466**	**20,600**	**894**	**51,917**
EFFICIENCY AND EFFECTIVENESS									
	Baseline								
	Information Technology	B*	905	900	900	900	900	900	**5,405**
	Flexible Capital Receipts Strategy	R	823	0	0	0	0	0	**823**
	One Venue Development	B	200	200	200	200	200	200	**1,200**
*	Sustainability of Major Town Halls - Service Development	B*	0	450	840	470	175	300	**2,235**
	Baseline Total		**1,928**	**1,550**	**1,940**	**1,570**	**1,275**	**1,400**	**9,663**
	One Off Projects								
	Internal Refurbishments	B	551	37	0	0	0	0	**588**
	One Off Projects Total		**551**	**37**	**0**	**0**	**0**	**0**	**588**
	EFFICIENCY AND EFFECTIVENESS TOTAL		**2,479**	**1,587**	**1,940**	**1,570**	**1,275**	**1,400**	**10,251**
GENERAL FUND CAPITAL PLAN TOTAL			**72,024**	**149,645**	**153,044**	**165,282**	**114,928**	**53,024**	**707,947**

FUNDING KEY:

B = Borrowing	R = Capital receipts
B* = Service funded Borrowing	RR = Revenue Rollover
G = Grant	*Addition/Bid

Capital Plan 2020/21-2024/25 — APPENDIX A

HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Strategic Priorities								
Housing Growth	H / R	4,800	4,364	4,364	4,364	4,364	4,364	26,620
New Build Phase 1 - Ashbrow Extra Care	H / R/ G	0	3,000	3359	708	0	0	7,067
Remodelling / High Rise	H / R	500	1,000	3,000	3,000	4,500	0	12,000
IT System (Universal Housing Replacement)	H / R	500	500	0	0	0	0	1,000
Council House Building	R / B	0	4,000	8,500	9,000	10,000	11,000	42,500
Strategic Priorities Total		**5,800**	**12,864**	**19,223**	**17,072**	**18,864**	**15,364**	**89,187**
Baseline								
Housing Capital Plan	H	14,670	6,858	11,346	10,960	10,606	10,606	65,046
Housing Capital Plan	H	0	3,500	0	0	0	0	3,500
Estate Improvements (Neighbourhood Investment)	H	1,093	1,108	1,122	1,137	1,138	1,138	6,736
Compliance	H	468	5,392	4,892	3,423	3,392	0	17,567
Compliance	H	0	0	0	577	608	500	1,685
Fuel poverty	H / G	0	826	826	826	825	825	4,128
Adaptations	H	2,793	2,849	2,906	2,964	2,964	2,964	17,440
Baseline Total		**19,024**	**20,533**	**21,092**	**19,887**	**19,533**	**16,033**	**116,102**
TOTAL HRA CAPITAL PLAN		**24,824**	**33,397**	**40,315**	**36,959**	**38,397**	**31,397**	**205,289**

F FUNDING KEY:

H = HRA revenue contribution/major repairs reserve

R = Capital receipts

G = Grant

B = Borrowing

Appendix Bi)

GENERAL FUND SUMMARY: BASELINE FUNDING AND SPEND CONTROL CHANGES 2020-2023	2020-21 £K	2021-22 £K	2022-23 £K
FUNDING			
Baseline	**(288,634)**	**(290,775)**	**(293,121)**
CHANGES			
Council Tax - Adult Social Care Precept 2% in 2020-21	(3,616)	(3,722)	(3,830)
Council Tax - Additional 100 CTB growth per annum to 1,100	(162)	(329)	(503)
Council Tax - Base Further Review	(1,600)	(1,600)	(1,600)
Business Rates Baseline/Bad Debt Review	(1,661)	(1,837)	(1,916)
Reverse National Funding Austerity Funding Reductions	(3,233)	(6,324)	(9,056)
Business Rates Baseline Inflation	(1,803)	(1,803)	(1,803)
No 75% Business Rates Pilot in 2020-21 – 50% retention	1,476		
s31 grant review - Business Rates	(2,306)	(2,541)	(2,541)
New Homes Bonus adjusted allocation	425	425	425
Collection fund repayment	(3,435)		
TOTAL FUNDING CHANGES	***(15,915)***	***(17,731)***	***(20,824)***
UPDATED FUNDING	**(304,549)**	**(308,506)**	**(313,945)**
SPENDING PLANS			
Strategic Director Portfolios	252,924	256,131	261,157
Central Budgets – Existing Plans	49,672	55,136	62,803
	302,596	**311,267**	**323,960**
CHANGES			
SERVICE INVESTMENT			
CHILDREN'S			
Assessment and Care Management	260	520	520
Legal Disbursements	100	200	200
High Needs Block expenditure uplift to match new funding allocation	6,100	6,100	6,100
	6,460	**6,820**	**6,820**
ADULTS			
Assessment and Care Management Pressures	500	500	500
Market Stability Measures	900	900	900
In-House Residential provision Re-base	1,400	1,400	1,400
National Living Wage review - Contract Pressures	1,200	4,000	5,900
Mental Health Services – Additional management capacity	250	250	250
Customer Service/Kirklees Direct	100	100	100
Older People Day Care	70	170	170
	4,420	**7,320**	**9,220**
ECONOMY & INFRASTRUCTURE			
Markets - Revenue Implication of Capital developments	500	500	500
Schools FM Meal Price Review	55	110	110
	555	**610**	**610**

Appendix Bi)

GENERAL FUND SUMMARY: BASELINE FUNDING AND SPEND CONTROL CHANGES 2020-2023	2020-21 £K	2021-22 £K	2022-23 £K
CORPORATE			
IT Capacity	1,360	1,360	1,360
Transformation Team	1,000	1,000	1,000
Leisure Commissioning Review	300	400	500
Review of Financial Support to KAL		150	150
Corporate Capacity Review	900	900	900
Legal Services Review	121	121	121
HD-One Capacity	100	200	200
	3,781	**4,131**	**4,231**
TOTAL SERVICE INVESTMENT	***15,216***	***18,881***	***20,881***
ADMINISTRATION PRIORITIES			
OUTSTANDING CHILDREN'S SERVICE			
Multi Systemic Therapy (MST) Base Budget	823	823	400
Virtual School Investment	206	206	206
Detached Youth Work	600	600	600
Healthy Holidays	225	225	225
Developing Foster Carer Support (Mockingbird)	170	170	0
Strengthening Service Offer - New Posts	400	484	484
Schools Organisation/Statutory responsibilities	401	401	401
Early Learning Support	220	220	220
Education to Vulnerable Children	30	30	30
Domestic Abuse	400	400	400
	3,475	**3,559**	**2,966**
TACKLING CLIMATE CHANGE			
Schools Transport Strategic Review	1,100	1,100	1,100
Parking – Strategic review of car parking income	600	600	600
Waste Management Service Transformation	2,000	3,000	4,000
Tree Planting Programme	750		
	4,450	**4,700**	**5,700**
INVESTING IN OUR PLACES			
Place Standards Activity Support	300	300	300
Corporate Landlord; Operational buildings	300	300	300
Place Based Capacity - Library provision	370	370	370
Fees and Charges review and 3rd Sector capacity	300	300	300
Place Infrastructure Capacity	500	1,000	1,500
	1,770	**2,270**	**2,770**
TOTAL ADMINISTRATION PRIORITIES	***9,695***	***10,529***	***11,436***

Appendix Bi)

GENERAL FUND SUMMARY: BASELINE FUNDING AND SPEND CONTROL CHANGES 2020-2023	2020-21 £K	2021-22 £K	2022-23 £K
SERVICE FUNDING/RE-INVESTMENT			
CHILDREN'S			
Additional Saving on External Residential Placements, reinvested	(993)	(1,077)	(484)
Multi Systemic Therapy Grant	(400)	(400)	0
Stronger Families/Other External Bids	(825)	(825)	(825)
High Needs Block funding uplift	(6,100)	(6,100)	(6,100)
	(8,318)	**(8,402)**	**(7,409)**
ADULTS			
Revised additional social care grant assumptions; £1bn announcement	(4,377)	(4,377)	(4,377)
Existing Adults grants roll forwards into baseline	(1,200)	(1,200)	(1,200)
Social Care Grant Realignment	0	(100)	(460)
BCF 2019-20 Government inflation uplift	(779)	(779)	(779)
BCF assumed Government inflation uplift 3.4% p.a. 20-21 onwards	(600)	(1,200)	(1,800)
	(6,956)	**(7,656)**	**(8,616)**
TOTAL SERVICE FUNDING/RE-INVESTMENT	***(15,274)***	***(16,058)***	***(16,025)***
CENTRAL BUDGET CHANGES			
Employer Pension contribution assumed reduction	(1,920)	(1,920)	(1,920)
MRP - release to demand reserve	(4,000)	(4,000)	(4,000)
MRP - release to place partnership theme reserve	(1,000)	0	0
MRP - release to property and other loans reserve	0	(2,000)	(3,000)
MRP - release to strategic investment reserve	0	(1,000)	(1,000)
MRP - release to support general fund	(3,617)	0	0
Review of Contingency Requirements	1,263	809	1,069
West Yorkshire Combined Authority levy contribution adjustment	(210)	0	0
Coroners Service – digital autopsies; families with children 18 or under	50	50	50
TOTAL CENTRAL BUDGET CHANGES	***(9,434)***	***(8,061)***	***(8,801)***
EFFICIENCY SAVINGS	***(500)***	***(1,000)***	***(1,500)***
TOTAL SPEND CHANGES	***(297)***	***4,291***	***5,991***
UPDATED SPENDING PLANS	**302,299**	**315,558**	**329,951**
BUDGET GAP	**(2,250)**	**7,052**	**16,006**
MRP Contribution to Demand Reserve	4,000	4,000	4,000
MRP contribution to Place Partnership Theme Reserve	1,000	0	0
MRP contribution to Other reserves	0	3,000	4,000
Use of Strategic Investment Reserve - Tree Planting Programme	(750)		
Use of Waste Management Reserve - Existing contract cost pressures	(2,000)	(2,000)	(2,000)
Total transfer to reserves	**2,250**	**5,000**	**6,000**
BALANCED 2020/21 BUDGET	**0**	**12,052**	**22,006**

SUMMARY OF GENERAL FUND RESERVES 2019-23

	Reserves at 1st April 2019	Estimated movement in 2019-20	Forecast Reserves 31st Mar 2020	Reserves Review 20-21	Forecast reserves 1st April 2020	Forecast reserves 1st April 2021	Forecast reserves 1st April 2022	Forecast reserves 1st April 2023
	£k	£k	£k	£k	£k	£k	£k	£k
Schools Reserves	(9,745)	268	(9,477)		(9,477)	(9,477)	(9,477)	(9,477)
Earmarked Reserves								
Financial Resilience	(37,146)		(37,146)		(37,146)	(37,146)	(37,146)	(37,146)
Rollover	(2,161)	288	(1,873)		(1,873)	(873)	0	0
Revenue Grants	(12,923)	3,587	(9,336)		(9,336)	(7,336)	(5,336)	(3,336)
Public Health	(2,069)	823	(1,246)		(1,246)	(423)	(423)	(423)
Stronger Families	(1,818)	500	(1,318)		(1,318)	(818)	(318)	
Insurance	(1,900)		(1,900)		(1,900)	(1,900)	(1,900)	(1,900)
Ward Based Activity	(1,227)	145	(1,082)		(1,082)	(832)	(582)	(332)
Property and Other Loans	(3,000)		(3,000)		(3,000)	(5,000)	(8,000)	(11,000)
Adverse Weather	(3,000)		(3,000)		(3,000)	(3,000)	(3,000)	(3,000)
Strategic Investment Support	(5,400)	1,776	(3,624)	(250)	(3,874)	(2,450)	(1,556)	(396)
Social Care	(2,496)	1,000	(1,496)		(1,496)	(496)	0	0
Mental Health	(1,400)		(1,400)		(1,400)	(700)	0	0
Business Rates	(2,000)		(2,000)		(2,000)	(2,000)	(2,000)	(2,000)
Elections	(500)	123	(377)		(377)	(227)	(77)	0
Waste Management	(11,000)	500	(10,500)	4,000	(6,500)	(4,500)	(2,500)	(3,500)
Commercialisation	(500)		(500)		(500)	(500)	(500)	(500)
Demand Reserve	0	(5,000)	(5,000)	(4,000)	(9,000)	(13,000)	(17,000)	(18,000)
Place Partnership Theme	0		0	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Other	(4,032)	114	(3,918)		(3,918)	(3,618)	(3,318)	(3,018)
	(92,572)	**3,856**	**(88,716)**	**(2,250)**	**(90,966)**	**(86,819)**	**(85,656)**	**(86,551)**
General Balances	(10,214)	189	(10,025)		(10,025)	(10,025)	(10,025)	(10,025)
Grand Total	**(112,531)**	**4,313**	**(108,218)**	**(2,250)**	**(110,468)**	**(106,321)**	**(105,158)**	**(106,053)**

Total Reserves Excluding Schools and Public Health	**(100,717)**	**3,222**	**(97,495)**	**(2,250)**	**(99,745)**	**(96,421)**	**(95,258)**	**(96,153)**
% of 2021 net revenue budget	33%		32%		33%	32%	32%	32%

Illustration of DSG Deficit Impact								
Forecast DSG Deficit		11,300	11,300		11,300	18,000	25,200	32,900
Reserves Excl. Schools & Public Health - including DSG deficit	**(100,717)**	**14,522**	**(86,195)**	**(2,250)**	**(88,445)**	**(78,421)**	**(70,058)**	**(63,253)**
Reserves* incl. DSG deficit as % of 2021 net revenue budget	33%		29%		29%	26%	23%	21%

GLOSSARY OF RESERVES

RESERVE	DESCRIPTION
School Reserves	Statutory reserves relating to both individual schools balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure; surpluses/deficits carried forward).
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk register, including budget risks as set out in the sensitivity analysis within this report.
Rollover	To fund deferred spend commitments against approved rollover
Revenue Grants	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred.
Public Health	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
Stronger Families	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
Insurance	Mitigates against risk from increased liabilities and insurance claims.
Ward Based Activity	Set aside reflecting timing issues on ward based activity spend commitments
Property and Other Loans	Set aside in part against the potential risk of future loan defaults; in part to offset potential unfunded technical accounting entries on general fund revenue arising purely arising from the introduction of a new local government accounting code intended to strengthen balance sheet transparency.
Adverse Weather	Mitigates against budget risk arising from severe weather events in the District.
Strategic Investment & Support	To address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
Social Care	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
Mental Health (including Domestic abuse)	To support a number of local area based mental health initiatives.
Business Rates	Set aside against potential backdated payments with respect to national company business rates appeals, and also to resource the Council's approved business start up and retention policy.
Elections	Smoothing reserve to accommodate annual fluctuations in local and national election cyclical costs outside the normal base budget provision.
Waste Management	To support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022-23.
Commercialisation	To support Commercialisation opportunities including the One Venue Development Plan, to help drive investment in public and community buildings.
Demand Reserve	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
Place Partnership Theme	To encourage Place specific local initiatives
Other Earmarked	A range of smaller reserves earmarked for specific purposes, each less than £0.6m.
General Fund Balances	General reserve set at £10m to support general working capital and cashflow requirements.

APPENDIX Biii)

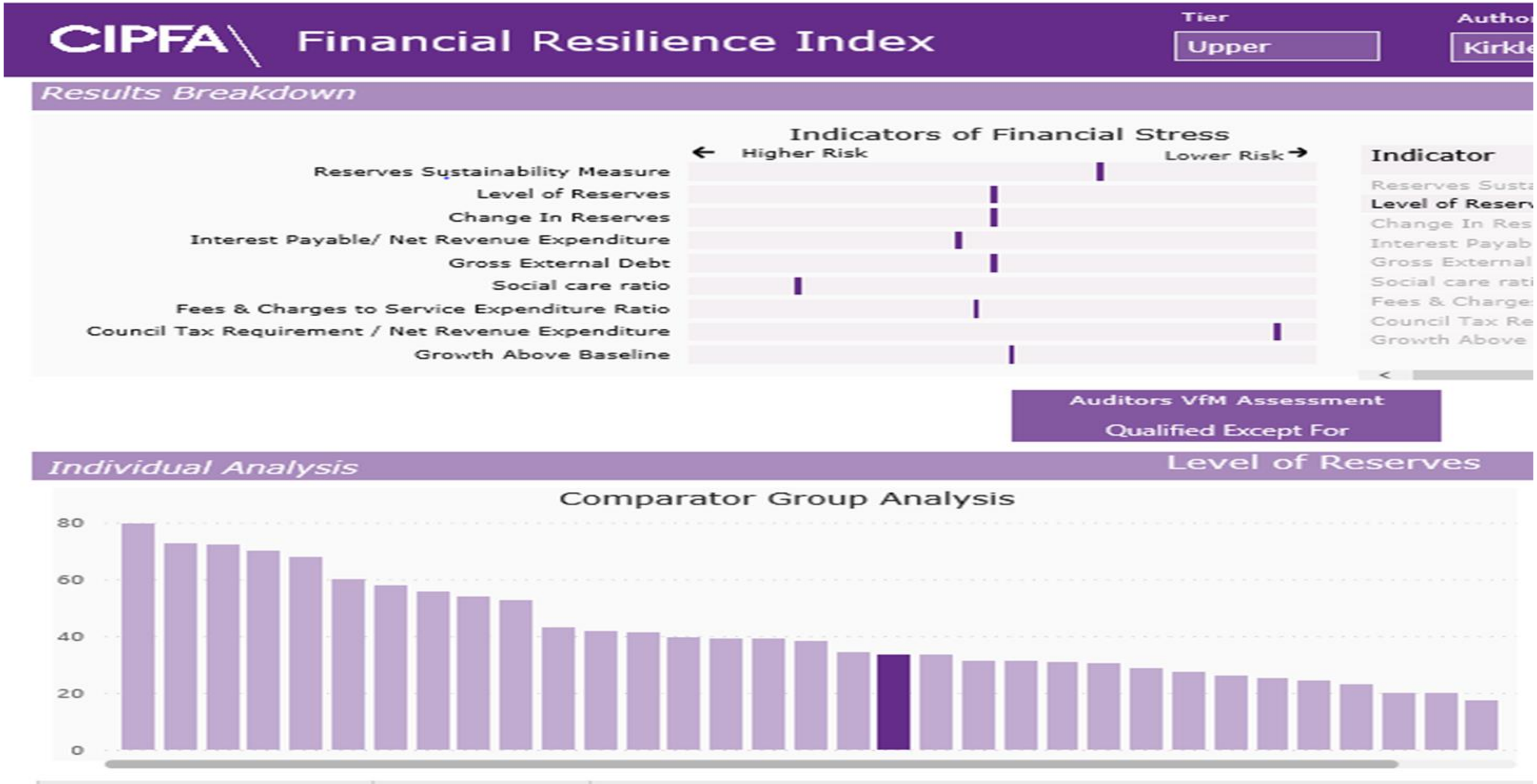
UNRINGFENCED GRANTS 2020-23	20-21 £K	21-22 £K	22-23 £K
New Homes Bonus	(3,438)	(3,438)	(3,438)
Housing Admin Grant	(1,027)	(876)	(727)
Council Tax Admin Grant	(571)	(571)	(571)
Business Rates Relief - multiplier compensation grant	(3,240)	(4,050)	(4,050)
Business Rates Relief - other	(8,595)	(10,883)	(10,883)
Independent Living Fund	(810)	(810)	(810)
Lead Local Flooding	(29)	(29)	(29)
Local Reform and Community Voices	(250)	(250)	(250)
Extended Rights to Free Travel	(93)	(93)	(93)
Total Unringfenced Grants	(18,053)	(21,000)	(20,851)

COLLECTION FUND FORECAST (COUNCIL SHARE)	COUNCIL TAX	BUSINESS RATES	TOTAL
	£000	£000	£000
(Surplus)/Deficit at 1st April 2019	1,621	(8,700)	(7,079)
Re-payments to/(from) General Fund	(1,179)	6,923	5,744
In year Financial Performance	(500)	(1,600)	(2,100)
(Surplus)/Deficit at 31st March 2020	(58)	(3,377)	(3,435)
Planned Repayments to/(from) general fund in 2020-21	58	3,377	3,435
Adjusted surplus/Deficit	-	-	-

FORECAST HRA RESERVES	19-20	20-21	21-22	22-23
	£000	£000	£000	£000
As at 1 April	(61,782)	(53,887)	(42,091)	(30,742)
Transfers to/from HRA*	(1,200)	-	-	-
In-year capital funding	3,722	11,796	11,349	4,469
Earmarked - business risk	4,000	-	-	-
Earmarked – working balance	1,500	-	-	-
In-year forecast (HRA)	(127)	-	-	-
As at 31 March	(53,887)	(42,091)	(30,742)	(26,273)

*Includes £1.2m returned R&M fee from 18/19

CIPFA FINANCIAL RESILIENCE INDEX APPENDIX C



Appendix C

Financial Resilience Index

What is the Financial Resilience Index?

CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by chief financial officers to support good financial management, providing a common understanding within a council of their financial position.

The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement.

Section 151 Officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

Why has it been created?

We understand that local authorities are feeling the financial pressure as the demand for services is becoming greater, with higher costs and delivery charges impacting on budgets. Local authorities are also facing higher levels of scrutiny over their decision-making amid an increasingly complex delivery landscape.

At the heart of this decision making has to be a clear understanding of possible areas of financial risk.

The Financial Resilience Index is a free service and has been made publicly available to support and improve discussions on local authority financial resilience. It provides a platform for constructive debate based on consistent information.

How does it work?

The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context.

Taken from CIPFA website, see link:

https://www.cipfa.org/services/financial-resilience-index

APPENDIX D

SENSITIVITY ANALYSIS

		20-21 £m	21-22 £m	22-23 £m
MORE OPTIMISTIC SCENARIO				
Baseline Scenario – Budget Gap		**0.0**	**12.0**	**22.0**
Changes				
Net Funding Changes	Mainly Social Care Funding		(5.0)	(10.0)
Pay Inflation	Inflation at 1%		(1.7)	(3.4)
		0.0	**(6.7)**	**(13.4)**
More Optimistic Scenario – Updated Budget Gap		**0.0**	**5.3**	**8.6**

		20-21 £m	21-22 £m	22-23 £m
MORE PESSIMISTIC SCENARIO				
Baseline Scenario – Budget Gap		**0.0**	**12.0**	**22.0**
Changes				
Pay Inflation	Inflation at 3%		2.0	4.2
Treasury Management - Borrowing	Interest Rates at 3%	0.6	1.0	1.4
		0.6	**3.0**	**5.6**
More Pessimistic Scenario – Updated Budget Gap		**0.6**	**15.0**	**27.6**

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend
	Community Impacts & Risks			
1	The council does not adequately safeguard children and vulnerable adults, as a result of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	• Disclosure & Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated. • Effective management of social work (and related services); rapid response to any issues identified and from any serious case review work. • Active management of cases reaching serious case review stage, and any media interest • Review of current practices following the child sexual exploitation in Rotherham and the emerging requirements. • Ensure that workloads are balanced to resources. • Staff and skill development to minimise dependence on key individuals. • Use of agency staff and or contractors when necessary • Ideal manager training • Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally. • Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Ensure routine internal quality assessment • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as "corporate parent" • Childrens Improvement Board to assist governance and quality improvement ***Responsible for this risk – R Parry and M Meggs (owners several)***	H	4X5=20
2	Legacy issues of historical childcare management practices, and	• Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required.	LM	

	particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters.	• Risk matrix and risk management approach implemented with the police and partners. • Understand relationship with the Prevent strategy, and issues linked to counter terrorism • Take steps per risk 7 to seek to avoid ongoing issues ***Responsible for this risk –M Meggs***		↔ 4x4=16
3	Failure to address matters of violent extremism and related safer stronger community factors create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals).	• Prevent Partnership Action Plan. • Community cohesion work programme • Local intelligence sharing and networks. • Status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding. • Counter terrorism local profile. ***Responsible for this risk – R Parry and M Meggs(owners C Gilchrist)***	**M**	↔ 4x5=20
4	Significant environmental events such as severe weather impact on the Council's ability to continue to deliver services.	• Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.) ***Responsible for this risk – K Battersby (owners S Procter, W Acornley)***	**M**	↔ 3x5=15
5	Not all communities successfully engage in taking responsibility for some service provision; this leads to certain Communities becoming more vulnerable due to funding and availability of services/grants	• Reduced demand for statutory services • If the reduction is not realised at the pace set out, (in change plans) then those services that are directly impacted will need to identify this early, and to help in doing so, ensure that appropriate demand management and monitoring is put in place to record the levels of service take up. Remedial action should also be identified by those services. • Successful implementation of new service models • Impact assessments for those services directly affected should be carried out to reflect the impact on citizens of losing a service as a consequence of the pace and scale of new service models not meeting demand. ***Responsible for this risk – all strategic directors (owner C Gilchrist***	**M**	↔ 5x4=20

	The UK exiting the EU			
6	The process of the UK exiting the EU lead to the following consequences and impact: • Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income. • The potential for increased cuts in core government funding (as a result of economic pressures) in the context of ongoing increases in demand for council services. • Rising inflation could lead to increased costs (e.g. the cost of raw materials). Interest rate volatility impacting on the cost of financing the council's debt. • The general uncertainty affecting the financial markets could lead to another recession. • An uncertain economic outlook potentially impacting on levels of trade and investment. • Uncertainty about migration impacting on labour markets,	These risks are largely addressed elsewhere in the Matrix • Monitor government proposals and legislation, and their impact on council, partner services and local businesses • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources and flexibilities in the use of existing funding streams to e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers and other businesses about likely impact on prices and resources. • Ensure that budgets anticipate likely cost impacts • Utilise supplementary resources to cushion impact of any cuts and invest to save. • Ensure adequacy of financial revenue reserves to protect the council financial exposure and that they are managed effectively not to impact on the council essential services • Local intelligence sharing and networks. • Prevent partnership action plan. • Community cohesion work programme • Continue to work with local employer representative bodies e.g. FSB, MYCCI to make best use of existing resources and lobby for additional resources to support businesses pre/post EU Exit • Service and financial strategies kept under review to keep track of developments related to the UK exiting the EU. • Working Group established to consider and monitor implications. ***Responsible for this risk –all ET (owner D Bundy, N Parkar)***	**LM**	⬆

	particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and reported hate crimes			4x4=16
	The finances of the Council			
7	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability	• Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level • Escalation processes are in place and working effectively. • Alignment of service, transformation and financial monitoring. • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly (and quarterly) financial reporting ***Responsible for this risk - E Croston & ET (owner J Anderson)***	**H**	⬌ 4x5=20
8	Failure to control expenditure and income within the overall annual council approved budget leads to the necessity for unintended savings (from elsewhere)). The most significant of these risks are related to volumes (in excess of budget) of; • Complex Adult Care services • Childrens Care Services • Educational high needs & Rent Collection impact of Universal Credit rollout (H R A)	• Significant service pressures recognised as part of resource allocation in 2019/20 • Responsibility for budgetary control aligned to Strategic and Service Directors. • Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs • Utilise supplementary resources to cushion impact of cuts and invest to save. • Continue to lobby, through appropriate mechanisms, for additional resources • Proactive monitoring as Universal Credit is introduced ***Responsible for this risk - E Croston & ET(owner J Anderson)***	**H**	⬌

	And in the longer term, the costs of waste disposal.			3x5=15
9	Above inflation cost increases, particularly in the care sector, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.	• Monitor quality and performance of contracts. • Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices • Renegotiate or retender contracts as appropriate. • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government imposed costs ***Responsible for this risk - E Croston & R Parry (owner several)***	**M**	↑ 4x4=16
10	Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.	• Effective due diligence prior to granting loans and careful monitoring of investment decisions. • Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice ***Responsible for this risk - E Croston (owner R Firth)***	**MH**	↔ 2x5=10
11	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances	• Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. • Consider risks and most cost effective appropriate approach to responding to these (internal or external insurance provision) ***Responsible for this risk - E Croston & J Muscroft(owner K Turner)***	**H**	↔ 4x4=16
12	A future financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.	The prospective one year settlement for 2020/21 appears to be positive, but longer term risks remain; • Monitor government proposals and legislation, and their impact on council and partner services. • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources • Ensure that budgets anticipate likely impacts	**L**	↔

		• Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. . ***Responsible for this risk - E Croston & ET (owner J Anderson)***		4x4=16
	Other Resource & Partnership Risks			
13	Council supplier and market relationships, including contractor failure leads to; • loss of service, • poor quality service • an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed) • complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal.	• Avoid, where possible, over dependence on single suppliers; • More thorough financial assessment when a potential supplier failure could have a wide impact on the council's operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Consideration of social value, local markets and funds recirculating within the borough • Understanding supply chains and how this might impact on the availability of goods and services • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors ***Responsible for this risk – J Muscroft (owner J Lockwood)***	**MH**	↔ 4x4=16

14	Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines. Cyber related threats affecting data integrity and system functionality	• Thorough, understandable information security policies and practices that are clearly communicated to workforce. • Effective management of data, retention and recording. • Raised awareness and staff training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Comply with new legislation around staff access to sensitive data. • Council has a Senior Information Risk Owner ("SIRO") officer and a Data Protection Officer (DPO) who are supported by an Information Governance Board • Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate • Increased awareness of officers and members as to their obligations • Proactive management of cyber issues, including additional web controls ***Responsible for this risk – J Muscroft (owner K Deacon)*** ***& A Simcox (owner T Hudson)***	**H** **(INFO)** **M** **(CYBER)**	⬌ 4x5=20
		•		
15	Health and safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive.(and the potential of prosecution and corporate /personal liability)(and in particular issues of fire safety,)	• New Fire Safety Policy approved and being implemented with improved monitoring of fire risk • Prioritised programme of remedial works to buildings to tackle fire safety and other issues • Review work practices to address H&S risks • Monitor safety equipment • Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors • Approval of additional resources to improve corporate monitoring regime. ***Responsible for this risk – R Spencer Henshall (owner S Westerby)***	**H**	⬌ 3x5=15

16	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications.	• Routine servicing and cleansing regimes • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy • Review of fire risks Develop management actions, categorised over the short to medium term and resource accordingly. • Prioritisation of funding to support reduction of backlog maintenance • Clarity on roles and responsibilities particularly where property management is outsourced. ***Responsible for this risk – K Battersby (owner D Martin)***	**H**	⬌ 4x4=16
17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	• Engagement in winter resilience discussions with NHS partners • Secure funding as appropriate • Consider extension of pooled funds • Accept that this may lead to an increase in waiting times • Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced. ***Responsible for this risk – R Parry & all ET (owner Various)***	**L**	⬌ 4x4=16
18	The risk of retaining a sustainable, diverse, workforce, including • aging and age profile • encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks) • encouraging entrants to professional roles where pay is often below market levels. • and ensuring that the workforce are broadly content,	• Effective Workforce Planning (including recruitment and retention issues) • Modernise Human Resources policies and processes • Increased accessibility to online training managers/ employees. • Selective use of interim managers and others to ensure continuity of progress regarding complex issues • Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation.. • Understand market pay challenges • Promote the advantages of LG employment • Emphasise the satisfaction factors from service employment • Engage and encourage younger people through targeted apprenticeships, training, and career development	**H**	⬌

	without whom the council is unable to deliver its service obligations.	***Responsible for this risk – R Spencer Henshall (owner D Lucas)***		4x4=16
19	National legislative or policy changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets.	• Reprioritise activities • Deploy additional resources • Use of agency staff or contractors where necessary • Development of horizon scanning service ***Responsible for this risk – all ET (owner Various)***	**L**	5x4=20
20	Compliance with the councils own climate change commitments, and or statutory climate change obligations fails to achieve objectives and ambitions, and or causes unanticipated costs or operational consequences	• Monitoring of achievements • Effective project planning and costing • Awareness of local consequences • Awareness of local consequences of national commitments and obligations • Lobbying for financial and other government support in relation to the costs of meeting obligations	**M**	

All risks shown on this corporate matrix are considered to have a potentially high probability, or impact, which may be in the short or medium horizon

20200106

Risk Factor

Probability; Likelihood, where 5 is very likely and 1 is very unlikely

Impact; The consequence in financial or reputational terms

Risk ; Probability x Impact

TREND ARROWS

Worsening	
Broadly unchanged	
Improving	

CONTROL OPPORTUNITIES

H	This risk is substantially in the control of the council
M	This risk has features that are controllable, although there are external influences
L	This risk is largely uncontrollable by the council

Introduction

This capital strategy is a CIPFA code of practice requirement introduced in 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2020/21, the Council is planning capital expenditure of £183.0m as summarised below:

Prudential Indicator: Estimates of Capital Expenditure across years

	2019/20 forecast £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m
General Fund services	71.0	128.0	141.8	161.3	115.0	53.0
Council housing (HRA)	24.8	33.4	40.3	37.0	38.4	31.4
Capital Investments	1.0	21.6	11.2	4.0	0	0
TOTAL	**96.8**	**183.0**	**193.3**	**202.3**	**153.4**	**84.4**

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services paid for from the general fund. HRA capital expenditure is therefore recorded separately.

Governance: The Council's annual planning cycle fully integrates the timetabling and consideration of revenue and capital resource requirements over the Council's medium term financial plan. This includes provision for Strategic Directors to submit outline bids for inclusion in the Council's capital plan. Bids are collated by corporate finance, who advise Strategic Directors on both the financing costs (which can be nil if the project is fully externally financed) and service revenue implications.

The Capital Governance Board appraises bids based on an assessment of Council priority outcomes, funding availability and affordability, and makes recommendations to Executive Team. There are a number of sub-officer groups with relevant specialist expertise that are also involved in shaping capital proposals for submission to the Capital Governance Board. These include the children's services capital board, the adult's services capital board, the economy and infrastructure capital board, the major projects board, the town centre management board and the housing growth board.

The final multi-year capital plan is then considered in the corporate member arena to Cabinet in January and to Council in February each year.

Council Financial Procedure Rules also set out the specific financial governance requirements for consideration with regards the Council's capital investment. This includes the requirement for any schemes approved by Council at Programme level, to be considered subsequently for Cabinet approval through submission of a more detailed business case as required. Full details of the Council's multi-year capital plan is set out in the Council's annual 2020-23 budget report.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue contributions including reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Capital financing

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
External sources	29.7	51.0	61.4	68.2	54.4	39.1
Own resources	32.1	35.4	43.7	46.6	40.9	32.8
Debt	35.0	96.6	88.2	87.5	58.1	12.5
TOTAL	**96.8**	**183.0**	**193.3**	**202.3**	**153.4**	**84.4**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The Council's minimum revenue provision (MRP) policy is set out in the Council's Treasury Management Strategy which is appended at Appendix E to the Council's 2020-23 Annual budget report.

Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Replacement of debt finance

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**
MRP (underlying cost)	13.7	13.7	14.6	16.0
MRP (unwind of over-provision)	(13.5)	(13.5)	(9.1)	(9.1)
Total	**0.2**	**0.2**	**5.5**	**6.9**

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Prudential Indicator: Estimates of Capital Financing Requirement

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**
General Fund CFR- Non PFI	479.2	519.1	583.4	634.4
General Fund CFR- PFI	45.8	42.5	39.4	35.5
HRA CFR- Non PFI	172.7	167.7	164.8	164.8
HRA CFR- PFI	50.5	48.1	45.2	42.7
Capital Investments	1.0	21.6	11.2	4.0
Total CFR	**749.2**	**799.0**	**844.0**	**881.4**
Less: PFI debt liabilities	96.3	90.6	84.6	78.2
TOTAL Borrowing CFR	**652.9**	**708.4**	**759.4**	**803.2**

Asset management: To ensure that capital assets continue to be of long-term use, the Council utilises an electronic database, the 'Council Corporate Asset Management Plan (K2)' which contains detailed information about all of its assets. The Council also has in place a Disposals and Acquisition Policy, which sets out the principals, internal procedures and legal framework for asset disposals, please see the link below:

Disposals & Acquisitions Policy

Assets which are surplus to requirements are highlighted for potential disposal. These are reviewed at the Asset Governance Board to consider potential alternative corporate use prior to disposal.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £3m each year over the period of the Capital Plan (2020-2025) from the sale of assets.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.85%) and long-term fixed rate loans where the future cost is known but higher (currently 2.5 to 3.25%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases) are shown below, compared with the capital financing requirement (see above). The estimated debt cost in 2019-20 is £19.5m.

Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**
Debt (incl. PFI & leases)	530.1	576.5	620.4	657.3
Capital Financing Requirement	749.2	799.0	844.0	881.4

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table above, the Council expects to comply with this in the medium term.

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently forecast at £415.9m and is projected to rise to £574.0m over the next three years.

Prudential Indicator: Borrowing and the Liability Benchmark in £ millions

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**
Outstanding borrowing	430.1	482.2	532.0	575.5
Liability benchmark	415.9	478.1	528.5	574.0

The table shows that the Authority expects to remain borrowed above its liability benchmark.

Affordable borrowing limit: A further two Prudential Indicators control overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

Prudential Indicators: Authorised limit and operational boundary for external debt

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit – borrowing	669.1	724.7	775.7	819.6
Authorised limit – other long term liabilities	105.1	99.3	93.3	86.8
Authorised limit – Total	774.2	824.0	869.0	906.4
Operational boundary – borrowing	649.1	704.7	755.7	799.6
Operational boundary – other long term liabilities	105.1	94.3	88.3	81.8
Operational boundary – Total	749.2	799.0	844.0	881.4

As part of HRA self-financing reform, the authority is now required to report the limit on HRA indebtedness. The limit was set by Department for Communities and Local Government (DCLG) at £247.6 million. It is the HRA CFR excluding PFI liabilities which is compared to this limit and the HRA is over £70 million below the limit.

Further details on borrowing are highlighted in the Treasury Management Strategy appended at Appendix E to the Council's annual 2020-23 budget report.

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice. The estimated investment income in 19-20 is £0.3m.

Treasury management investments

	2019/20 forecast £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
Near-term investments	20	20	20	20
Longer-term investments	10	10	10	10
TOTAL	**30**	**30**	**30**	**30**

Further details on treasury investments are highlighted in the Treasury Management Strategy appended at Appendix E to the Council's annual 2020-23 budget report.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Service Director Finance and staff, who must act in line with the treasury management strategy approved by Council/Corporate Governance and Audit Committee. Reports on treasury management activity are presented every 6 months to Council/ Corporate Governance and Audit Committee. The Corporate Governance and Audit Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college and local residents to support local public services and stimulate local economic growth.

In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

Governance: Decisions on service investments are made by the Strategic Director - Economy and Infrastructure, in consultation with the Service Director Finance, and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on service investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix E in the Council's annual 2020-23 budget report).

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 forecast £m	**2020/21 budget £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Financing costs (£m)	29.8	29.1	29.7	34.1	32.2	33.4
Proportion of net revenue stream	10.0%	9.3%	8.4%	9.3%	8.2%	8.4%
General Fund (excl PFI)	7.9%	7.5%	6.9%	7.6%	7.2%	7.4%
HRA	31.4%	31.1%	29.8%	29.1%	28.9%	28.8%
HRA (excl PFI)	29.9%	29.8%	28.7%	28.1%	28.1%	28.1%

Further details on the revenue implications of capital expenditure are detailed in the Council's annual 2020-23 budget report.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Service Director Finance and Council s151 Officer is satisfied that the proposed multi-year capital plan and borrowing affordability remains prudent, affordable and sustainable. The context for this current judgement is also reflected in the s151 Officer's statutory Positive Assurance statement as part of the 2020-23 annual budget report.

Liabilities

In addition to debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £738m) and its PFI finance lease obligation (total liability of all schemes £102m, offset by a net book value of assets of £74m). It has also set aside provisions of £15m to cover risks associated with Business Rates Appeals and the Council's Insurance Fund. The Council is also at risk of having to pay for a number of contingent liabilities (which are separately disclosed each year in the Statement of Accounts) and is satisfied that any potential future liabilities are covered as part of its overall financial resilience reserves.

Governance: Decisions on incurring new discretional liabilities are taken by Strategic Directors in consultation with the Service Director of Finance and in conjunction with the Council's Financial Procedure Rules. The risk of liabilities crystallising and requiring payment is monitored by central finance and any new liabilities would be reported appropriately.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director Finance is a qualified accountant with extensive local government experience, the Strategic Director – Economy and Infrastructure has extensive experience of major Council regeneration schemes and partnerships with major business and 3rd party partners, as do key Service Directors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Appendix G

Including <u>estimated</u> precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

KIRKLEES METROPOLITAN COUNCIL

COUNCIL MEETING - 12 FEBRUARY 2020

COUNCIL TAX

1. That the Revenue Budget for the year 2020-2021, as submitted, be approved.

2. That it be noted that at its meeting on 15 January 2020 the Council calculated the following amounts for the year 2020-2021 in accordance with regulations made under Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and subject to the calculation of any consequential changes to the Council Tax Base delegated to the Director of Resources:-

   (a) 120,827.80 — being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year

   (b) <u>Part of the Council's area</u>

Parish of Denby Dale	5,855.94
Parish of Holme Valley	10,149.79
Parish of Kirkburton	9,047.44
Parish of Meltham	2,859.75
Parish of Mirfield	6,693.75

   being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2020-21 (excluding parish precepts) is £189,675,000

4. That the following amounts be now calculated by the Council for the year 2020-2021 in accordance with Sections 31 to 36 of the Act:-

   (a) £ 839,185,592 — being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

   (b) £ 648,709,401 — being the aggregate of the amounts which

Including estimated precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

the Council estimates for the items set out in Section 31A(3) of the Act

(c) £ 190,476,191 being the amount by which the aggregate at 4(a) exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)

(d) £ 1,576.43 being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £ 801,191 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £ 1,569.80 being the amount at 4(d) above, less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

g)

Part of the Council's area	Base Council Tax £	Parish Precept £	Resultant Council Tax £
Parish of Denby Dale	1569.80	25.78	1595.58
Parish of Holme Valley	1569.80	27.50	1597.30
Parish of Kirkburton	1569.80	14.25	1584.05
Parish of Meltham	1569.80	48.25	1618.05
Parish of Mirfield	1569.80	15.56	1585.36
Kirklees	1569.80	0.00	1569.80

being the amounts to be added to the amount at 4(g) (and the resultant council tax amounts), as the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b), calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

Including <u>estimated</u> precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

(h) Kirklees <u>Valuation Bands</u>

Part of the Council's area	A £	B £	C £	D £	E £	F £	G £	H £
Denby Dale	1,063.72	1,241.00	1,418.29	1,595.58	1,950.15	2,304.72	2,659.30	3,191.16
Holme Valley	1,064.86	1,242.34	1,419.81	1,597.30	1,952.25	2,307.20	2,662.16	3,194.59
Kirkburton	1,056.03	1,232.03	1,408.04	1,584.05	1,936.06	2,288.06	2,640.08	3,168.09
Meltham	1,078.70	1,258.48	1,438.26	1,618.05	1,977.61	2,337.17	2,696.75	3,236.09
Mirfield	1,056.90	1,233.05	1,409.20	1,585.36	1,937.66	2,289.96	2,642.26	3,170.71
All other parts	1,046.53	1,220.95	1,395.37	1,569.80	1,918.64	2,267.48	2,616.33	3,139.59

Being the amounts given by multiplying the amounts at 4(g) by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

5. That it be noted that for the year 2020-2021 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings in the Council's area as shown below:-

Precepting Authority	A £	B £	C £	D £	E £	F £	G £	H £
West Yorkshire Fire & Civil Defence Authority	43.92	51.24	58.56	65.88	80.52	95.16	109.79	131.75
West Yorkshire Police Authority	130.85	152.66	174.47	196.28	239.90	283.51	327.13	392.56

Including estimated precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

6. That, having calculated the aggregate in each case of the amounts at 4(g) and 5, the Council, in accordance with Sections 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2020-2021 for each of the categories of dwelling shown below:-

Part of the Council's area	Valuation Bands A £	 B £	 C £	 D £	 E £	 F £	 G £	 H £
Denby Dale	1,238.49	1,444.90	1,651.32	1,857.74	2,270.57	2,683.39	3,096.22	3,715.47
Holme Valley	1,239.63	1,446.24	1,652.84	1,859.46	2,272.67	2,685.87	3,099.08	3,718.90
Kirkburton	1,230.80	1,435.93	1,641.07	1,846.21	2,256.48	2,666.73	3,077.00	3,692.40
Meltham	1,253.47	1,462.38	1,671.29	1,880.21	2,298.03	2,715.84	3,133.67	3,760.40
Mirfield	1,231.67	1,436.95	1,642.23	1,847.52	2,258.08	2,668.63	3,079.18	3,695.02
All other parts	1,221.30	1,424.85	1,628.40	1,831.96	2,239.06	2,646.15	3,053.25	3,663.90

7. The Council has determined that its relevant basic amount of Council Tax for 2020-2021 is **not** excessive in accordance with principles approved under section 52ZB Local Government Finance Act 1992.

   As the billing authority, the Council has **not** been notified by a major precepting authority that its relevant basic amount of Council Tax for 2020-2021 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

8. That notice of the amounts set by the Council in accordance with Section 30 of the Local Government Finance Act 1992 be published in at least one newspaper circulating in the Council's area, in accordance with Section 38(2) of the Act.

Motion to be presented by Cllr Shabir Pandor and Cllr Peter McBride

Cllr Shabir Pandor **Cllr Peter McBride**

APPENDIX H

Kirklees Budget Priorities – Engagement with the Third Sector Strategy Group

7th January 2020

Present:

John McKernaghan	The Brunswick Centre
Louise Burrows	Voluntary Action Calderdale
Val Johnson	Third Sector Leaders
Andy Petrie	Local Services 2 You
Rev Rachel Firth	Church of England
Carol Gilchrist, Andrew Dolman, Noreen Abbas	Kirklees Council (Communities Service)

Engagement took place with the Third Sector Strategy group at its meeting, as part of wider consultation on the Council's budget priorities.

The online consultation below was shared with members in December 2019, and discussion based on this took place, with comments as below, in blue text.

This year's budget is planned to be one of investment in Kirklees. Whilst we are aware we're in a period of uncertainty regarding future funding, a careful approach to budget management in recent years has put us in a strong position to invest now in order to support the Council's level of ambition.

Responding to the financial climate over the last 10 years has meant we have made choices to reduce services which have had the least impact on our citizens. Future funding patterns are still uncertain and mean that long term planning is difficult, and we must try to be efficient and effective in all we do.

Existing budget plans, while we acknowledging the above, also include significant new investment; in particular in children's services, adults, regeneration activity, housing growth and organisational capacity to support this approach.

Having declared a climate emergency in Kirklees, this year's budget must ensure we take action and respond to the strong public voice by demonstrating progress and ambition. *We have made great progress on our journey to improve outcomes for children, and we want this year's budget to build on last year's and support our priority to have a high quality Children's Services. We will focus on a partnership approach to deliver services that will help raise the aspiration and achievement of all our children and young people.* *Our exciting Huddersfield Blueprint launch from this year must go bigger and bolder to make progress. And we must have clear plans for all our places, and support this with bringing services closer to people.* *Our staff care about our citizens and improving services for them. Working with communities and residents with a passion for the places they live will massively improve outcomes for Kirklees.* *Our staff care about our citizens and improving services for them. Working with communities and residents with a passion for the places they live will massively improve outcomes for Kirklees.* *Kirklees Council are proposing a set of 3 priorities which will shape our work.* *The 3 priorities are focussed around climate change, place based working and children's improvements. These priorities will guide how we set our budgets, shape our services and make our decisions. We would like to hear what you think about them and what else we should consider, if anything.* *Kirklees Council respects the privacy of individuals and endeavours to ensure personal information is collected fairly, lawfully, and in compliance with the General Data Protection Regulation.*
Priority 1 - Climate Change *Kirklees declared a climate emergency in January 2019, recognising the increasing evidence from international and national bodies on the scale of the climate crisis facing society and the urgent need to dramatically reduce greenhouse gas emissions and prepare for the impacts of a changing climate.* *The UK Government has also recognised this, and in June 2019 legislated for reaching ‘net zero’ carbon emissions by 2050.*

Rising to this challenge is a priority for the Council and by leading this change along with our local partner organisations, businesses and residents we will help ensure we address the climate change in a sustainable, fair and effective way.
Comments on Priority 1: • **With everything happening in the world at the moment, this is a universal priority. For every person and organisation there is a challenge to do what we can, we would welcome involvement in the delivery of this priority, and need to see some detail.** • **Housing and recycling areas that are of particular interest and concern, there is awareness that Kirklees was named as one of the less well achieving authority areas on recycling.** • **How do we get involved? How will our views be heard, many third sector organisations would be willing to work with the council on this priority as it is important to everyone** • **Some council buildings may not have the best carbon footprint (and some buildings owned/operated by third sector organisations) how can we work together to turn this around?** • **We would welcome actions that we can all become involved, both as individuals, collectively and also as partner organisations**
Priority 2 - Place Based Working *Our towns, villages and communities are the strength of Kirklees. We know that the unique local identity of our places really matters to our citizens.* *People in each of our distinct local places know their own strengths. Our citizens are also best placed to understand local challenges, and to have ideas about how to improve things. Yet we know that people can't always achieve this change alone.* *We're developing a new, place based way of working. The aim is to put communities and their councillors at the heart of what happens in our local places. This includes local people being involved in how council services are designed and delivered, in different parts of Kirklees.* *Working together to improve our diverse places, and bringing services closer to people, is a priority for the council and for our partners.*

Comments on Priority 2:

- **Identity is crucial in communities and for people, people have a strong identity to their area, their neighbourhood, and if this is what place based working means then that is something positive**
- **Not always clear what place based working means, perhaps it is more about people based working, or relationships based working – that is just as important.**
- **Perceptions of fairness can be greatly affected by place based working, if people feel their area, their community, is not getting a fair share, or treatment that is equitable to other areas – can Place based working overcome this?**
- **We don't want one size fits all – it shouldn't be about that – it needs to be right for each place, as each place is different**
- **Can we be part of the dialogue about this – has anyone from the VCS and third sector been involved in the discussions so far?**
- **How are we including communities, not just at a local level, for example, what does place based working mean for the LGBT community in the district – how are we engaging with that community ?**

Priority 3 - Children's Improvements
Kirklees is committed to delivering high quality services to all of our children, in particular those who are vulnerable and therefore rely on us to improve their outcomes.

Our investments will be prioritised to make the biggest difference to children living in poverty, providing additional support that will close the gap between them and their peers.
We will also invest in early intervention services, which make the biggest difference to families, schools and communities and help children to learn, be healthy and safe.

Comments on Priority 3:

- **Again this is something no-one would argue with. We de-invested in children's centres and youth work – has this had an impact on services for young people?**

- **We do not just want to see them come back as they were before – could we be part of the developing programmes for both areas – lets co-produce the services**
- **Prevention is key, not just dealing with people already in crisis, or even early intervention before more formal options take place.**
- **We need more community based services, this is the real answer to support families and young people and children in communities – for example; we lost a whole sector of parent and toddler self-help groups when children's centres were established, which stopped people doing things for themselves as partners delivered actions to people – let's do it differently this time**
- **Investment in third sector would help with this work**
- **Some areas have less social capital, we need to develop this in those areas to enable communities to do more for themselves in this area of work**
- **We know that child poverty is getting worse, we need to investment in this area – but the priorities give us no detail on what will be invested in – can we see some detail please?**

Further comments/thoughts:

- **Third sector welcomes the priorities and agrees with them, but we need more clarity on what place based working means for all – not just something the council is doing at the moment – it needs to include third sector partners to work**
- **Don't drift back into doing things as you did them before, sometimes the council does not know best, often communities can do things better for themselves, but we need support as a sector and coproduction and partnership work to enable this to happen**
- **Let's work up the details together – can we deepen the involvement of the sector in developing ideas and initiatives**
- **Can we look at the level of commissioning of local and third sector organisations to deliver services, we know the council has an ambition to increase this – is it enough? Can we do things differently and be more ambitious?**
- **We need some detail on each priority, and would welcome opportunity to be involved in shaping conversations and discussions**
- **Good to see an investment budget following years of austerity and budget cuts**

Appendix H

Budget Consultation

2020-2021

Report on the findings from feedback received during a 6 week consultation on the proposed budget priorities 2020-2021

Kirklees Council Research and Intelligence Team

January 2020

Background

Every year Kirklees Council carries out engagement with its residents in order to aid with the development of the Budget plans for the following year.

This year, three budget priorities were proposed in which the council consulted with the residents on what they thought about these priorities along with gathering suggestions on how they can be achieved.

Aims and Objectives:

The overall aim of the consultation was to provide a resident perspective on the 3 key priorities proposed for the council's budget 2020-2021.

Within this wider aim, the specific objectives of the consultation were to:

- Gather residents' views and suggestions on how they felt the council could achieve its 3 proposed key priorities, Climate change, Children's improvement and Place based working.

- Explore residents' views on the overall priorities set in the budget.

Methodology

A consultation was carried out using an online survey made available to the public for a period of 6 weeks between 21st November and 2nd January.

62 responses were received.

The survey discussed each of the budget priorities individually followed by an open question to explore the resident's views on each of the priorities.

- Priority 1 -Climate change
- Priority 2 - Place based working
- Priority 3 - Children's improvements

This reports highlights the key themes discussed in response to the three priorities.

Highlights

Priority 1 – Climate Change

The survey asked respondents to provide any comments or suggestions they may have around how Kirklees can achieve its Climate change priority.

There was 36 comments received on the priority set around climate change.

While there was general support for this priority, some commented it needed to be in line with other policies; the council should get its key services in order first.

> *"I think this is ok for this to be a priority but, if that is one it needs to influence all other policies"*

A number of key themes were discussed amongst respondents around the climate change priority.

- **Improved Recycling/Greener Improvements**

  Lots of comments focused on council/partner services for residents and green improvements that could be made, mainly on recycling with some residents stating it was the worst in the area/country – (collection of more items e.g. plastic containers, tetrapacks, glass collection, food waste)

  > *"Allow more items to be recycled and provide more recycling facilities in town and village centres"*

  A number of respondents suggested planting more trees and having more greenspace to offset carbon use, help greenspace be more wildlife friendly and biodiverse.

  > *"Trees help reduce carbon…"   "More green trees to absorb co2"*

- **Improvements to public transports**

  Improvements to public transport were suggested as a way of reducing traffic congestion/pollution. Various suggestions were given such as improved bus services, better routes, electric buses, park and ride schemes, improved combined scheduling with trains and buses.

  > *"Look into electric buses as per Newport"*

  > *"The bus services, particularly in North Kirklees are inadequate and do not connect the communities within north Kirklees to one another"*

- **Improvements in infrastructure**

  A number of comments discussed infrastructure improvements in particular around active travel policy, e.g. better route signs for cyclists, maintain towpaths, bridleways, and footpaths.

  > *"Preparing an active travel strategy and identifying corridors for investment for walking and cycling; achieving a high quality network that helps assist with modal shift."*

Traffic queue reduction schemes were also mentioned with better coordination of roadworks to reduce impact on traffic.

- **Usage of Vehicles**

  Alongside reducing vehicle usage via improved infrastructure/public transport the specific types of vehicles used in order to reduce pollution was discussed, such as discouraging/banning diesel vehicles and promoting use of electric vehicles – recognising this improvement in air quality etc.

  In line with this it was suggested that there is a need for more charging points, though some concerns were raised over implementation and fire risk.

  Although reduction in vehicle usage was discussed by a number of respondents as a positive change, it was also expressed as a consideration with regards to the accessibility impact of changes on disabled people.

  > *"Car free environments are a huge concern to those who rely on their cars for mobility, especially when the use of public transport i.e buses and trains are not a safe or viable option"*

- **Renewable energy/Greener Processes**

  Renewable energy was discussed by a number of respondents such as the use in our existing facilities eg solar panels, aging boilers needing replacing, investment in new greener technology e.g. hydroelectric, and heat pumps.

  It was also suggested incentivising people, businesses and homes to switch to greener processes could be a possible approach such as solar panels, electric vehicles, and reduction in packaging.

  > *"Kirklees need to do more to incentivise green transport options"*

Other areas that were mentioned by respondents included the following:

- Continue mobile and agile ways of working to further reduce staff travel.
- Climate impact to be decision making factor in new building development.
- Stop supplying meat products as part of schools and events catering contracts.

Priority 2 – Place Based Working

The survey asked respondents to provide any comments or suggestions they may have around how Kirklees can achieve the Place based working priority.

There was 29 comments received on this priority.

A number of respondents struggled with understanding what is meant by place based working (the survey wording was updated part way through to help with this)

> *"I don't even get what this is talking about. Creating jobs? Training People? Supporting entrepreneurship? "*

A number of key themes were discussed around the place based working priority.

- **Funding in Local Areas**

  Concerns were raised whether place based working is feasible financially – recognition that in the past, local budgets have been cut resulting in loss of communication links such as area committees.

  > *"We use to have something called area committees with small budgets, but this withered away. Without proper funding this is so much hot air"*

  Suggestions were made around devolving decision making power and increasing of funding to local areas to improve spending power of the local communities rather than more centralised decisions passed down.

- **Locality Working**

  It was discussed having staff based in the area they work could help build relationships with communities. This was also suggested as a link to climate change priority, e.g. reduced travel to access services and also more focus of staff spending time in 'place'

  > *"Satellite offices with staff based in the area they work. This will further improve the forming of relationships with local communities"*

  Support was expressed for working with local businesses – supporting them through local procurement, shared messages.

  Respondents were positive that keeping on listening to local people would find better ways to do things.

- **Communication Between Councillors and Local People**

  Comments were raised around communicating with local counsellors e.g. reintroducing councillor forums/councillor surgeries. This was discussed as an easier and fairer approach (help those most in need, not those who shout loudest) It was highlighted that in some cases people were communicating via Facebook with their local councillor.

  > *"We need to set something up so that councillors are not having to engage with constituents via facebook"*

It was discussed that working with community leaders could benefit the communication link – e.g. faith buildings and grounds could be used to support local communities and in return, council support with maintenance.

Other areas discussed around place based working included the following:

- Helping local communities retain their identities by limiting development and urban sprawl.

- Helping people feel more invested in their local area – to use local shops, keep area clean, and feel responsibility and pride.

Priority 3 – Children's Improvements

The survey asked respondents to provide any comments or suggestions they may have around how Kirklees can achieve the children's improvements priority.

There was 25 comments received on this priority.

The comments overall expressed the most positive reaction to this priority with a few responses stating that it should be the highest priority.

"This is a really good idea for children and our upcoming youth"

A number of key themes were discussed by respondents on the children's improvements strategy

- **Improved Safeguarding**

  Comments were raised around ensuring safeguarding was high on the agenda within the safeguarding priority, with suggestions such as a key number/app that concerned people can call to report any concern they may have.

  "Safeguarding has to be a key agenda item, both at in individual level – but also looking at the environment surrounding schools"

- **Improvements of Local Facilities**

  Suggestions were made for improvements to various local facilities such as. Youth clubs, holiday activities, parks, sports clubs with a number of respondents requesting the reopening of sure start centres.

  "Reopen the sure start centres integrate them with the local library facilities provide safe spaces for children and young people"

- **Family Support**

  Supporting the whole family was raised including better employment opportunities, backing improved parental leave, counselling, and family allotments alongside working with individual families to break the cycle.

  More support was requested for families with adopted children.

  > *"you need to improve the services for adopted children, just because they are in a stable home does not mean they have the same gap educationally and emotionally"*

- **Working with Schools**

  Comments were received around increased funding, safeguarding reporting training for all staff, better links between schools and health services for mentoring; Advising children Partnership approach with schools to ensure all children have a breakfast.

  > *"Give additional funding to primary schools for better teaching staff and facilities"*

Other areas which were discussed by the respondents on this priority included the following:

- Tougher action on knife and drug crime.
- Concerns were raised that improvements are not financially viable due to lack of central government funding.
- Ensuring support information is available where those in need can access it.

Respondents were also asked to provide any further comments they had on the three priorities proposed in the budget.

There was 21 comments received.

- Some final comments provided either general agreement with our ambitions, or felt that the council should focus on getting the core basics right – roads, bins etc.
- Adult social care was mentioned as a specific key priority by some, with others being generally supportive of our priorities for children's improvement and climate change.
- Other feedback on wider factors that are less in the council's influence, such as lack of NHS doctors and dentists, crime rates etc.

Next Steps

The findings from this consultation will be taken to Full Council in February 2020 and considered alongside other sources, as part of the decision making process to inform our priorities and budget decisions going forward.

APPENDIX I

NORTH AND WEST YORKSHIRE BUSINESS RATES POOL

MEMORANDUM OF UNDERSTANDING

1. Title

1.1. North and West Yorkshire Business Rates Pool.

2. Membership

2.1. City of Bradford Metropolitan District Council, The Metropolitan Borough Council of Calderdale, Craven District Council, Hambleton District Council, Harrogate Borough Council, Kirklees Council, Leeds City Council, North Yorkshire County Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, The Council of the City of Wakefield, City of York Council.

3. Commencement

3.1. This Memorandum of Understanding will come into force on 1st April 2020 and will continue until any one of the members formally leaves the Pool (see "Dissolving the Pool", below).

4. Rationale and Objectives

4.1. The North and West Yorkshire Pool exists to benefit the individual members and to further the aims of the region as a whole.

4.2. The income received by the Pool will be shared out so that each member authority receives at least the same amount that they would if they were treated individually under the Business Rates Retention scheme. The only exception to this is set out in **Section 8 and 9**, below. Any excess income arising from reductions in levy payments will, after allowing for agreed expenses, be allocated to activities that support economic growth and regeneration across the Pool area.

4.3. Any variation to the arrangements set out in **4.2,** above, will require the formal agreement of the North and West Yorkshire Business Rates Pool Joint Committee.

5. Leadership and Accountability

5.1. The Pool will be led by a joint committee comprising of representatives of the member Authorities making up the Pool. Joint Committee representation will be as follows:

Five representatives from West Yorkshire:

- City of Bradford Metropolitan District Council
- The Metropolitan Borough Council of Calderdale
- Kirklees Council
- Leeds City Council
- The Council of the City of Wakefield

Five representatives from North Yorkshire, the initial representatives being:

- North Yorkshire
- City of York Council
- Harrogate Borough Council
- Scarborough Borough Council
- Fifth representative will be confirmed by the Joint Committee once the Pool is established

5.2. The joint committee shall be responsible for:

- any changes to the purposes for which the income received by the pool should be used, but the principle that no authority should receive less than they would if treated individually, shall be maintained;
- agreeing the expenses to be deducted by the lead authority administering the Pool;
- considering any applications for other councils to join the Pool;
- any variations to the membership of the joint committee; and
- any other matters relating to the administration and governance of the Pool including replacement of the lead authority.

5.3. The local authority representatives, as noted in 5.1 above, will be the leaders of the representative local authorities. Representatives of the member authorities will be able to nominate substitutes. This may be from their own authority or substitution from a different member authority that is not one of the representatives listed at **5.1.**

5.4. The members of the Joint Committee will elect a chairperson.

5.5. The Joint Committee will meet as and when required but no less than twice each year.

5.6. The quorum for the meetings will be no less than 5 members.

5.7. Member voting rights will be one vote for each member of the Joint Committee. Voting will be by simple majority. In the event of a tie, the chair of the meeting will have a casting vote.

5.8. The Joint Committee will be supported by officers drawn from the lead authority.

5.9. The Joint Committee may establish any sub-groups or any officer forums that they believe to be appropriate.

5.10. Minutes of Joint Committee meetings will be published as required by law.

6. Lead Authority

6.1. The initial lead authority responsible for the administration of the Pool shall be Leeds City Council.

6.2. The lead authority will normally act as such for a full year and may only be replaced at the year end. A lead authority wishing to relinquish the role at the year end (i.e. 31st March) must give a minimum of four months' notice.

6.3. Each member of the Pool will be jointly and severally liable for any payments required to the Ministry of Housing, Communities and Local Government but, notwithstanding that, the lead authority will take responsibility for all matters in relation to the administration of the Pool including (but not limited to):

- All liaison with MHCLG and other government departments including the completion of all forms and returns associated with the Pool;

- Administration of payments to and from the Pool and all calculations relating to the collection fund for the Pool;

- Producing an annual report showing how income has been distributed and preparing periodic monitoring reports for Pool members;

- Calculation of the costs of administering the Pool which are to be deducted from the rewards of the Pool. If the excess income generated by the Pool was insufficient to cover the administrative costs of the Pool in any year, then the shortfall would be shared between the Pool members in proportion to their spending baselines;

- The lead authority will ensure that the pooling arrangements, annual reports and other financial information is published and is freely available on the lead authority website or elsewhere as appropriate.

7. Dissolving the Pool

7.1. If any member decides to leave the Pool the regulations require that the Pool will be dissolved. Pools can only be dissolved at the end of a year.

7.2. Any authority seeking to leave the Pool should inform MHCLG and all other members of the Pool as soon as possible. Once the Pool has been established, this must be by 30th September in any year, to allow the remaining members time to seek designation of a new pool for the following year (see 7.4, below).

7.3. The lead authority will make the necessary calculations and submit the required returns associated with the dissolving of the Pool.

7.4. The remaining members of the Pool may choose to form a new Pool and, if they wish, include new members for the following year (subject to new designation by MHCLG).

8. Treatment of Potential Losses in Income

8.1. The Pool will have a single safety net threshold set at 92.5% of its baseline funding level. Authorities that suffer reduction in ‘retained rates income’ to a threshold that is 92.5% below their Baseline Funding Level shall receive a safety net payment to restore their income to 92.5% of their Baseline Funding Level.

8.2. If such an authority is a member of a business rates pool, the safety net payment could be lost because the *loss across the pool* may not be as much as the 7.5% threshold. Indeed, if growth across the rest of the pool was weak, it could be that the loss of safety net payments could be greater than the amounts gained from paying reduced levies and the pool could be in deficit for the year.

8.3. Authority(s) that would otherwise have qualified for safety net(s) will have their share of pool proceeds calculated in such a way as to include what they would have received as a safety net payment.

8.4. The loss in income to the Pool from the safety net(s) foregone in any year will be met from the income generated from other authorities within the pool not having to pay levies in that year. If that levy income is insufficient, then the net loss from the safety net foregone will be shared amongst all the members of the Pool (including those that would have otherwise qualified for a safety net payment) in proportion to their spending baselines for the year to which the safety net(s) would have applied.

9. Treatment of residual benefits or liabilities

9.1. Any residual benefits or liabilities arising in regard to the Pool's additional income will be shared amongst all the members of the Pool in proportion to their share of the income received from the Pool.

9.2. Any financial benefits committed in 2019/20 for future years' expenditure shall remain under the authority of the Joint Committee until expenditure is either incurred or the Joint Committee agree to treat as "residual benefit" (see 9.1 above).

10. Authority following the dissolution of the Pool

10.1. At the point when the Joint Committee ceases to exist, they will authorise the lead authority to make any remaining payments on their behalf.

10.2. Any financial benefit committed to future years shall be transferred to the appropriate, sponsoring member authority who would then be responsible for delivering the funding for the schemes in accordance with the original approval. Should the value of funds transferred be greater than the actual cost, the member authority will ensure spend is consistent with the Pool's strategic aims.

10.3. Where the financial benefit committed to future years cannot be allocated to a single member authority, the funds shall be transferred to the lead authority who would then be responsible for delivering the funding for the schemes in accordance with the original approval. Should the value of the funds transferred be greater than the actual costs, the lead authority will treat as "residual benefit" (see Paragraph 9 above).

10.4. At the point when the Joint Committee is dissolved, their authority as a decision making group is no longer binding. Any decisions made after this point would be made by the Leaders representing their authority and will be subject to that authority's internal governance processes.

11. Evidence of authorisation

Authority name	Name of s.151 officer	Signature
City of Bradford Metropolitan District Council	Chris Chapman Director of Finance	
The Metropolitan Borough Council of Calderdale	Nigel Broadbent Head of Finance	
Craven District Council	Richard Weigh Chief Finance Officer and Section 151 Officer	
Hambleton District Council	Louise Branford White Director of Finance	
Harrogate Borough Council	Paul Foster Head of Finance	
Kirklees Council	Eamonn Croston Service Director, Finance and s151 Officer	
Leeds City Council	Victoria Bradshaw Chief Officer Financial Services	
North Yorkshire County Council	Gary Fielding Corporate Director Strategic Resources (Section 151 Officer)	
Richmondshire District Council	Sian Moore Corporate Director (Resources) and Section 151 Officer	Sian Moore
Ryedale District Council	Anton Hodge Chief Finance Officer (s151)	

Scarborough Borough Council	**Nicholas Edwards** **Director of Business Support & S151 Officer**	Nicholas Edwards
The Council of the City of Wakefield	**Neil Warren** **Chief Finance Officer**	
City of York Council	**Debbie Mitchell** **Corporate Finance and Procurement** **(Section 151 Officer)**	

Kirklees COUNCIL

APPENDIX J

Name and date of meeting: Corporate Governance and Audit Committee
24 January 2020

Cabinet
28 January 2020

Council
12 February 2020

Title of report: Treasury Management Strategy 2020-21

Purpose of report

Under the CIPFA Code of Practice on Treasury Management (2017) and accompanying Prudential Code 2017 the Council must present a Treasury Management Strategy at the start of each financial year. Alongside the Treasury Management Strategy an Annual Investment Strategy must also be approved by Council.

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** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**No**
Date signed off by Strategic Director and name **Is it also signed off by Service Director** **Is it also signed off by the Service Director Legal, Governance and Commissioning**	**N/A** **Eamonn Croston - 14.01.2020** **Julie Muscroft - 16.01.2020**
Cabinet member portfolio	**Corporate** **Graham Turner**

Electoral wards affected: **N/A**
Ward councillors consulted: **N/A**
Public or Private: **Public**
GDPR: This report contains no information that falls within the scope of General Data Protection Regulations.

1 Summary

1.1 The Council has formally adopted CIPFA's Code of Practice on Treasury Management (2017 Edition), and accompanying Prudential Code 2017, and is thereby required to consider a treasury management strategy before the start of each financial year. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) issued guidance on local authority investments in February 2018, which requires the Council to approve an annual Investment Strategy before the start of each financial year.

1.2 This report meets the requirements of the current CIPFA Codes and current MHCLG Guidance (2017 Edition).

1.3 Cabinet is responsible for the implementation and monitoring of the treasury management policies. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management. Recent training for members of this Committee was provided in November 2019 by the Council's treasury management advisors/consultants, Arlingclose.

1.4 This report will:

(i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2020-21;

(ii) outline the current and estimated future levels of Council borrowing (internal and external) and recommend a borrowing strategy for 2020-21;

(iii) review the methodologies adopted for providing for the repayment of debt and recommend a policy for calculating the Minimum Revenue Provision;

(iv) review other treasury management matters including the policy on the use of financial derivatives, prudential indicators, the use of consultants, and the policy on charging interest to the Housing Revenue Account;

(v) recommend an annual Investment Strategy (Non-Treasury Investments) for the Council in 2020-21 in line with MHCLG (2017) guidance.

2 Information required to take a decision

The following paragraphs 2.1 to 2.4 have been provided by our Treasury Management external advisors, Arlingclose:

<u>Economic Background</u>

2.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. UK Consumer Price Inflation (CPI) for

September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

2.2 The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal

2.3 GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth while production was flat and agriculture recorded a fall. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment.

Interest Rate Forecast

2.4 The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Borrowing and Investment – General Strategy for 2020-21

2.5 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. An authority can choose to borrow externally to fund its CFR. If it does this, it is likely that it would be investing externally an amount equivalent to its total reserves, balances and net creditors. Alternatively, an authority can choose not to invest externally but instead use these balances to effectively "borrow internally" and minimise external borrowing. In between these two extremes, an authority may have a mixture of external and internal investments / external and internal borrowing.

Table 1 below sets out the forecast CFR position for the Council as at March 2020 and forecast CFR and borrowing requirements over the following 3 years:

Table 1: Balance Sheet Forecast

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
General Fund CFR - Non PFI	480.2	540.7	594.6	638.4
PFI	45.8	42.5	39.4	35.5
HRA CFR - Non PFI	172.7	167.7	164.8	164.8
PFI	50.5	48.1	45.2	42.7
Total CFR	749.2	799.0	844.0	881.4
Less: PFI debt liabilities*	96.3	90.6	84.6	78.2
Borrowing CFR	652.9	708.4	759.4	803.2
Finance via;				
Deferred Liabilities	3.8	3.7	3.7	3.6
Internal Borrowing	219.0	222.5	223.7	224.1
External Borrowing	430.1	482.2	532.0	575.5
Total	652.9	708.4	759.4	803.2
Investments	30.0	30.0	30.0	30.0

**£96.3m PFI Liabilities (£5.7m falling due in 2020-21)*

2.6 Prior to 2009-10 the Council's policy had been to borrow up to its CFR, investing externally the majority of its balances. With the onset of instabilities in the financial markets and the economic downturn, the policy changed to one of ensuring the security of the Council's balances. This coincided with significant falls in investment returns, making the budgetary benefit of maximising external borrowing more marginal. Thus, the Council has chosen to steadily reduce monies invested externally and instead has used internal balances to offset new borrowing requirements.

2.7 The external borrowing necessary to fund the projected rise in CFR highlighted in Table 1 (above) will be a mixture of long and short-term borrowing. The cost of borrowing has been historically low over the past decade. Short term borrowing rates remain relatively low, however, longer term rates have recently increased quite significantly. There was a 1% increase in PWLB rates overnight on the 9th October 2019. This is likely a result of exceptionally high levels of long term borrowing sector wide over recent months, which was getting close to the statutory PWLB limit of £95bn. As HM Treasury had no appetite to extend the limit, they chose to control demand by increasing rates, thereby preserving the facility. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing does however remain available, with most rates at or below 3%, which isn't particularly expensive in historical terms.

2.8 Table 1 above also reflects a fairly consistent level of internal borrowing forecast over the next 3 years. This largely reflects the view that forecast reserves, balances and net creditors are projected to remain reasonably consistent over the medium term.

2.9 This in part depends on the extent to which short term borrowing rates may increase from current. The relative mix of future internal and external borrowing will be considered in conjunction with advice from the Council's external treasury management advisor, noting that provision has been made in updated Council budget plan revenue resource assumptions to accommodate a continued future mix of internal and external borrowing.

2.10 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2020-21 continues to place emphasis on the security of the Council's balances. Although credit conditions have been steadily improving, the global recovery is still fragile and regulation changes have increased local authority exposure in the event of a possible default of any financial institutions

2.11 It is recommended that balances should continue to be invested to a level which is perceived to be reasonably secure and which is needed to meet the day-to-day cash flow requirements of the Council (around £30 million). The remainder of the balances will be effectively invested internally, that is used to offset borrowing requirements.

2.12 In order to increase investment returns, members approved a potential investment of up to £10m in the Local Authorities Pooled Investment Fund (LAPF) as an approved Council Investment in the 2019/20 Treasury Management Strategy. The Council made an initial investment in the LAPF of £5m in May 2019.

2.13 Given the nature of the underlying investment (UK based diversified property portfolio) and the potential for domestic economic volatility in the run up to UK's expected withdrawal from the EU on 31 January 2020, advice will be sought from the Council's external treasury advisors, as well as more detailed discussions with the LAPF's Fund Manager, CCLA. Updated Council budget plans have factored in a potential further investment of £5m by the end of March 2020.

2.14 Average current Council cashflow balances remain consistent at about £32m (including the LAPF), and officers consider that an investment of a further £5m will still leave about £22m day-to-day cashflow requirement as noted above.

Borrowing Strategy

2.15 The Council is forecast to hold around £536.4m of external borrowing and other long-term liabilities as at 31 March 2020. This is analysed at Table 2 below:

Table 2 – year end estimate – 31 March 2020

	£m	%
PWLB loans (fixed rate)	274.4	51
LOBOs	60.0	11
Loan stock (fixed rate)	7.0	1
Other long term loans (fixed rate)	43.4	8
Temporary borrowing	45.3	10
Total external borrowing	**430.1**	
Other Long Term Liabilities (mainly PFI)	96.3	18
Total external debt liabilities	**526.4**	

2.16 The approved sources of borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any bank or building society authorised to operate in the UK
- Other local authorities
- Capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds
- Salix Finance Limited

2.17 Historically, the biggest source of borrowing for local authorities has been PWLB loans. These Government loans have offered value for money and also flexibilities to restructure and make possible savings. The Council also has LOBO (Lender's Option, Borrower's Option) loans, where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay at no cost, if it has the opportunity to do so. The Council's current limit on LOBO borrowing is set at 11% of long-term debt.

Following the 1% increase in PWLB borrowing rates (as noted above in paragraph 2.7), Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 12 months previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. The Council's current approach is to continue to borrow short term, but this will be subject to ongoing review in consultation with Arlingclose, as to when it may be more appropriate to borrow longer term. Alongside this, will be consideration of potential other funding sources that may be more advantageous than prevailing PWLB rates.

2.18 One such example is the Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative source of local authority finance. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

2.19 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. At the present time, the Council is not in a position to undertake early repayments due to the current prohibitive early repayment rates.

2.20 Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £5.9m interest free loan to part fund the £11m approved street lighting replacement scheme in the Council's approved capital plan.

2.21 Borrowing policy and performance are monitored throughout the year and are reported to Members via a Half Yearly Report and also an Outturn Report in line with approved guidance.

Investment Strategy

2.22 Investment guidance issued by MHCLG requires that an investment strategy, outlining the authority's policies for managing investments in terms of risk, liquidity and yield, should be approved by full Council or equivalent level, before the start of the financial year. This strategy can then only be varied during the year by the same executive body.

2.23 The Council will not place direct investments in companies as defined by the Carbon Underground 200 on 1 February each year.

2.24 A new regulatory update came into force from 3rd January 2018; the second Markets in Financial Instruments Directive (MiFID II), which meant that the Council had to formally apply to renew its status as a 'professional client' (also referred to as the 'opt up' option), but subject to certain criteria being met.

2.25 Following full Council approval on 13th December 2017, officers have now successfully 'opted up' the Council to professional client status, effective from 3rd January 2018. Given the size and range of the Council's treasury management activities, the Service Director Finance believes this to continue to be the most appropriate status.

2.26 The Council will continue to maintain a relatively low risk strategy giving priority to security and liquidity, and as such invest an average of around £20 million externally in relatively short-term, liquid investments through the money markets, for the purpose of managing day-to-day cash flow requirements. Any remaining balances, net of investment in the local authority property fund, will be used internally, offsetting borrowing requirements.

2.27 The Council uses credit ratings from the three main rating agencies - Fitch, Moody's and Standard & Poor's to assess the risk of investment defaults (Appendix B). The lowest credit rating of an organisation will be used to help determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

2.28 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria:

- No new investments will be made;
- Any existing investments that can be recalled at no cost will be recalled;
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade ("negative watch") so that it is likely to fall below the required criteria, then no further investments will be made in that organisation until the outcome is announced. This policy will not apply to negative outlooks.

2.29 Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the approved criteria.

2.30 If the UK enters into a recession in 2020-21, there is a small chance that the Bank of England could set its Base Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short term investment options. This situation already exists in many other countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

2.31 Annual cash flow forecasts are prepared which are continuously updated. Investment policy and performance will be monitored continuously and will be reported to Members during the year and as part of the annual report on Treasury Management.

Statement of Policy on the Minimum Revenue Provision (MRP)

2.32 MRP is the statutory requirement for local authorities to set aside some of their revenue resources as provision for reducing the underlying need to borrow (Capital Financing Requirement – CFR), ie the borrowing taken out in order to finance capital expenditure.

2.33 Prior to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2008, which came into force on 31 March 2008, the set aside was specified as a percentage of a council's CFR (2% for HRA debt, 4% for General Fund). The current Regulations are less prescriptive with a requirement to ensure the amount set aside is deemed to be **prudent**, although there is accompanying current MHCLG guidance which sets out possible methods a council might wish to follow.

2.34 Current MHCLG guidance recommends that authorities prepare a statement of policy on making MRP in respect of the forthcoming year, with approval by full council before the start of the financial year. If these proposals subsequently need to be varied, a revised statement should be put to full council. Appendix C details the Council's policy for the provision of MRP. Within the revised MRP policy approved by Council last year, the unwinding of the previous over-provision was profiled equally over 10 years.

2.35 The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The current unwinding of the previous under-provision has been factored into the Council's CFR calculations set out earlier at Table 1

2.36 Officer recommendation is that the impact of the additional unwind, will be transferred to Council financial resilience reserves as part of the Council's broader risk strategy set out in the overall annual budget report to Cabinet on 28 January and Budget Council on 12 February 2020.

Policy on the Use of Financial Derivatives

2.37 Local authorities (including this Council) have in the past made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). The Localism Act 2011 includes a general power of competence that appears to remove the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

2.38 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where it is confident it has the powers to enter into such transactions. They will only be used for the prudent management of its financial affairs and never for speculative purposes and where it can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

2.39 Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Non-Treasury Investments

2.40 The Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. They are however covered by the Authority's Investment Strategy (see Appendix E).

Treasury Management Indicators

2.41 The Council is asked to approve certain treasury management indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs. The proposed indicators are set out in Appendix D.

Other Matters

2.42 The CIPFA Code also requires the Council to note the following matters each year as part of the treasury management strategy:

(i) *Investment Consultants*

The Council's adviser is Arlingclose Limited. The services received include:

- Advice and guidance on relevant policies, strategies and reports;
- Advice on investment and debt management;
- Notification of credit ratings and other information on credit quality;
- Reports on treasury performance;
- Forecasts of interest rates and economic activity; and
- Training courses.

The quality of the service is monitored on a continuous basis by the Council's treasury management team.

(ii) *Investment Training*

As part of the MiFID II requirements, the needs of the Council's treasury management staff for training in investment management are assessed on a continuous basis, and formally on a 6-monthly basis as part of the staff appraisal process. Additionally training requirements are assessed when the responsibilities of individual members of staff change. Staff attend training courses and seminars as appropriate.

(iii) *Investment of money borrowed in advance of need*

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. However, as this would involve externally investing such sums until required and thus increasing exposures to both interest rate and principal risks, it is not believed appropriate to undertake such a policy at this time.

(iv) Policy on charging interest to the Housing Revenue Account (HRA)

Following the reform of housing finance, the Council is free to adopt its own policy on sharing interest costs and income between General Fund and the HRA. The CIPFA code recommends that authorities state their policy each year in the strategy report.

On 1 April 2012, the Council notionally split each of its existing long term loans into General Fund and HRA pools. New long term loans borrowed will be assigned in their entirety to one pool or the other. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Interest will be applied to this balance using the authority's average investment rate.

3 Implications for the Council

3.1 Working with People
N/A

3.2 Working with Partners
N/A

3.3 Placed based working
N/A

3.4 Climate Change and Air Quality
N/A

3.5 Improving Outcomes for Children
N/A

3.6 Other (e.g. Legal/Financial or Human Resources)

The revenue implications of the strategies outlined have been reflected in the Council's annual budget report 2020-23.

4 Consultees and their opinions

Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Treasury management performance will be monitored and reported to members during the year.
Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 28 January 2020 and then full Council on 12 February 2020.

6 Officer recommendations and reasons

That Corporate Governance & Audit Committee recommend the following for approval by Cabinet and then Council:

(i) the borrowing strategy outlined in paragraphs 2.15 to 2.21;
(ii) the investment strategy (treasury management investments) outlined in paragraphs 2.22 to 2.31 and Appendices A and B;
(iii) the policy for provision of repayment of debt (MRP) outlined in paragraphs 2.32 to 2.36 and at Appendix C;
(iv) the treasury management indicators in Appendix D;
(v) the Investment Strategy (Non-Treasury Investments) at Appendix E.

7 Cabinet Portfolio Holder recommendation

The report and recommendations be submitted to Cabinet on 28 January 2020 and Council on 12 February 2020.

8 Contact officer

James Anderson	Head of Accountancy	01484 221000
Rachel Firth	Finance Manager	01484 221000

9 Background Papers and History of Decisions

CIPFA's Code of Practice on Treasury Management in the Public Services; CIPFA's Prudential Code for Capital Finance in Local Authorities; Guidance on Local Government Investments (MHCLG 2018); The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008; Localism Act 2011.
CIPFA Treasury Management Code and Prudential Code 2017

10 Service Director responsible

Eamonn Croston 01484 221000

APPENDIX A

Investment Policy for 2020-21

Investment Limits:

- The Council is able to invest an unlimited amount with the UK Government for up to 6 months.
- The Council is able to invest up to £10 million and up to three months with UK banks and building societies with a "high to upper medium grade" credit rating.
- The Council is able to invest up to £10 million and up to two months with foreign banks with a "high to upper medium grade" credit rating.
- The Council is able to invest up to £10 million and up to two months with individual local authorities.
- The Council is able to invest up to £10 million in individual MMFs (instant access or up to 2 day notice). There will be an overall limit of £40 million for MMFs (non-government funds), plus up to £10 million invested in a fund backed by government securities.
- The Council is able to invest up to £10million in Local Authority Pooled Investment Funds.

The maximum limits apply to any one counter-party and to a banking group rather than each individual bank within a group.

Note:

The limits set out above exclude any amounts held on the Council's behalf by the Yorkshire Purchasing Organisation (YPO). The YPO (a consortium in which the Council has an interest) invest funds as part of their treasury management processes. For the avoidance of doubt, this element does not form part of the limits set above. For context, the Council's proportion of YPO's maximum investment with any given counterparty is approximately £155k.

The Council will not place direct investments in companies as defined by the Carbon Underground 200 on 1 February each year.

Liquidity management:

The Authority uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

	Short-term Credit Ratings / Long-term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at Dec 2019
	Fitch	**Moody's**	**S & P**	**£m**	**Period (2)**	
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A, A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10	<3mth	HSBC Lloyds Group Santander UK Nationwide BS Coventry BS Bank of Scotland Handelsbanken Leeds BS Barclays Close Bros
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10	<2mth	Various
MMF (1)	-	-	-	10	Instant access/ up to 2 day notice	Aviva Deutsche Bank Aberdeen Standard Goldman Sachs
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed term deposits)	-	-	-	10	<2mth	
Local Authority Pooled Investment Funds	-	-	-	10	>6mth	

(1) Overall limit for investments in MMFs of £50 million – the assets the funds invest in are securities and structures secured on government securities
(2) The investment period begins from the commitment to invest, rather than the date on which funds are paid over.

APPENDIX B

<u>Credit ratings</u>

Moody's		S&P		Fitch		
Long-term	**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2		A		A		
A3	P-2	A-	A-2	A-	F2	
Baa1		BBB+		BBB+		Lower medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-		B-		
Caa1		CCC+	C	CCC	C	Substantial risks
Caa2		CCC				Extremely speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
		C				
C		D	/	DDD	/	In default
/				DD		
/						

CURRENT MINIMUM REVENUE PROVISION POLICY

1. Background

1.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 requires authorities to make an amount of MRP which the authority considers "prudent".

1.1 The regulation does not itself define "prudent provision". However, guidance issued alongside the regulations makes recommendations on the interpretation of that term.

2 Policy for 2018-19 onwards

2.1 The Service Director Finance recommends the following policy for making prudent provision for MRP:

(i) General Fund Borrowing (pre 1st April 2008) - Provision to be made over the estimated average life of the asset (as at 1 April 2008) for which borrowing was taken - deemed to be 50 years (annuity calculation).

(ii) Calculations to compare this to the previous MRP charge indicated that between 2007-08 and 2015-16 the Council provided an additional £91.2m with which it will "un-wind" over 9 years from 2017-18.

(iii) General Fund Prudential Borrowing – Provision to be made over the estimated life of the asset for which borrowing is undertaken. Provision to commence in the year following purchase (annuity calculation). Where large loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.

(iv) HRA Borrowing - Provision to be made for debt repayments equal to its share of any scheduled external debt repayments.

(v) PFI schemes - Provision to equal the part of the unitary payment that writes down the balance sheet liability, together with amounts relating to lifecycle costs incurred in the year.

APPENDIX D

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

The Code requires that where gross debt is greater than the CFR, the reasons for this should be clearly stated in the annual strategy. This does not apply to this Council as its gross debt will not exceed the CFR over the forecast period (see the 'Gross Debt and the Capital Financing Requirement table within the Capital Strategy).

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio.

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2020-21, 2021-22 and 2022-23 of £708m, £759m, £803m of its net principal. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2020-21, 2021-22 and 2022-23 of £100m of its net principal.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt* needing to be replaced at times of uncertainty over interest rates. It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate		
	Upper Limit (%)	**Lower Limit (%)**
Under 12 months	20	0
Between 1 and 2 years	20	0
Between 2 and 5 years	60	0
Between 5 and 10 years	80	0
More than 10 years	100	20

*LOBOs are classed as fixed rate debt unless it is considered probable that the loan option will be exercised.

Total principal sums invested for periods longer than 364 days

The Council is not intending to invest sums for periods longer than 364 days.

Appendix E

Investment Strategy 2020/21

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy was a new reporting requirement introduced for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with Treasury Management guidance both from the Chartered Institute of Public Finance and Accountancy and MHCLG. Average cash balances in 2020/21 for the purpose of treasury management investment are expected to average £30m plus, with fluctuations between £20m and £50m.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2020/21 for treasury management investments are covered in the treasury management strategy report 2020/21 to which this Investment Strategy is appended.

Service Investments: Loans

Contribution: The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college and local residents to support local public services and stimulate local economic growth.

The Council provided a significant loan to Kirklees College to help facilitate a new campus in Huddersfield and the delivery of a successful further education provision for post 16 students and adults across the District.

Smaller loans have also been provided to local residents to be able to provide energy efficient heating within their own homes. The Council is part of the Leeds City Region Investment Fund where all local authorities contribute to the fund which provides individual loans to support infrastructure and construction projects which help deliver economic growth and job creation.

From 20/21 the Council is planning on providing significant development finance loans to support major town centre regeneration and economic growth, up to a Council approved £38m (per the 5 year Capital Plan 2020-21 to 2024-25), through a combination of Property Investment Fund (£25m) and HD-One Fund (£13m). Amounts have been set aside in the capital plan for this type of investment.

From 20/21 the Council is earmarking (up to £1m) to provide financial loans to support 3rd sector partners and anchor organisations. A further element (up to £1m) will be provided for loans and/or match funding in support of community asset transfers. The Council is underwriting this provision from within the existing earmarked property and other loan reserve.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Investment Strategy guidance states that in order to limit this risk, and ensure that total Council exposure to loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have to be set, and approved annually by Council. The proposed upper limits for Council loans are set out at Table 1 below:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.3.2019 actual**			**2020/21**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Further education college	15.9	-0.6	15.3	**16.4**
Leeds City Region revolving investment fund	3.0	0.0	3.0	**4.2**
Local businesses and charities	0.8*	-0.1	0.7*	**40.8**
Local residents	2.2	0.0	2.2	**2.2**
TOTAL	**21.8**	**-0.7**	**21.1**	**63.6**

* This is made up of numerous small investments, the largest of which are £0.2m for the Media Centre and £0.2m for KSDL.

Accounting standards require the Authority to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment:

The Authority assesses the risk of loss before entering into and whilst holding service loans. This will include the nature of the market/sector to which the loan relates, and loan security against business/sector assets. The single largest current loan relates to Kirklees College which is a public sector entity and considered to be a viable going concern. The strength of the Council's partnership with key anchor organisations in the district like the College, and ability to influence, support and monitor the College's ongoing financial position, are also key factors, including Council senior finance representation on the College's finance committee.

Development finance loans such as Property Investment Fund (PIF) and HD-One will allow the Council to offer loans to development projects which offer significant economic benefits to the Council and the wider Kirklees district.

Any funding offers made will be on the basis that the loan repayments made by the recipient will cover the Council's financing costs and allow for an appropriate margin on cost of funds reflecting the level of risk involved and consistent with State Aid principles. All funding offers made will be subject to appropriate due diligence, including external specialist advice where appropriate, availability of credit ratings in respect of any potential loanee where appropriate, and loan security arrangements. Each individual loan offer will be the subject of a further Cabinet report.

It would not be the intention for the Council to directly compete with existing providers of investment funding. The Council would only look to invest, at its discretion, when there was a clear and demonstrable added value case to be made in terms of local economic benefits for development finance involvement. In many instances the Council investment would be short term to cover the construction phase of development which is the most critical period for schemes to locate finance that is timely and on reasonable terms.

Once out of the development phase there is sufficient liquidity at an appropriate risk margin in the existing investment markets for schemes to be refinanced at which point the Council investment would be repaid. Any investment from the PIF would be on terms that allowed the Council to fully cover its costs, including the costs of borrowing to fund any advance, and creation of an appropriate risk contingency.

<u>Service Investments: Shares</u>

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment

(£0.9m) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on our behalf on a 32 year contract under PFI. The council also has a 40% shareholding in KSDL, a 14% holding in in QED KMC Holdings Ltd (£0.3m) and a 50% shareholding in KHBP Ltd (£0.1m).

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	**31.3.2019 actual**			**2020/21**
	Amounts invested	**Gains or losses**	**Value in accounts**	**Approved Limit**
Local businesses	1.3	0.1	1.4	3.8

Risk assessment: The Authority entered into these shareholdings for the purposes of participating in the governance and control of organisations that it considered to be important for the purposes of securing economic benefits to the borough. The Council is also the sole client in respect of one of these investments. The Council assessed the risk of participation taking account of the financial and public benefits, including the opportunity to make a potential gain in the event of the business being successful, although this was not the core purpose for initial participation. The Council assesses the risk of losses whilst holding shares by continued oversight and involvement in the strategic and operational aspects of the business, and participation in decision making, although the financial risk of the investment is perhaps lower than the operational and or reputational impacts of any failure by the companies in which the Council holds share based investments.

Liquidity: The Council has entered into these shareholdings for the purposes of delivery of its public service and community leadership obligations and the investments are considered to be long term. Viability of the investments in the long term is an important part of the strategy, but as the Councils share ownership and participation is strategic rather than financial the daily or periodic value is of less concern than the overall long term health of the organisation in which the investment is held.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council invests in local commercial property such as retail town centre shops and buildings.

These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Table 3: Property held for investment purposes in £ millions

Property type	Actual	31.3.2019 actual		31.3.2020 expected	
	Purchase cost	**Gains or (losses)**	**Fair value in accounts**	**Gains or (losses)**	**Value in accounts**
Commercial Property	*See below	0.0	20.7	0.0	20.7

*The purchase cost cannot be ascertained as the majority of these assets have been owned by Kirklees for many years and purchased by Huddersfield Corporation during the 1920's from Ramsdens Estate. There is a signed legal document and also a 'book of acquisition' which is a hard backed ledger held in legal services.

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising there from.

Risk assessment: The Authority's current commercial asset portfolio held for investment purposes is largely a historical portfolio. It is monitored and reviewed annually as part of the Council's wider asset strategy including potential future appreciation and potential receipt value.

It is not the Council's intention to invest in any new commercial portfolio investments at this time. If any new investments are identified a risk assessment would be performed.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. Cash flow projections are prepared on a regular and timely basis.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness. The Council does not have any loan commitments, however there are some guarantees that the Council holds including a guarantee on outstanding contributions to Pension Fund in the event of a default by certain bodies and a guarantee to the Homes & Communities Agency (HCA) in the event of a default by Kirklees Community Association (KCA) on the redevelopment of the Fieldhead Estate. The Council also act as a guarantor to a loan of £1.3m that KSDL hold in the event of default. Along with other YPO members, the Council are potential joint guarantors to a strategic acquisition loan to be taken out on YPO's behalf by Wakefield Council (currently subject to due diligence checks); the individual member share of the loan guarantee is likely to be up to £4.5m.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director Finance is a qualified accountant with extensive local government experience, the Strategic Director – Economy and Infrastructure has extensive experience of major Council regeneration schemes and partnerships with major business and 3rd party partners, as do key Service Directors. The Council pays for staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Cabinet is responsible for the implementation and monitoring of any Investment policy. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to Investment. Regular training for members of the Committee is provided by our treasury advisors to enable them to make decisions to ensure accountability and responsibility on investment decisions within the context of the Council's corporate values. Any new investment decisions are also approved at full Council.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	**31.03.2019 Actual**	**31.03.2020 Forecast**	**31.03.2021 Forecast**
Treasury management investments	39.1	30.0	30.0
Service investments: Loans	21.1	23.3	44.9
Service investments: Shares	1.4	1.4	1.4
Commercial investments: Property	20.7	20.7	20.7
TOTAL INVESTMENTS	**82.3**	**75.4**	**97.0**
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	1.3	5.8	5.8
TOTAL EXPOSURE	**83.6**	**81.2**	**102.8**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure

Table 6: Investments funded by borrowing in £m

Investments funded by borrowing	**31.03.2019 Actual**	**31.03.2020 Forecast**	**31.03.2021 Forecast**
Service investments: Loans	**18.0**	**19.5**	**38.1**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	**2018/19 Actual**	**2019/20 Forecast**	**2020/21 Forecast**
Treasury management investments	0.7%	1.2%	1.3%
Service investments: Loans	0.5%	0.5%	0.5%
Service investments: Shares	None	None	None
Commercial investments	10.1%	10.0%	10.0%
ALL INVESTMENTS	**11.3%**	**11.7%**	**11.8%**