

Kirklees Council



Tuesday 7 February 2017

Dear Councillor

The Council will meet on Wednesday 15 February 2017 at 6.00 pm at Council Chamber - Town Hall, Huddersfield.

The following matters will be debated:

Pages

1: Announcements by the Mayor and Chief Executive

To receive any announcements.

2: Apologies for absence

Group Business Managers to submit any apologies for absence.

3: Minutes of Previous Meeting 1 - 8

To agree and authorise the Mayor to sign as a correct record.

4: Declaration of Interests 9 - 12

The Councillors will be asked to say if there are any items of the Agenda in which they have a Disclosable Pecuniary Interests, which would prevent them from participating in any discussion of them items or participating in any vote upon the items, or any other interests.

5: Budget 2017/2018 13 - 30

To consider the recommendations of Cabinet (Budget) held on 31 January 2017.

(1) Capital

(i) That the Capital Investment Plan be recommended to Council with an intention that the Plan is reviewed as an integral element of the Council's Budget Strategy to support Council priorities (on both capital and revenue budget proposals) and is contained within foreseeable resources (Appendix A, Section 1 and Appendix E refer).

(ii) That Council be advised to determine the Prudential Indicators as referred to in Appendix A (Section 1, para 1.3.19) and Appendix F.

(2) Treasury Management

(i) That the borrowing strategy as outlined in Appendix A (Section 2, para 2.3) be approved.

(iii) That the investment strategy be outlined in Appendix A (Section 2, para 2.4) and Appendix G be approved.

(iv) That the policy for provision of repayment of debt (minimum revenue provision) as outlined in Appendix A (Section 2, para 2.5) and Appendix I be approved.

(3) General Revenue Fund

(i) That the draft Revenue Budget for 2017-2020 and indicative high level funding and cost estimates for 2020-21 be approved (Appendix B refers).

(ii) That the proposed re-direct of £3.3m from rollover reserves to general balances, the proposed 2016-2017 year end transfer of £7.7m to organisational risk reserves (in-year further treasury management saving from the proposed amendment to the Council's minimum revenue provision strategy) , and the proposed re-alignment of £1.4m currently uncommitted resources earmarked for transformation projects totalling £1.4m to the New Council Transformation reserve be approved (Appendix A, Section 3, para 3.16.5 refers).

(iii) That, subject to approval of (3)(ii) above, the forecast levels of general and earmarked reserves as set out at Appendix A (Section 3, para 3.16.6) be noted.

(iv) That the strategy for the use of balances and reserves, as set out in Appendix A (section 3, paras 3.16.7 and 3.16.8 refer) be approved.

(v) That it be acknowledged that for 2017-2018 the minimum level of General Fund balances should be £5.0m (Appendix A, Section 3, para 3.16.6 refers).

(vi) That a further reassessment of reserves requirements be undertaken at year end and reported as part of the 2016-2017 revenue rollover and outturn report.

(vii) That it be noted that the Council's continued participation on the Leeds City Region business rates pool for 2017-2018 (Appendix A, Section 3, para 3.13.6 refers).

(viii) That approval be given to the Council Tax requirement for 2017-2018 (Appendix A, Section 3, para 3.14, and Appendix C; budget motion refer)

(ix) That approval be given to the Council's Pay Policy Statement for 2017-2018 as set out in Appendix D (i-v).

(x) That the Council's Statutory s151 Officer's positive assurance statement, as referred to in para. 4 of the considered report, be noted.

(xi) 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 and Crime Commissioner, the Fire and Rescue Authority and Parish Councils should these be received after 15 February 2017.

(4) Housing Revenue Account (HRA)

(i) That the draft HRA Budget for 2017-2020 (as detailed in Appendix B) be approved.

(ii) That the strategy for the use of HRA reserves (as detailed in Appendix A, Section 4, para 4.3.1) be approved.

6: Arrangement for Selecting an External Auditor for the Year 2018/19 and onwards.

31 - 44

To consider the arrangements for the appointment of the Council's External Auditor.

(Under the provision of Council Procedure Rule 3, the Mayor, in consultation with the Chief Executive, is asked to accept this item for consideration).

By Order of the Council



Chief Executive

Contact Officer: Andrea Woodside

COUNCIL

KIRKLEES COUNCIL

**At the Meeting of the Council of the Borough of Kirklees held at
Council Chamber - Town Hall, Huddersfield on Wednesday 18 January 2017**

PRESENT

The Mayor (Councillor Jim Dodds) in the Chair

COUNCILLORS

Councillor Masood Ahmed	Councillor Mahmood Akhtar
Councillor Karen Allison	Councillor Bill Armer
Councillor Donna Bellamy	Councillor Martyn Bolt
Councillor Cahal Burke	Councillor Jean Calvert
Councillor Nosheen Dad	Councillor Eric Firth
Councillor Donald Firth	Councillor Michelle Grainger-Mead
Councillor Charles Greaves	Councillor David Hall
Councillor Steve Hall	Councillor Lisa Holmes
Councillor Erin Hill	Councillor Edgar Holroyd-Doveton
Councillor Judith Hughes	Councillor Mumtaz Hussain
Councillor Christine Iredale	Councillor Paul Kane
Councillor Viv Kendrick	Councillor Musarrat Khan
Councillor John Lawson	Councillor Vivien Lees-Hamilton
Councillor Robert Light	Councillor Gwen Lowe
Councillor Terry Lyons	Councillor Andrew Marchington
Councillor Naheed Mather	Councillor Peter McBride
Councillor Darren O'Donovan	Councillor Marielle O'Neill
Councillor Andrew Palfreeman	Councillor Nigel Patrick
Councillor Amanda Pinnock	Councillor Andrew Pinnock
Councillor Kath Pinnock	Councillor Hilary Richards
Councillor Mohammad Sarwar	Councillor Cathy Scott
Councillor David Sheard	Councillor Ken Sims
Councillor Elizabeth Smaje	Councillor Mohan Sokhal
Councillor Julie Stewart-Turner	Councillor Amanda Stublely
Councillor John Taylor	Councillor Kath Taylor
Councillor Graham Turner	Councillor Nicola Turner
Councillor Sheikh Ullah	Councillor Michael Watson
Councillor Gemma Wilson	Councillor Linda Wilkinson
Councillor Fazila Fadia	Councillor Gulfam Asif
Councillor Richard Eastwood	Councillor James Homewood
Councillor Manisha Roma Kaushik	Councillor Bernard McGuin
Councillor Mussarat Pervaiz	Councillor Richard Smith
Councillor Rob Walker	

97 Announcements by the Mayor and Chief Executive

The Mayor conveyed congratulations to the residents of Kirklees who had been recognised in the New Year's Honours List.

In relation to Agenda Item 11, the Assistant Director (Legal, Governance and Monitoring) reminded Members of the provisions of S106 of the Local Government Finance Act 1992 in relation to voting on that item.

98 Apologies for absence

Apologies for absence were submitted on behalf of Councillors Cooper, Pattison and Pandor.

99 Minutes of Previous Meeting

RESOLVED - That the Minutes of the meeting held on 14 December 2016 be approved as a correct record.

100 Declaration of Interests

Councillor Smith declared an 'other' interest in Agenda Item 15 on the grounds that he is employed by NHS digital.

Councillor Light declared a disclosable pecuniary interest in Agenda Item 10 on the grounds that he is the Northern Chair of the Consumer Council for Water.

Councillor Lowe declared an 'other' interest in Agenda Item 19 on the grounds that she is employed by Mid Yorkshire NHS Trust.

Councillors Smaje and Stewart-Turner declared an 'other' interest in Agenda Item 19 on the grounds that they are members of the Joint Health Scrutiny Panel.

Councillor N Turner placed on record that, for any matters relating to health, she was a student of midwifery within the NHS.

101 Petitions

No petitions were submitted.

102 Deputations/Petitions

a) Christine Hyde, Michael Farnhill, Thelma Walker and Paul Cooney made deputations regarding the funding and provision of healthcare services.

- b) Stephen Wood made a deputation in regards to Kirklees Recycling Centre regulations.

103 Questions by Members of the Public

Pursuant to the subject matter of his deputation, Stephen Wood asked a question to Cabinet Member Councillor Naheed Mather.

The Cabinet Member replied thereto.

104 West Yorkshire Combined Authority

Item not considered (due to time constraints)

105 Treasury Management Half Yearly Monitoring (Reference from Cabinet)

It was moved by Councillor G Turner, seconded by Councillor Sheard and

RESOLVED -

That the Half Yearly Monitoring Report - Treasury Management be received and noted.

106 Revisions to Local Flood Risk Management Strategy (Reference from Cabinet)

It was moved by Councillor McBride and seconded by Councillor G Turner that;

‘The revisions to the Local Flood Risk Management Strategy be approved in response to the Motion of Council on 23 March 2016.’

Whereupon it was moved by Councillor Patrick, and seconded by Councillor Scott, by way of AMENDMENT that;

‘The Local Flood Risk Management Strategy be approved subject to the amendment of (i) Page 18 – Recent Flood Events – to replace ‘2002 Holmfirth’ with ‘2002 Holmfirth, New Mill and Jackson Bridge’ and (ii) Page 53 – Section 8.3 – to include the following project; ‘Mew Mill Centre Flood Risk Study – 2016 Study – A study to assess the capacity of the converted warehouse at Coal Pit Gate – 10 properties at risk of flooding.’

The AMENDMENT, on being put to the vote, was CARRIED, and therefore became the Substantive Motion.

The Substantive Motion, on being put to the vote, was CARRIED, and it was:

RESOLVED -

That the Strategy be approved subject to the amendment of (i) Page 18 – Recent Flood Events – to replace ‘2002 Holmfirth’ with ‘2002 Holmfirth, New Mill and Jackson Bridge’ and (ii) Page 53 – Section 8.3 – to include the following project; ‘New Mill Centre Flood Risk Study – 2016 Study – A Study to assess the capacity of the culverted watercourse at Coal Pit Gate – 10 properties at risk of flooding.’

107 Calculation of Council Tax Base 2017/2018 (Reference from Cabinet)

It was moved by Councillor G Turner, seconded by Councillor Sheard, and;

RESOLVED -

That the following recommendations be submitted to the meeting of Council on 15 February 2017;

(a) That the 2017/2018 tax base for the whole of the Kirklees area, and the tax base for the five parish council areas be approved as below;

- Whole of Kirklees	£115,371.39
- Denby Dale	£5,630.20
- Holme Valley	£9,787.38
- Kirkburton	£8,761.33
- Meltham	£2,707.33
- Mirfield	£6,515.37

(b) That the full Government CTR Grant be passed to Town and Parish Councils at the same level as previous years.

108 Written Questions to the Leader and Cabinet Members

Item not considered (due to time constraints)

109 Key Discussion - Kirklees Active Leisure and Kirklees Council Partnership Update

Council received and noted the content of a presentation from Trustees of Kirklees Active Leisure, which was followed by comments and questions.

110 Report of Ad Hoc Scrutiny Panel - Children's Services

It was moved by Councillor Stewart-Turner, seconded by Councillor Marchington, and;

RESOLVED -

That the report and findings of the Ad Hoc Scrutiny Panel – Children’s Services be received and noted.

111 **Motion submitted in accordance with Council Procedure Rule 14 as to Social care and NHS Underfunding**

It was moved by Councillor Kendrick and seconded by Councillor Wilkinson, that a Composite Motion (relevant to Agenda Items 15 and 17) be considered as follows;

“This Council;

(i) notes the Local Government Finance Settlement announcement in December 2016, which will allow councils to raise council tax by up to 1.99 percent in 2017/18 to fund local services without the need for a referendum, and also allows England’s social care authorities to increase council tax by a further 3 percent in 2017/18, with income from the precept being used to spend on social care.

(ii) acknowledges that the additional council tax income will not significantly alleviate the pressure on social care now and in the long-term and the measures outlined in the Settlement fall well short of what is required to protect care services for elderly and vulnerable people.

(iii) is disappointed that the government has not given councils additional money to tackle the shortfall in social care funding, with social care now a national crises.

(iv) notes that the additional flexibility to vary the council tax precept over the remaining years of the Spending Review is not new money and does not address the £2.6 billion funding gap facing social care by the end of the decade. The estimated shortfall in the social care budget in Kirklees is £21million over the next two financial years.

(v) notes that the announcement of additional funding for social care from the New Homes Bonus is not new money, and is instead a redistribution of funding already promised to councils.

(vi) supports the Local Government Association’s argument that increasing the council tax precept ‘raises different amounts of money for social care in different parts of the country unrelated to need and will add an extra financial burden on already struggling households.

(vii) is concerned that by bringing forward council tax raising powers in the provisional Local Government Finance Settlement, the government has simply shifted the burden of tackling a national crisis on to councils and their residents. This will increase the tax burden on Kirklees residents by approximately £9 million over two years.”

The Motion, on being put to the vote, was CARRIED, and it was:

RESOLVED -

That this Council;

(i) notes the Local Government Finance Settlement announcement in December 2016, which will allow councils to raise council tax by up to 1.99 percent in 2017/18 to fund local services without the need for a referendum, and also allows England's social care authorities to increase council tax by a further 3 percent in 2017/18, with income from the precept being used to spend on social care.

(ii) acknowledges that the additional council tax income will not significantly alleviate the pressure on social care now and in the long-term and the measures outlined in the Settlement fall well short of what is required to protect care services for elderly and vulnerable people.

(iii) is disappointed that the government has not given councils additional money to tackle the shortfall in social care funding, with social care now a national crises.

(iv) notes that the additional flexibility to vary the council tax precept over the remaining years of the Spending Review is not new money and does not address the £2.6 billion funding gap facing social care by the end of the decade. The estimated shortfall in the social care budget in Kirklees is £21million over the next two financial years.

(v) notes that the announcement of additional funding for social care from the New Homes Bonus is not new money, and is instead a redistribution of funding already promised to councils.

(vi) supports the Local Government Association's argument that increasing the council tax precept 'raises different amounts of money for social care in different parts of the country unrelated to need and will add an extra financial burden on already struggling households.'

(vii) is concerned that by bringing forward council tax raising powers in the provisional Local Government Finance Settlement, the government has simply shifted the burden of tackling a national crisis on to councils and their residents. This will increase the tax burden on Kirklees residents by approximately £9 million over two years.

112 Motion submitted in accordance with Council Procedure Rule 14 as to Proposed Change to Constitution of Planning Sub-Committees

Item not considered (due to time constraints).

113 Motion submitted in accordance with Council Procedure Rule 14 as to Social Care Tax Precept

(Item considered as a composite motion at Minute No. 111)

114 Establishment of Regional Issues Working Party

Item not considered (due to time constraints).

115 Principles for Health Services in Kirklees

It was moved by Councillor Sheard, seconded by Councillor McBride, and;

RESOLVED -

- 1) That Council adopt the principles as set out within the considered report.
- 2) That the Greater Huddersfield and Calderdale CCGs be asked to demonstrate clearly to the Council and the public of Kirklees that their final set of proposals accord with the principles that the Council has set out within the considered report.

This page is intentionally left blank

KIRKLEES COUNCIL			
COUNCIL/CABINET/COMMITTEE MEETINGS ETC			
DECLARATION OF INTERESTS			
Council			
Name of Councillor			
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest

Signed: Dated:

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
- (b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Dispensations Granted – Budget Council 2017

No.	Councillor	Disclosable Pecuniary Interest
1. (2016/120)	Hilary Richards	CKCL KMS (Musica Kirklees)
2. (2016/121)	Mohan Sokhal	KAL
3. (2016/119)	Elizabeth Smaje	KNH
4. (2016/129)	Andrew Marchington	KNH
(2017/149)	As Above	2 nd property
5. 2016/125	Peter Mcbride	KSDL
(2017/138)	As above	CKCL
6. (2016/118)	Carole Pattinson	KMS (Musica Kirklees) KTT
(2017/137)	As above	KSSL Fusion
7. (2016/131)	Masood Ahmed	QED
(2017/151)	As above	KSSL
8. (2017/148)	John Lawson	KTT
9. (2017/152)	Gemma Wilson	KTT 2 nd property
10. (2017/141)	Andrew Palfreeman	KMS (Musica Kirklees)
11. (2017/144)	Michael Watson	KSDL SUEZ
(2017/145)		2 x properties
12. (2017/139)	Naheed Mather	SUEZ
13. (2017/140)	Gulfam Asif	QED

14. (2017/142)	Terry Lyons	2 nd property
15. (2016/123)	Jim Dodds	KAL
16. (2017/143)	Kath Pinnock	Yorks Water 2 nd property
17. (2017/150)	Andrew Pinnock	Musica Kirklees 2 nd property
18. (2017/147)	Rob Walker	CKCL
19. (2017/XXX)	Ken Sims	CMCL
20. (2017/146)	Charles Greaves	Employment MCCIC Meltham Carlile Community Interest Company 2nd Property

Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CABINET

Tuesday 31st January 2017

Present: Councillor David Sheard (Chair)
Councillor Shabir Pandor
Councillor Peter McBride
Councillor Naheed Mather
Councillor Musarrat Khan
Councillor Erin Hill
Councillor Viv Kendrick
Councillor Masood Ahmed
Councillor Graham Turner

162 Membership of the Committee

No apologies for absence were received.

163 Interests

No interests were declared

164 Admission of the Public

It was noted that all Agenda Items would be considered in public session.

165 Deputations/Petitions

Cabinet received deputations from Ken Crowther and Charles Woodbridge in respect of the budget proposal for 'Grants to Communities Who Can' at Agenda Item 7. (Minute No. 168 refers).

166 Public Question Time

No questions were asked.

167 Member Question Time

No questions were asked.

168 Council Budget Report 2017-21 incorporating Capital, Treasury Management, General Fund Revenue & Housing Revenue Account

(Under the provision of Council Procedure Rule 36 (1) Cabinet received representations from Councillors D Hall, Greaves and Smaje)

Cabinet received a report which set out its recommendation to the meeting of Budget Council on 15 February 2017, and provided the basis upon which other political groups could consider their budget proposals for Capital, General Fund Revenue and Housing Revenue Account. The report also sought approval of the Council Treasury Management Strategy.

Cabinet noted that the report;

(i) Reviewed the multi-year Plan for Capital Investment (Cabinet is required under Financial Procedure Rules to recommend to the Council a multi-year Plan for Capital Investment).

(ii) Reviewed the Treasury Management Strategy 2017-18 (which the Council must consider before the start of the financial year to comply both with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management, and with Department for Communities and Local Government (DCLG) guidance on local authority investments issued in March 2010, requiring the Council to approve an Investment Strategy before the start of each financial year).

(iii) 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 2017-18, and Revenue Budget Plans for the following 3 years.

(iv) Incorporated the Government's announcement on the Local Government Finance Settlement for 2017-18 and indicative government funding forecasts for the following 3 years, and considered the level of General Fund Revenue Budget needed for Treasury Management and Central Contingencies.

(v) Made recommendations on the Council tax requirement for 2017-18.

(vi) Reviewed the current levels of General Fund Revenue Reserves and Balances and made recommendations on the level of reserves.

(vii) Review Housing Revenue Account (HRA) budget proposals to achieve a balanced HRA in 2017-18, and indicative Revenue Budget Plans for the following 3 years.

(viii) Reviewed the current levels of Housing revenue Account Reserves, and made recommendations on the level of reserves.

(ix) Incorporated the Council's Pay Policy Statement for 2017-18.

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

RESOLVED - That the report be submitted to the meeting of Council on 15 February 2016 with the following recommendations;

(1) Capital

(i) That the Capital Investment Plan be recommended to Council with an intention that the Plan is reviewed as an integral element of the Council's Budget Strategy to support Council priorities (on both capital and revenue budget proposals) and is contained within foreseeable resources (Appendix A, Section 1 and Appendix E refer).

(ii) That Council be advised to determine the Prudential Indicators as referred to in Appendix A (Section 1, para 1.3.19) and Appendix F.

(2) Treasury Management

(i) That the borrowing strategy as outlined in Appendix A (Section 2, para 2.3) be approved.

(iii) That the investment strategy be outlined in Appendix A (Section 2, para 2.4) and Appendix G be approved.

(iv) That the policy for provision of repayment of debt (minimum revenue provision) as outlined in Appendix A (Section 2, para 2.5) and Appendix I be approved.

(3) General Revenue Fund

(i) That the draft Revenue Budget for 2017-2020 and indicative high level funding and cost estimates for 2020-21 be approved (Appendix B refers).

(ii) That the proposed re-direct of £3.3m from rollover reserves to general balances, the proposed 2016-2017 year end transfer of £7.7m to organisational risk reserves (in-year further treasury management saving from the proposed amendment to the Council's minimum revenue provision strategy) , and the proposed re-alignment of £1.4m currently uncommitted resources earmarked for transformation projects totalling £1.4m to the New Council Transformation reserve be approved (Appendix A, Section 3, para 3.16.5 refers).

(iii) That, subject to approval of (3)(ii) above, the forecast levels of general and earmarked reserves as set out at Appendix A (Section 3, para 3.16.6) be noted.

(iv) That the strategy for the use of balances and reserves, as set out in Appendix A (section 3, paras 3.16.7 and 3.16.8 refer) be approved.

(v) That it be acknowledged that for 2017-2018 the minimum level of General Fund balances should be £5.0m (Appendix A, Section 3, para 3.16.6 refers).

(vi) That a further reassessment of reserves requirements be undertaken at year end and reported as part of the 2016-2017 revenue rollover and outturn report.

(vii) That it be noted that the Council's continued participation on the Leeds City Region business rates pool for 2017-2018 (Appendix A, Section 3, para 3.13.6 refers).

(viii) That approval be given to the Council Tax requirement for 2017-2018 (Appendix A, Section 3, para 3.14, and Appendix C; budget motion refer)

(ix) That approval be given to the Council's Pay Policy Statement for 2017-2018 as set out in Appendix D (i-v).

(x) That the Council's Statutory s151 Officer's positive assurance statement, as referred to in para. 4 of the considered report, be noted.

(xi) 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 and Crime Commissioner, the Fire and Rescue Authority and Parish Councils should these be received after 15 February 2017.

(4) Housing Revenue Account (HRA)

(i) That the draft HRA Budget for 2017-2020 (as detailed in Appendix B) be approved.

(ii) That the strategy for the use of HRA reserves (as detailed in Appendix A, Section 4, para 4.3.1) be approved.

169 Integrated Community Safety- Economic Resilience / Quality of Life

Cabinet gave consideration to a report which set out proposals for creating an integrated approach between the Council and its partners to enhance the quality of life for residents across the Kirklees area. The report advised that the new model essentially aimed to mould together services and functions to ensure a seamless offer which would include low level enforcement work, and clean, green and safe neighbourhoods. Cabinet noted that there would be a renewed focus upon prevention and early intervention that would be underpinned by technology and the use of shared intelligence.

The report sought approval for the development of the new model using reduced but combined resources across the partnership, and would also deliver savings and efficiencies. The considered report set out detailed information on the new approach to integrated community safety and the integrated working approach.

RESOLVED -

- 1) That approval be given to proposals to develop a new approach to integrated community safety that contributes to the economic strategy.
- 2) That the budget saving in line with the Medium Term Financial Plan be endorsed and that approval be given to £559k of Economic Resilience add back.

This page is intentionally left blank

Recommendations of the meeting of Budget Cabinet – 31 January 2017

(1) Capital

(i) That the Capital Investment Plan be recommended to Council with an intention that the Plan is reviewed as an integral element of the Council's Budget Strategy to support Council priorities (on both capital and revenue budget proposals) and is contained within foreseeable resources (Appendix A, Section 1 and Appendix E refer).

(ii) That Council be advised to determine the Prudential Indicators as referred to in Appendix A (Section 1, para 1.3.19) and Appendix F.

(2) Treasury Management

(i) That the borrowing strategy as outlined in Appendix A (Section 2, para 2.3) be approved.

(iii) That the investment strategy be outlined in Appendix A (Section 2, para 2.4) and Appendix G be approved.

(iv) That the policy for provision of repayment of debt (minimum revenue provision) as outlined in Appendix A (Section 2, para 2.5) and Appendix I be approved.

(3) General Revenue Fund

(i) That the draft Revenue Budget for 2017-2020 and indicative high level funding and cost estimates for 2020-21 be approved (Appendix B refers).

(ii) That the proposed re-direct of £3.3m from rollover reserves to general balances, the proposed 2016-2017 year end transfer of £7.7m to organisational risk reserves (in-year further treasury management saving from the proposed amendment to the Council's minimum revenue provision strategy) , and the proposed re-alignment of £1.4m currently uncommitted resources earmarked for transformation projects totalling £1.4m to the New Council Transformation reserve be approved (Appendix A, Section 3, para 3.16.5 refers).

(iii) That, subject to approval of (3)(ii) above, the forecast levels of general and earmarked reserves as set out at Appendix A (Section 3, para 3.16.6) be noted.

(iv) That the strategy for the use of balances and reserves, as set out in Appendix A (section 3, paras 3.16.7 and 3.16.8 refer) be approved.

(v) That it be acknowledged that for 2017-2018 the minimum level of General Fund balances should be £5.0m (Appendix A, Section 3, para 3.16.6 refers).

(vi) That a further reassessment of reserves requirements be undertaken at year end and reported as part of the 2016-2017 revenue rollover and outturn report.

(vii) That it be noted that the Council's continued participation on the Leeds City Region business rates pool for 2017-2018 (Appendix A, Section 3, para 3.13.6 refers).

(viii) That approval be given to the Council Tax requirement for 2017-2018 (Appendix A, Section 3, para 3.14, and Appendix C; budget motion refer)

(ix) That approval be given to the Council's Pay Policy Statement for 2017-2018 as set out in Appendix D (i-v).

(x) That the Council's Statutory s151 Officer's positive assurance statement, as referred to in para. 4 of the considered report, be noted.

(xi) 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 and Crime Commissioner, the Fire and Rescue Authority and Parish Councils should these be received after 15 February 2017.

(4) Housing Revenue Account (HRA)

(i) That the draft HRA Budget for 2017-2020 (as detailed in Appendix B) be approved.

(ii) That the strategy for the use of HRA reserves (as detailed in Appendix A, Section 4, para 4.3.1) be approved.

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

KIRKLEES METROPOLITAN COUNCIL
COUNCIL MEETING - 15 FEBRUARY 2017
COUNCIL TAX

- 1. That the Revenue Budget for the year 2017-2018, as submitted, be approved.
- 2. That it be noted that at its meeting on 17 January 2017 the Council calculated the following amounts for the year 2017-2018 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) 115,371.39 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) Part of the Council's area

Parish of Denby Dale	5,630.20
Parish of Holme Valley	9,787.38
Parish of Kirkburton	8,761.33
Parish of Meltham	2,707.33
Parish of Mirfield	6,515.37
Kirklees (outside the Parish of Holme Valley) special expense area	105,584.01

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 2017-18 (excluding parish precepts) is £159,551,000

- 4. That the following amounts be now calculated by the Council for the year 2017-2018 in accordance with Sections 31 to 36 of the Act:-

(a) £ 825,712,927 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) £ 665,427,000 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) £ 160,285,927 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) £ 1,389.3039 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) £ 769,670 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £ 1,382.6327 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)

<u>Part of the Council's area</u>	Base Council Tax £	Special Expenses £	Parish Precept £	Resultant Council Tax £
Parish of Denby Dale	1382.63	0.33	38.39	1421.35
Parish of Holme Valley	1382.63	0.00	22.90	1405.54
Parish of Kirkburton	1382.63	0.33	12.51	1395.47
Parish of Meltham	1382.63	0.33	30.31	1413.27
Parish of Mirfield	1382.63	0.33	15.81	1398.77
Kirklees (outside special expense area)	1382.63	0.33	0.00	1382.96

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

(h) Kirklees Valuation Bands

Part of the Council's area	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	947.57	1,105.49	1,263.42	1,421.35	1,737.20	2,053.06	2,368.91	2,842.70
Holme Valley	937.02	1,093.19	1,249.36	1,405.53	1,717.87	2,030.21	2,342.55	2,811.06
Kirkburton	930.31	1,085.37	1,240.42	1,395.47	1,705.58	2,015.68	2,325.79	2,790.94
Meltham	942.18	1,099.21	1,256.24	1,413.27	1,727.32	2,041.38	2,355.44	2,826.53
Mirfield	932.51	1,087.93	1,243.35	1,398.77	1,709.60	2,020.44	2,331.28	2,797.53
All other parts	921.97	1,075.64	1,229.30	1,382.96	1,690.28	1,997.61	2,304.93	2,765.92

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 2017-2018 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	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
West Yorkshire Fire & Civil Defence Authority	40.59	47.36	54.12	60.89	74.42	87.95	101.48	121.78
West Yorkshire Police Authority	100.65	117.42	134.19	150.95	184.50	218.05	251.60	301.92

**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 2017-2018 for each of the categories of dwelling shown below:-

Part of the Council's area	<u>Valuation Bands</u>							
	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	1,088.81	1,270.27	1,451.73	1,633.19	1,996.12	2,359.06	2,721.99	3,266.40
Holme Valley	1,078.26	1,257.97	1,437.67	1,617.37	1,976.79	2,336.21	2,695.63	3,234.76
Kirkburton	1,071.55	1,250.15	1,428.73	1,607.31	1,964.50	2,321.68	2,678.87	3,214.64
Meltham	1,083.42	1,263.99	1,444.55	1,625.11	1,986.24	2,347.38	2,708.52	3,250.23
Mirfield	1,073.75	1,252.71	1,431.66	1,610.61	1,968.52	2,326.44	2,684.36	3,221.23
All other parts	1,063.21	1,240.42	1,417.61	1,594.80	1,949.20	2,303.61	2,658.01	3,189.62

7. The Council has determined that its relevant basic amount of Council Tax for 2017-2018 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 2017-2018 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 David Sheard and Cllr Shabir Pandor

Calculation of Council Tax for 2017-2018

Appendix Ci)

	<u>2016-17 Budget</u>		<u>2017-18 Budget</u>		<u>% change</u>
	£	£	£	£	
Total Directorate Budgets		310,836,000		294,687,000	
Adjustment for contribution to (+)/use of (-) balances		-17,500,000		-11,185,000	
Total Expenditure		293,336,000		283,502,000	
Less: Business Rates Local Share	51,441,000		47,644,000		
Less: Top Up	21,430,000		26,676,000		
Less: RSG	47,850,000		32,763,000		
Less: Unringfenced Specific Grants	21,259,000		16,768,000		
Less: Transfer of Collection Fund Deficit	2,000,000		100,000		
		143,980,000		123,951,000	
Council Tax Requirement		149,356,000		159,551,000	
Less: Special Expenses		34,658		34,743	
Balance to be raised by Council Tax (excludes special expenses)		149,321,342		159,516,257	
<i>Kirklees Taxbase</i>	<i>113,388.90</i>		<i>115,371.39</i>		
Kirklees Council Tax on Band D Properties (Holme Valley)		£1,316.90		£1,382.63	
Special Expenses * Incurred Outside Holme Valley		0.3340		0.3291	
Kirklees Council Tax on Band D Properties (excluding Holme Valley)		1,317.23		1,382.96	4.99%
Precept Figures					
West Yorkshire FCDA	£6,770,114	59.71	£7,025,500	60.89	1.98%
West Yorkshire Police	£16,549,031	145.95	£17,415,230	150.95	3.43%
Kirklees Plus Fire & Police		£1,522.89		£1,594.80	4.72%
Parish Precepts	£557,261	£4.91	£734,927	£6.37	29.62%
Council Tax at Band D		£1,527.80		£1,601.17	4.80%

Council Tax by Council Tax Band

	<u>2016-17</u>	<u>2017-18</u>	<u>Annual increase</u>	<u>Weekly Increase</u>
Band A	£1,015.25	1,063.21	47.96	0.92
Band B	£1,184.47	1,240.42	55.95	1.08
Band C	£1,353.67	1,417.61	63.94	1.23
Band D	£1,522.89	1,594.80	71.91	1.38
Band E	£1,861.31	1,949.20	87.89	1.69
Band F	£2,199.73	2,303.61	103.88	2.00
Band G	£2,538.14	2,658.01	119.87	2.31
Band H	£3,045.77	3,189.62	143.85	2.77

<u>Referendum Calculation</u>	<u>2016-17</u>	<u>2017-18</u>	
	£	£	
Council Tax Requirement	149,356,000	159,551,000	
<i>Divided by Taxbase</i>	<i>113,388.90</i>	<i>115,371.39</i>	
Average Band D Council Tax	1,317.20	1,382.93	4.99%

* Special expenses relate to expenditure incurred in respect of public seats on or adjoining highways, War Memorials and Public Clocks outside the area of the Holme Valley Parish Council. This Parish Council provides such items within its area.

This page is intentionally left blank

8 February 2017

To: Council Distribution

Dear Councillor,

Council (Budget) – Wednesday 15 February 2017

Amendment to the Motion proposed by the meeting of Cabinet on 31 January 2017

Please find enclosed, for your consideration, an amendment to the Budget Motion, which has been received by the Chief Executive in accordance with Council Procedure Rule 19 (3).

Yours sincerely,



Andrea Woodside
Principal Governance Officer

Amendment to the 2017/18 Kirklees Council Budget by the Green Party Group

This Council agrees to develop a Local Housing Development Company as a special purpose vehicle to deliver new housing on land identified for development in the Council's Local Plan. This would be as a minimum cover Kirklees but could be developed at scale with our neighbours. This will ensure this will ensure that we can work with the Homes and Communities Agency and Registered Social Landlords, developers and institutional investors who can lever in additional resources as well as keeping the income generated from new development within Kirklees to help to support local services.

The company would deliver new housing on council land that has been identified for development in their Local Plans.

There are a number of reasons why this may be attractive to Kirklees.

- At a time of diminishing balances Central Government is encouraging Councils to develop new housing to fund local services through the New Homes Bonus and new Council Tax revenue income. If the Council is in partnership with third parties developer profit from new development would be shared amongst the partners involved and could be used to help fund Council Services.
- There are occasions when the Council has granted Planning Permission on land but frustratingly developers with which the Council has no relationship have dragged their feet, sometimes for years, leaving areas blighted. The Council would have more control over development if it was itself part of the development vehicle.
- There is the opportunity to use the newly merged KNH and Building Services as a vehicle for Housing Development utilising existing skills in electrical and gas services
- The standard of new build housing in the private sector is variable and some Councillors have had cause to tackle substandard housing with developers. If the Council can put pressure on the market – control of building will be more effective. Cutting corners and reducing the quality of build to reduce costs will be avoided.
- The opportunity to promote higher energy efficiency standards, such as Passivhaus development could be pursued by such a company. The embedded Quality Assurance in Passivhaus developments will ensure a quality build as well as very high energy efficiency standards. Householders benefiting from very low energy bills will have more money in their pockets to spend locally helping them to pay rents and mortgages more easily.
- With a substantial portfolio of work over a number of years partnerships with educational institutions could provide a rich source of local employment for apprentices working in a range of building jobs.

No income has been put against this budget amendment as it is too early to say how substantial the potential income could be to the Council. However, any revenue income generated above that required for the core purposes of the Housing Development Company would be utilised to support valued services in town and village centres that provide contact and services to people in our communities. This amendment does however show that there are alternatives to simply managing decline at a time when central government is starving the Council of funds.

If this amendment is passed the expectation would be that the Council establishes a Project Team to quickly establish the Local Housing Development Company before the 2018/19 Budget so projected incomes can be factored in to the Councils hard pressed finances.

This page is intentionally left blank



Name of meeting: COUNCIL

Date: 15th FEBRUARY 2017

Title of report: ARRANGEMENTS FOR SELECTING AN EXTERNAL AUDITOR FOR THE YEAR 2018/19 AND ONWARDS

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?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Not applicable
The Decision - Is it eligible for call in by Scrutiny?	Not applicable
Date signed off by <u>Director</u> & name	Not applicable
Is it signed off by the Assistant Director - Financial Management, Risk, IT & Performance?	D Hogg :19 th January 2017
Is it signed off by the Assistant Director – Legal, Governance & Monitoring?	J Muscroft: 17 th January 2017
Cabinet member portfolio	Not applicable

Electoral wards affected: All

Ward councillors consulted: Not applicable

Public or private: Public

The following report was considered by the meeting of Corporate Governance and Audit Committee on 27 January 2017. The Committee endorsed the content of the report and therefore recommends that Council resolves;

That Public Sector Audit Appointments Ltd be asked to carry out Auditor Panel duties on behalf of the Council and nominate a proposed External Auditor, and that the Assistant Director (Financial Management and Risk) be requested to inform Public Sector Audit Appointments Ltd accordingly.

1. Purpose of report

1.1 Under the Local Audit and Accountability Act 2014, the Authority is required to appoint its own external auditors for the financial year 2018/19 (and beyond). This report provides information about options.

2. Summary

2.1 Prior to its abolition, the Audit Commission ran a tendering process and selected auditors on behalf of local authorities. From 2018/19 the Council is responsible for making its own arrangements. In order to do this, it must establish an Audit Panel.

2.2 This report examines the three main alternatives and recommends the appointment of the LGA body, Public Sector Audit Appointments Ltd (PSAA) is likely to be the simplest option to pursue, with no evidence that it will be at greater cost.

3. Information required to take a decision

3.1 Following the abolition of the Audit Commission in 2013, the Government appointed Auditors for each local authority by means of a national procurement exercise, the auditors being appointed on a regional basis. The Auditors were appointed with effect from the financial year 2013/2014 on a three-year contract with an optional extension for a further two years. The parties have agreed to extend the contract which now expires at the completion of the 2017/2018 audit.

3.2 With effect from the financial year 2018/2019, public bodies must appoint their own auditors following a process of competition. At a meeting of this Committee on 22 April 2016 (Request from the Local Government Association to express an interest in collective purchase of external audit) it was agreed, in principle, to express an interest in the collective purchase of audit services. The LGA has subsequently nominated its arm Public Sector Audit Appointments Ltd to carry out this work on their behalf.

3.3 The legislation however requires that the authority appoint an Auditor Panel to oversee and advise the Council on the recruitment, and monitor the relationship with the external auditor. There are three options for the establishment of an auditor panel available to this Authority:

- a) Set up its own panel
- b) Set up a joint panel with one or more other authorities
- c) Use a sector-led body as the appointing person under the Act.
- d) A further option which is to use of an existing audit committee. However, as the Councils does not have independent members this is not available (see below).

3.4 If the Council was to establish its own Auditor Panel it would need to be;

- a) composed of at least 3 members, 2 of which must be independent of the Council (or potential auditors) (this is subject to a complex definition- see para 2.4 of the accompanying detailed appendix)
- b) able to demonstrate knowledge of the areas of local authority finance, accountancy, audit processes and regulations and the role and responsibility of a local public auditor.
- c) be chaired by a suitably skilled person

3.5 The role of the Panel is to advise on;

- a) the selection and appointment of the auditor,
- b) whether the Authority should adopt a policy on obtaining non-audit services from the auditor,
- c) any proposal by the Authority to enter into a liability limitation agreement,
- d) maintaining an independent relationship with the auditor,
- e) the outcome of any investigation should the auditor resign from office or any proposal to remove them, and
- f) receipt of documents relating to public interest reports.

3.6 As it can be seen there are specific requirements as to the make-up of the Auditor Panel and its role which will require some dedicated administrative support and training resulting in additional costs. Added to this, the Council will have to consider the ongoing role of the Auditor Panel and also its relationship with this Committee.

3.7 Potential options for the Auditor Panel, and the advantages and disadvantages are shown in the tableaux below.

A. Set up a separate Panel for the Council

Advantages	Disadvantages
Full ownership of the process	Difficulty attracting independent members for the

Fully bespoke contract with the auditor Tendering process based on local circumstances Possible cost advantages resulting from proximity to Leeds and large audit firms including the existing provider.	Panel Need to ensure members are suitably qualified and maintain competence Will have to meet all ongoing costs of the Panel May not achieve the financial benefits of larger procurement process
--	--

B. Set up a Joint Panel with the other (for example West Yorkshire) Authorities

Advantages	Disadvantages
Less of an administrative burden on this authority Shared administration costs with other authorities Would remain a local process but offer a greater market share May achieve some economies of scale The size of the combined contracts is likely to be more attractive An opportunity to bespoke the contract	May have to compromise on the contract arrangements May not end up with the first choice auditor Need to be clear on the decision process covering all the Authorities involved

C. Use of the LGA Sector Lead Body(Public Sector Audit Appointments Ltd)

Advantages	Disadvantages
Administratively much less burden Do not have to establish an auditor panel and consequently overcome the problem of recruitment and training Easier to attract bidders because of the size of market share Likely to build up a pool of expertise Possible savings through economies of scale The cost of maintaining the panel would be recovered in the audit fee.	May have to compromise on the contract arrangements May not end up with the first choice auditor Need to be clear on the decision process covering all the authorities who are participants

- 3.8 Whilst each option has its own advantage as and disadvantages, option B is in reality not available, as no neighbouring authorities appear interested in joining a consortia.
- 3.9 The detailed report attached presents additional information about the process and complexities of creating an Auditor Panel. It also examines the market position, which suggests that there are only a limited number of approved providers, not all of whom are active in this region.
- 3.10 On balance it is likely that option C will be the simplest, easiest to achieve, and present the lowest overall risk. There is no evidence that it will be more expensive than the direct procurement, particularly when the costs of operating an EU procurement process, and establishing and maintaining an Auditor Panel are taken into account.
- 3.11 The Appendix to this report sets out more details about Auditor Panels and options available.

4. Implications for the Council

- 4.1 The full Council needs to make the decision on method, and on ultimate appointment of an auditor.
- 4.2 If the Council wishes to place a contract directly it will need first to appoint an Auditor Panel, and then carry out an EU compliant tendering process, and then make an award.
- 4.3 If the Council wishes to ask Public Sector Audit Appointments Ltd to nominate an auditor, they will recommend a supplier to the council (and carry out the other tasks at 3.5)-on a 5 year contract basis.
- 4.4 The Council wants a qualified, competent supplier at the lowest available cost, to perform their independent certification duties. There is no particular reason why the Council would have any preference for any particular supplier from the limited market.
- 4.5 It will need to take decisions later about the way to obtain grant certification work.

5. Consultees and their opinions

- 5.1 No specific views have been expressed

6. Next steps

- 6.1 Corporate Governance & Audit Committee make recommendations to full Council who exercise the initial choice. The Council must commit to the Public Sector Audit Appointments Ltd arrangements by 9th March 2017.

6.2 When the Auditor Panel, or Public Sector Audit Appointments Ltd have carried out a tender process, they will recommend an auditor to the Council.

6.3 An Auditor needs to be appointed by 31st December 2017.

7. Officer recommendations and reasons

7.1 That Corporate Governance & Audit Committee having considered the potential options recommend that Council ask Public Sector Audit Appointments Ltd to carry out Auditor Panel duties on behalf of the Council and nominate a proposed External Auditor to the Council in due course.

7.2 The reasons for the choice are those of convenience and simplicity.

8. Cabinet portfolio holder's recommendations

Not applicable

9. Contact officer

Martin Dearnley, Head of Audit & Risk; 01484 22100- x 73672

10. Background Papers and History of Decisions

Appendix to this report

CIPFA Guidance on Auditor Panels.

PSAA Ltd Website

22 April 2016 Request from the Local Government Association to express an interest in collective purchase of external audit

11. **Director responsible** D Hogg; Financial Management, Risk Performance & IT

Appendix A

KIRKLEES COUNCIL APPOINTING AN EXTERNAL AUDITOR.

Summary

In abolishing the Audit Commission, the government offered new “freedoms” to local authorities to appoint their own local (external) auditor. It did so by the Local Audit & Accountability Act 2014, which established complex rules that control the appointment of auditors to local authorities (more complex than those applicable to NHS bodies).

The legislation also allows approved national bodies to procure auditors. The Local Government Association has established Public Sector Audit Appointments Ltd (PSAA) to carry out this work. This body appears to be being selected by many local authorities to procure on their behalf.

Although there are some potential advantages to the Council procuring its own auditors, the complexity of doing so appears to be likely to exceed any (financial) advantages that might be gained. Whilst the procurement exercise to obtain the services of an auditor is quite simple (albeit it would be subject to the EU procurement regime), the legislation intended to create freedom effectively creates a process so complex that the use of a third party to secure appointments is probably more attractive.

If the council is attracted by the freedom, it needs to consider if it is willing to set aside the resources needed to recruit the panel and operate the process.

Adding other additional services seem unlikely to make the package on offer particularly attractive, and the market lacks significant competition.

The advantages of direct purchasing are;

A bespoke contract may reflect the specific needs of the Council.

Auditing services to the main council subsidiaries and for grant claims could be part of the package

Kirklees has the potential to be geographically attractive to suppliers.

The council would pay its own fee based on market perceived risk

It may be possible to negate an increase in fees.

The disadvantages of direct purchasing are;

The substantial complexities of finding and organising an Auditor Panel

Quality candidates may command a fee.

Auditor Panel needs to be kept in place to carry out ad hoc functions

The costs EU procurement is high as a proportion of the contract value

A market with restricted competition

The package of work may not be attractive (compared to PSAA work).

No supplier may be willing to bid at the suggested budget or willing to accept specifications and terms and conditions.

New exercise required if auditors resign or dismissed

As the local auditor must be appointed by 31st December 2017 there is now a single critical path to appointment, either using PSAA (who must be notified by 9th March 2017) or to follow the necessary processes of local appointment.(annex 3) It is unclear if an option exists to extend the arrangement with the existing auditor. This would not though provide a sustainable compliance solution.

MED December 2016

KIRKLEES COUNCIL APPOINTING AN EXTERNAL AUDITOR.

Introduction

- 1.1 The Local Audit and Accountability Act 2014 established new arrangements for the audit and accountability of local authorities. These new arrangements include the ability of such bodies to appoint their own local public auditors but only via an Auditor Panel. This may be done either individually or jointly with one or more other authorities. Auditor Panels must also advise the authority or authorities on the maintenance of independent relationships with the chosen local auditor.
- 1.2 Larger local government bodies –including Kirklees- move to the new arrangements on 1 April 2018 (the 2018-19 financial year). In practice, this means the local auditor must be appointed by 31st December 2017.
- 1.3 Authorities may opt into any sector-led body that may be established as the appointing person under the Local Audit and Accountability Act and relevant regulations. If they decide to do so, they will not need an auditor panel. This organisation is Public Sector Audit Appointments (PSAA), an arm of the LGA. It proposes to appoint auditors in a manner broadly similar to that used by the Audit Commission, with (it is understood) regional based competitions looking to appoint a panel of suppliers in each region, a supplier being nominate to each authority, and a charging model that looks to even out some costs of supply. PSAA would appoint a national Auditor Panel for selection and engagement management; although it appears that the post appointment role will be minimal, with engagement only in the event of a fundamental fall- out with the supplier.
- 1.4 Authorities may also establish their own Auditor Panel to advise them on the appointment of their local auditor and there are four main options for this:
 - (1) establish a separate and individual Auditor Panel, solely for the authority
 - (2) set up a panel jointly with one or more other authorities
 - (3) use an existing committee or sub-committee to act as the auditor panel (subject to compliance with the other provisions and regulations relating to Auditor Panels)
 - (4) ask another authority's Auditor Panel to carry out the functions of the authority in question.
- 1.5 There are advantages and disadvantages to each option but these are likely to vary according to the type of authority and its size, geographic location, etc.
- 1.6 Auditor Panels act in an advisory position. They will recommend to their authority (Full Council) or authorities which local auditor to appoint but ultimately the responsibility for appointing the auditor rests with the authority itself.
- 1.7 As 1.4(2) above although there has been some very limited discussion with other (neighbouring) authorities on creating local arrangements to procure auditors, this appears to lack energy and enthusiasm. A joint panel would help to mitigate costs, enable a larger contract to be offered, (subject to potential conflicting), but might require some compromises. Members of shared Auditor Panels, or (those of another authority), have to pass the independence tests (see below). West Yorkshire Fire & RA would have been the most appropriate potential partner (as they share many of our systems), but they have chosen PSAA as their audit procurer. There appears to be no other local interest in this approach.
- 1.8 The Councils current Corporate Governance & Audit Committee would not meet the requirements of independence, and indeed the Auditor Panel appears to be accepted by DCLG and Cipfa as simply existing to manage the procurement exercise.(see (3) above)

Option	Possible Advantages	Possible Disadvantages
Set up own separate and individual panel to oversee separate and individual procurement	Full ownership and control of the process	May experience difficulties in appointing majority independent panel members and independent panel chair as per the regulations
	Fully bespoke contract with the auditor, including competition for grant and other independent certification work (see 8 below)	Will need to ensure that panel members are suitably qualified to understand and participate in the panel's functions
	Tendering process more based on local circumstances (within EU procurement rules)	Will have to cover panel expenses completely
	Kirklees is geographically well located for suppliers from Leeds, Manchester & Sheffield	Potential limited provider choice . A single authority contract may be less attractive to some providers
	Few contracts of this size likely to be offered (larger than typical NHS contracts, smaller than the PSAA block work)- which might be attractive. (see 7 below)	Cost/ may not achieve economies of scale (compared to PSAA contracts)

1.9 An authority appointing panellists to its own Auditor Panel is required to take decisions on those appointments at full council.

2. The Auditor Panel.

2.1 The minimum number of members that an Auditor Panel must have is three. There must be a majority of independent members and there must always be an independent chair, and for a panel meeting to be quorate, there must be a majority of independent members present at the meeting. There are specific regulations which clarify how independence is to be defined for the purposes of Auditor Panels.

2.2 Panel members will be expected to have a certain level of specific knowledge and experience to ensure that the panel carries out its duties effectively, which will require panel member job descriptions, advertisement and recruitment processes to choose candidates with the correct skills and experience. Panel members may be paid an allowance and any reasonable expenses covered.

2.3 CIPFA suggest that the Panel does not need to be large, but state “The depth of knowledge required may be harder to achieve with a small panel”. At a more practical level, the meeting can only be quorate with a majority of external members, creating a risk (of sickness /unavailability) if there are only 3 members.(assuming that the council wanted to nominate its own representative (see annex 1).

2.4 The persons is not “independent” if they have ;

- had previous involvement within the last five years as a member or officer with the authority or another, connected authority or an officer or employee of a connected entity
- a relationship (familial or friendship) with a member or officer of the authority or a connected authority or with an officer or employee of a connected entity
- a contractual (commercial) relationship with the authority – either as an individual or via a body in which the panel member has a ‘beneficial interest’, or
- a possible conflict of interest through being a prospective or current auditor of the authority or, within the previous five years, been: an employee of such a person, partner

in a firm, or director of a body corporate which is a prospective or current auditor of the authority at the given time. (Prospective means a business having submitted an expression of interest/bid; it does not preclude a person who might be involved in a future bid for the services)

- 2.5 CIPFA advise that all types of interests should be disclosed by (prospective and sitting) Panel members, and that party political relationships, whilst not specifically forbidden should be treated carefully, as they can suggest partiality, as can a close association with any particular policy issue. Should any Panel members become conflicted, or they were otherwise disqualified, they would need to be replaced. They advise that prospective chairs should be selected for their generic leadership skills, but all panel members should have knowledge of some or all of accountancy (public sector or commercial) and audit processes and regulation (public or private sector, external/local audit or internal audit), including more specifically, local authority finance and the role and responsibilities (statutory duties) of a local public auditor in local government.
- 2.6 There is no requirement for a specific period of tenure, although it would probably be sensible to not replace all panel members at the same time, nor to change them immediately before the next procurement exercise. Panel members may well have training requirements relating to EU procurement (which would apply to a KMC contract).

3. Role & Functions of the Auditor Panel

- 3.1 The Auditor Panel exists to advise the authority on the selection and appointment of the auditor. It will also need to be involved in a decision as to whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy, and any proposal by the authority to enter into a liability limitation agreement. The Panel will also need to oversee the maintenance of an independent relationship with the auditor, the outcome of any investigation of an auditor's resignation from office (should this occur), or on any proposal to remove a local auditor from office. The Auditor Panel is also included under legislation required to be involved in any discussions and receipt of relevant documents relating to public interest reports.
- 3.2 It will be necessary to provide administrative/secretariat support and direct officer support and advice on certain areas both during and outside of panel meetings.
- 3.3 There may be some overlap between the Auditor Panel and the Corporate Governance & Audit Committee in respect of certain roles, although these should be quite minimal. (see 4)
- 3.4 It is likely that the Panel will need to meet several times during the procurement process, probably (a) at initiation, (b) to consider the contents of the specification, (c) to review outcomes from the tender process (and determine or clarify the outcomes), and to recommend an auditor to the Full Council who will make the formal appointment.
- 3.5 It should be noted that for Kirklees the procurement will need to be subject to full EU procurement rules. Given the nature of the market (see 7.2) it is probably unnecessary to use a prequalification stage, and appropriate to use an open tender process. This requires a systematic evaluation of written proposals, and the authority practice with all tenders is to avoid interviews. It is normal for this to be dealt with by officers, although the Panel could have some involvement, within the rigid structures that apply to EU processes. It is likely therefore that the Panel will be presented with a set of outcomes, and a winner (under EU rules there is no discretion) subject to any conflicts having been filtered out prior to this stage. Assuming that the Panel is content with the outcome and the Full Council agrees, future roles are likely to be limited, unless fundamental conflict, resignation or public interest matters arise.
- 3.6 CIPFA believes that the Chief Executive, Chief Finance Officer, Head of Internal Audit and Head of Procurement will all have relationships with the Auditor Panel, although the nature of the role suggest that only the latter will require an enduring relationship. (see Annex 2).

- 3.7 The Auditor Panel is required to be consulted on proposals to use the appointed external auditor to provide other services.
- 3.8 Auditor panels have a statutory duty to give advice to the authority if it proposes to enter into a liability limitation agreement. If panel members lack knowledge or experience in this area, it is recommended that training is sought that may assist them in this duty.
- 3.9 The Auditor Panels must see any public interest report that has been made by the auditor. They should take a public interest report into account when advising the authority on its relationship with the auditor. Cipfa also believe that public interest reports should inform the panel's monitoring of the quality and effectiveness of the auditor, and that the Auditor Panel should be aware that adverse reports might impact on the authorities attitude about the suitability of the provider.

4. The Corporate Governance & Audit Committee(CGAC)

- 4.1 The CGAC has a role in dealing with many aspects of the appointed external auditors role and work. This includes the consideration of the external audit plan, reports from the external auditor, management letters, providing letters of representation, and approval of the final accounts.
- 4.2 They may also wish to comment on the proposed audit procurement arrangements, and specification, and the proposed appointment. Nothing in the Auditor Panel role replaces or substitutes these duties. They also (in a very light touch way) monitor the external auditors work. This does have the potential to touch the Auditor Panel role, albeit it is only likely to happen in the event of major disagreement between the Council, (its officers, or CGAC) and the appointed auditor, or towards the time when re-tendering is being undertaken, and the existing auditor is a potential bidder. CGAC should also have an opportunity to comment on any proposals to use the appointed auditor to provide services, albeit it is the Auditor Panel that has the statutory authority to advise on this.
- 4.3 Although an Audit Committee can perform the role of Auditor Panel, it can do so only if it meets the criteria for an Auditor Panel; ie independent chair and majority of members. This is very remote from existing arrangements for CGAC, who have in the past shown no willingness to consider any independent members. It would be possible to create a formal sub-committee of the CGAC (which again met the independence criteria) by appointing 2 independent members to CGAC. However, the proceedings of the Auditor Panel have to be executed separately from the Audit Committee.

5. Appointing the Chosen Auditor

- 5.1 The Auditor Panel must give advice to the authority- formally the Full Council-on the selection and appointment of the local auditor. This advice, or a summary of it, must be published within 28 days of appointing the auditor.
- 5.2 When the authority does not follow the advice given to it by the Panel, it must also set out the reasons why it has not done so in the same notice.
- 5.3 Once Full Council has approved an appointment, the order/contract is executed with the chosen provider. (As this is an EU procurement, the authority will have to have given notice about the proposed appointment in advance of the formal contractual appointment)

6. Resignation or Removal of the Auditor

- 6.1 There are processes to be followed, set out in the legislation, in the event that an auditor wishes to resign or the Council, wishes for them to be dismissed. In the event of a resignation, the Auditor Panel must consider the circumstances of the resignation within 3 months, and provide advice and or recommendations; The Authority is required to publish this within 4 weeks of receipt. The Authority is also required to advise the Secretary of State for Communities & Local Government within 14 days of the resignation.

6.2 There are complex processes set out for the removal of an auditor, including an obligation to advise all members, the rights of the auditor to respond, a requirement for the Auditor Panel to report and conclude before a decision is taken, and the right for the Auditor, and an Auditor Panel member to attend and speak at the meeting which will consider the removal. There are a set of processes to be followed after dismissal, including the requirement to advise the Secretary of State for Communities & Local Government within 14 days of the dismissal.

7. Lessons relating to the appointment of the external auditor (from the Audit Commission exercise in 2012/14).

7.1 The Audit Commission believed that only packages of £5m per annum were attractive to the market and bring forward effective competition. Although they got 13 bidders in 2012, and 9 in 2014, there are currently only 5 suppliers. The Commission used a written and blind scoring process to award 40% of marks on quality; 60% of marks were based on price, as it sought to avoid encouraging gold plated standards.

7.2 Only parties registered by the Institute of Chartered Accountants (EW) can carry out local authority audit work. The companies registered at present are;

BDO	Deloitte
Mazars	Ernst & Young
KPMG	PricewaterhouseCoopers
Grant Thornton	Moore Stephens
Cardens (Hove)	Scott Moncrieff (Edinburgh)

It is understood that only KPMG(Leeds & Manchester), Grant Thornton(Manchester) and Mazars(Durham, with Leeds sub office) are currently active in this region. There are not a large number of individuals possessing the likely skills and experience who do not work with existing operators. Although in theory staff working on contracts such as this might be entitled to TUPE transfer, in practice staff are unlikely to work for the qualifying time to have such rights. In addition, it is understood that suppliers may choose to retain all or most existing employees and deploy them on other duties.(and hence potentially undermining the ability of new providers to enter a market in a geographical area.).

8. Other matters

8.1 Although there was a substantial move by DCLG to increase self-certification of grants several years ago, a number of government departments including Department for Education and Department of Work and Pensions still insist on independent certification of certain grant claims.

8.2 This is not covered by the proposed PSAA contracts, although they indicate no concerns (as regards e.g. independence) with the use of their chosen supplier as the grants certifier.

8.3 The move to universal credit should have massively reduced the need for DWP grants to local authorities, but continued delays mean that it remains the single most significant grant claim. It is understood that discussion has taken place with DWP about them appointing their own independent auditor (somewhat analogous to the arrangements used in relation to Stronger Families, albeit their compliance work relates to eligibility).

8.4 As a matter of routine we, like most authorities, have used the current auditor to do this work. (for which they have a substantial knowledge advantage).

8.5 If DWP work remains part of arrangements grant certification cumulated over 3 or 5 years is likely to exceed EU procurement thresholds; without DWP it may be below threshold, albeit CPRs would still require competition.

8.6 The Council has subsidiary parties that are limited companies; their auditing regimes are subject to the simpler companies act and accounting standards regimes. KNH (the main subsidiary), has recently changed its auditor to a local supplier Revell Ward.

- 8.7 One opportunity might be to look to carry on the existing arrangement with the current auditor. The current audit fee is £160,000, with about £40,000 of additional services (grant work) also obtained from the auditor. It is not clear if this opportunity exists as an option under the legislation (although it does not seem to be specifically forbidden). It is not clear if the existing provider would be interested in agreeing to a single year arrangement on this basis. The council has no current documentation that governs contractual features, although it should be possible to obtain this.
- 8.8 The annual fee falls just below the EU threshold of £164,176, although with the additional work the value is considerably above. The Councils own CPRs make a presumption of competition, and a strong justification would need to be provided to make a direct award. This would only move the need for a choice one year forward, and it is not clear if PSAA would accept a new entrant after 1 year. Arguably an auditor is only ever appointed for 1 year, so this exercise could be repeated, but it does not really fall within the proper spirit of sound governance and auditor competition that is recommended for all large organisations, and would at best test the spirit, intention and indeed obligations of the local Audit & Accountability Act and EU procurement rules.
9. Analysis: what should Kirklees Do?
- 9.1 What then are the potential advantages for Kirklees in choosing to use its freedom under the new legislation to choose its own local auditor.
- 9.2 As a matter of practice it is important to note that the auditor needs to be chosen for their independence, and indeed the legislation is prepared with the requirement to construct structures to make that happen. In addition the basic services of a local auditor are very simple (essentially to determine if the accounts are prepared in accordance with the applicable standards and regulations).
- 9.3 In addition, because of the necessary arrangements, there is little difference between the “choice” that the Council can make if it makes its own arrangements and if it accepts a nomination from PSAA.
- 9.4 The advantages are;
- (a) A bespoke contract may reflect the specific needs of the Council (though see 9.2)
 - (b) It would be possible to include in grant related services (with an option of competition on this aspect) albeit the nature of what needs to be certified is uncertain.
 - (c) It might also be possible to add in auditing services to the main council subsidiaries, (but see 7.2, 8.6. Although the package of work would be bigger, KNH may find their move from a national to local market auditor more expensive))
 - (d) This would be quite a large contract, and Kirklees has the potential to be geographically attractive to suppliers.
 - (e) A direct award would mean that the Council would pay its own fee based on market perceived risk (rather than through a mechanism that involves an element of pooling/cross subsidy and contribution to the costs of a third party).
 - (f) Depending on how and when the PSAA contracts are awarded this may entice contractors to marginal cost contracting
 - (g) It might be possible to negate an increase in fees by stating the Councils expectations on payment (e.g. no more than the current fee)
 - (h) The task may attract a new entrant although as noted in 7.2 this is most unlikely.
- 9.5 The disadvantages are;
- (a) The substantial complexities of finding and organising an Auditor Panel must not be underestimated. Candidates of the quality that might be needed may expect to receive some degree of fee.
 - (b) The Auditor Panel will need to be engaged to a reasonable extent during the procurement phase but would need to be kept in place to carry out the monitoring and ad hoc functions during the life of the arrangement. Keeping the Auditor Panel “interested” may be difficult in what may well be a long period of genuine inactivity.

- (c) The costs of carrying out an EU compliant procurement, although not massive, are quite high as a proportion of the contract value (that might be c £0.6m over 3 years).
- (d) This is a market with restricted competition to start with, and apparently only 3 active operators in the area. If they are all to benefit from PSAA work they may not be interested in the more modest sum on offer from KMC.
- (e) The package of work may not be attractive.
- (f) No supplier may be willing to bid at the suggested budget.
- (g) PSAA are likely to be successful in agreeing appropriate specifications and terms and conditions, and may have more sway in avoiding the auditors seeking limitation of liability than the council could if procuring alone.
- (h) In the event of auditors resigning (including for commercial reasons) or being dismissed, it is more likely that PSAA will have alternative providers available through their enduring framework arrangements rather than the need for the council to undertake a new exercise.

9.6 Had we pursued this option earlier it might have been possible to tender a direct award alongside West Yorkshire Fire, although this is now too late.

9.7 The arrangements for creating an Auditor Panel have the potential to contain an element of conflict with the CGAC. This risk is reduced if PSAA is used.

10. Conclusions

10.1 Although there are some potential advantages to the Council procuring its own auditors, the complexity of doing so appears to be likely to exceed any (financial) advantages that might be gained

10.2 Although the procurement exercise to obtain the services of an auditor is quite simple (albeit it would be subject to the EU procurement regime), the legislation intended to create freedom effectively creates a process so complex (and which does not apply to NHS bodies or academy schools) that the use of a third party to secure appointments is probably more attractive.

10.3 If the Council is attracted by the freedom, it needs to consider if it is willing to set aside the resources needed to recruit the Panel and operate the process.

10.4 There can be no guarantee that the arrangement will provide any savings (although equally nothing about the PSAA arrangement offers such). Direct procurement would offer the potential to obtain some (grant certification) services in a way that might be more competitive than through the use of PSAA.

10.5 Given the constraints of the market it is unlikely though that related organisations would make a saving through shared procurement.

10.6 If a group of Yorkshire authorities were to join together the economies and practicalities might change, but there seems no enthusiasm for this.

MED

December 2016

Annex 1

Options if the Council is tempted to procure its local auditor through its own Auditor Panel.

1. Select a minimum sized Auditor Panel. It is suggested that this has 3 independent members only.(plus perhaps one reserve who is called upon in the event of resignation) The constitutional arrangements could require the right of audience of council officers and (eg) a representative of the CGAC before any decisions are taken.
2. The selection (of independent members) must follow advertisement of the vacancy. Appointment processes appear not to be defined, must not be solely by the council Executive.
3. If the panel had 3 independent members only, there would be fewer problems with achievement of the statutory quorate, and as Members cannot be in the majority anyway, few risks of uninfluenced outcomes. In any event, the Full Council can overturn any advice from the Panel.
4. As it will be obligatory to follow EU procurement rules, and the councils approach uses essentially a mechanistic approach, the real opportunity for influence by the Auditor Panel, or Full Council is limited.

Annex 2

Roles of Council Officers with the Auditor Panel

	Chief Executive	CFO	Head of IA	Head of Procurement
Lead officer adviser for panel		Optional	Optional	Optional
Strategic procurement approach	Yes	Yes	Optional	Yes
Detailed specification		Yes	Optional	Yes
Detailed Evaluation of Bids		Optional	Optional	Yes
Preparation of Report to Council		Optional	Optional	Yes
Ongoing Contract Supervision		Optional	Optional	Yes

Annex 3

Timetable for Arrangements

Appointment of the auditor must be made by 31 December 2017

Meeting/ Date	Using own Auditor Panel	Using PSAA	Notes
CGAC 27 th January 2017	Consider position of this approach	Consider position of this approach	Advisory stage
Full Council February 2017	Select this option	Select this option	
Early March 2017		Advise PSAA of Council joining their scheme	
March 2017	Prepare role descriptions for Auditor Panel		
April 2017	Initial preparation of Specification		
CGAC 21 st April 2017	Approve arrangements to date; advertise roles		
May 2017	Interview candidates for roles		
June 2017	Full Council approves		

	appointment to auditor panel		
June 2017	Initial meeting of Auditor Panel		
July 2017	EU advertisement of contract		
July 2017	Finalisation of Specification		
September 2017	Tenders returned & evaluated by officers		
October 2017	Auditor Panel considers outcomes of process	PSAA advises of proposed auditor	
October 2017	Alcatel Process notification of intended contractor		
November 2017	Full Council considers proposal	Full Council considers proposal	
November 2017	Auditor formally appointed	PSAA formally appoints auditor	

Note; there is only limited opportunity for slippage under this proposal. There would be significant problems if any potential contractor raised concerns about the evaluation outcome under alcatel.

Full Council meetings for 2017/18 not yet set. This may impact the timetable.

No plans to include CGAC in consultations post initial approach.

The timetable needs testing for appropriate EU timescales and any other matters of legal compliance required by Audit & Accountability Act 2014 and other legislation that may apply.