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Tuesday 12 January 2021

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

A Meeting of **Corporate Governance and Audit Committee** will take place remotely at **11.00 am** on **Wednesday 20 January 2021.**

The items which will be discussed are described in the agenda and there are reports attached which give more details.

Julie Muscroft

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Corporate Governance and Audit Committee Members are:-

Councillor Will Simpson (Chair)
Councillor Kath Pinnock
Councillor Steve Hall
Councillor John Taylor
Councillor Paola Antonia Davies
Councillor Susan Lee-Richards
Councillor Donald Firth

When a Corporate Governance and Audit Committee member cannot be at the meeting another member can attend in their place from the list below:-

Substitutes Panel

Conservative	**Green**	**Independent**	**Labour**	**Liberal Democrat**
B Armer	K Allison	C Greaves	M Akhtar	A Munro
V Lees-Hamilton		T Lyons	M Sokhal	A Pinnock
N Patrick			M Kaushik	J Lawson
M Thompson			H Uppal	A Marchington
R Smith				

Ex Officio Members
Councillor Elizabeth Smaje – Overview and Scrutiny Management Committee (Chair)
Councillor Graham Turner – Cabinet Member (Resources)

Agenda
Reports or Explanatory Notes Attached

4: Admission of the Public

Most agenda items will be considered in public session, however, it shall be advised whether Cabinet will consider any matters in private, by virtue of the reports containing information which falls within a category of exempt information as contained at Schedule 12A of the Local Government Act 1972.

5: Deputations/Petitions

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10 (2), Members of the Public should provide at least 24 hours' notice of presenting a deputation.

6: Questions by Members of the Public

Due to current Covid-19 restrictions, Members of the Public may submit written questions to the Leader and/or Cabinet Members. Any questions should be emailed to executive.governance@kirklees.gov.uk no later than 10am on Tuesday 19 January 2021.

In accordance with Council Procedure Rule 11(5), the period allowed for the asking and answering of public questions shall not exceed 15 minutes. A maximum of 4 questions per person may be submitted.

7: Business Continuity Assurance

9 - 18

To receive (i) the Business Continuity Assurance Report and (ii) the Council's Business Continuity Response to and recovery from the Covid-19 Pandemic.

Contact: Sean Westerby / Martin Jordan, Emergency Planning

8: Treasury Management Strategy 2021/2022

19 - 44

To receive the Treasury Management Strategy 2021/2022.

Contact: James Anderson / Rachel Firth, Accountancy & Finance

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9: External Audit Update

45 - 86

To receive the External Audit Update report.

Contact: Grant Thornton External Audit

10: Risk Management Update

87 - 100

To receive the Council's Risk Management Statement and information regarding arrangements for Corporate Risk Management.

Contact: Martin Dearnley, Head of Risk

11: Quarterly Report of Internal Audit Q3 2020/2021

101 - 104

To receive the quarterly report of Internal Audit.

Contact: Martin Dearnley, Head of Risk

12: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

13: Risk Management Update

105 - 120

(Exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.)

Exempt information in relation to Agenda Item 10.

14: Quarterly Report of Internal Audit Q3 2020/2021

121 - 136

(Exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.)

Exempt information in relation to Agenda Item 11.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Tuesday 24 November 2020

Present:	Councillor Will Simpson (Chair) Councillor Donald Firth Councillor Kath Pinnock Councillor Steve Hall Councillor John Taylor Councillor Susan Lee-Richards Councillor Paola Davies
Observers:	Councillor Graham Turner Councillor Paul Davies
Apologies:	Councillor Elizabeth Smaje

1 **Membership of the Committee**
Apologies for absence were received on behalf of Councillor Elizabeth Smaje.

2 **Minutes of Previous Meeting**
That the Minutes of the previous meeting, held on 2 2020, be approved as a correct record.

3 **Interests**
No interests were declared.

4 **Admission of the Public**
It was noted that Agenda Items 15 would be considered in private session. (Minute No. 15 refers).

5 **Deputations/Petitions**
None received.

6 **Public Question Time**
No questions were asked.

7 **Half Yearly Monitoring on Treasury Management Activities**
The Committee received a report providing assurance the Council's treasury management function is being managed prudently and pro-actively. External investments, including £10.0 million invested in the Local Authorities Pooled

Investment Fund (LAPF), averaged £53.4 million during the period at an average rate of 0.41%. Investments have ranged from a peak of £144.1 million in April and a low of £15.0 million in June. The high investment balance in April was due to receiving Covid19 support grant of £12.2 million and Business Rates relief grant for 2020/21 of £11.7 million from Central Government on 27 March 2020 and Business grants on 1 April 2020 of £113.7 million. The Business grants did not start to be paid out to local businesses until mid-April.

It was reported that balances were invested in line with the approved treasury management strategy, details of which were appended to the report, in instant access accounts or short-term deposits.

The treasury management revenue budget is £22.1 million. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £9.1 million MRP budget over-provision in 2020/21. As part of the Council approved budget strategy update report 2021/22, t now due to increase to £13.7 million with the additional £4.6 million to move to reserves to support 2021/22 year's budget gap. The revised MRP policy is to provide for MRP on the basis of the asset life to which external borrowing is incurred rather than the older version of a 4% reducing balance of the Capital Financing Requirement (CFR).

It was reported that in-year treasury management performance is in line with the treasury management prudential indicators set for the year and details were appended to the report.

RESOLVED – That the Committee notes the half-year treasury management performance in 2020/21 as set out in the report.

8 Information Governance Annual Report 2019/20

The Committee received a report providing an update on the main information governance events and activities to the year 2019/20, which included details of the following:

- Information Governance matters, particularly the implementation and impact
- of the new General Data Protection Regulation
- Information access requests under the Freedom of Information Act 2000,
- Environmental Information Regulations 2004 and Data Protection Act 2018 confirmation of the council's compliance with the NHS Data Security and
- Protection Toolkit Accreditation
- The Information Security and Cyber Security improvements and activities
- An outline of the improvements and developments planned for 2020/21

RESOLVED –

1. That the Information Governance Annual report for 2019/20 be noted.
2. That a 6 monthly report be submitted to a future meeting of this committee setting out an update of progress of the Information Governance response to the pandemic.

9 Annual Governance Statement 2019/20

The Committee received a report seeking the approval of the 2019/20 Annual Governance Statement prior to it being signed off by the Chief Executive and

Leader of the Council. The Statement covers 2019/20 and up to the date at which the Annual Statement of Accounts is approved. The Statement concluded that overall the governance arrangements remain fit for purpose. It was reported that the draft Statement had been noted at the July meeting of this Committee and had remained largely unchanged, as Executive Team are of the view that it is still too soon to determine the full impact and consequences of the coronavirus pandemic on the Council and its key objectives.

It was explained that the Statement has been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements. The Statement highlighted a number of what are termed 'Significant Governance Issues, some of which were brought forward from the 2018/19 Statement. It was reported that a number of new issues had been identified and that half of the issues identified in the 2018/19 Statement had been addressed entirely or sufficiently so as not to merit inclusion again.

The actions and controls the Council is taking are contained within an Action Plan that underpins the Statement. It was reported that the Action Plan will be the subject of internal monitoring, with reporting back to Executive Team and this Committee covering quarters 3 and 4 for 2020/21.

RESOLVED - That the Annual Governance Statement 2019/20 be approved.

10 External Audit Update

The Committee received the External Audit Finding Report, for year end 31 March 2020, as submitted by Grant Thornton.

It was reported that Grant Thornton's audit work was completed remotely during September to November 2020 and the findings were summarised within the report. It was stated that it is anticipated that the extended audit report opinion will be unqualified, although highlighting the material uncertainty that exists regarding the valuation of land, building and investment property, and the material uncertainty regarding the valuation of underlying pension fund assets that make up the pension fund net liability. These uncertainties reflect the market uncertainty arising from the Covid-19 pandemic.

It was reported that work is substantially complete and there are no matters that would require modification of the audit opinion.

RESOLVED - That the External Audit Findings Report be received and noted.

11 Approval of the Council's Final Accounts for 2019/20

The Committee received a report on the final accounts and audit processes for 2019/20 which sought Committee approval of the Council's Statement of Accounts for 2019/20 and a final version of the Annual Governance Statement.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, following a sector-wide response to the consequences of the COVID-19 pandemic, CIPFA amended the statutory deadline for the production of the Unaudited Statement of Accounts for 2019-20. For the Council the revised deadline was 31 August 2020. The accompanying deadline for the completion of the audit was also amended to 30 November 2020.

It was reported that there were no queries or objections raised in the six week public inspection period and that the audit of the 2019/20 Statement of Accounts is substantially complete.

RESOLVED – That the Committee approves:

(i) The Statement of Accounts 2019/20 incorporating the Annual Governance Statement (Appendix A), with the Chair certifying the Statement of Responsibilities on page 20 upon completion of the audit.

(ii) The Letter of Representation (Appendix B), with the Chair signing it on behalf of the Committee upon completion of the audit.

12 Appointment of a Trustee for Joshua Wood Charity

The Committee received a report seeking the Corporate Governance and Audit Committee's endorsement of the nomination of the Council's Trustee of the Joshua Wood Charity.

RESOLVED – That the Corporate Governance & Audit Committee are asked to notes and endorses the nomination of Councillor Steve Hall as Trustee of the Joshua Wood Trust for the duration of the nomination.

13 Quarterly Report of Internal Audit 2020/21 - Quarter 2

The Committee received the Internal Audit Quarterly Report, Quarter 1, which set out an overview of internal audit activity for the period July 2020 - September 2020.

The report highlighted that as a result of the coronavirus a reduced level of routine work has been completed during the period. The work has included an investigation into issues raised at a housing provider, and assessment of coronavirus arrangements in a part of the council's operations, a review of direct debit arrangements, the arrangements relating to "deprivation of liberty", rent debt write offs, and the council's emergency duty arrangements in children's services.

RESOLVED - That the Internal Audit Quarterly Report 2020/2021 (Quarter 1) be received and noted.

14 Exclusion of the Public

RESOLVED – That acting under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, as specifically stated in the undermentioned Minute.

15 Quarterly Report of Internal Audit 2020/21 - Quarter 2

(Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) Order 2006, namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption, which would protect the interests of the Council and the company concerned, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.)

The Committee received the Internal Audit Quarterly Report, Quarter 2, which set out an overview of internal audit activity in the second quarter of 2020/2021.

RESOLVED - That the Internal Audit Quarterly Report 2020/2021 (Quarter 2) be received and noted.

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KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS
Corporate Governance and Audit Committee

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.

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 20th JANUARY 2021
Title of report:
Appendix 1: BUSINESS CONTINUITY ASSURANCE REPORT
Appendix 2: SUMMARY REPORT OF THE COUNCIL'S BUSINESS CONTINUITY RESPONSE TO AND RECOVERY FROM THE COVID-19 PANDEMIC

Purpose of report.
To provide an update on Business Continuity

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 Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	**12/01/2020** **not applicable** **12/01/2021**
Cabinet member portfolio	**not applicable**

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Have you considered GDPR? Yes

1. **Summary**

Appendix 1: Business Continuity Assurance Report
The business continuity assurance report summarises the findings of the annual business continuity assurance survey and provides a snapshot of business continuity preparedness across the organisation. The results of the survey were encouraging, with the following themes receiving high compliance scores:
- Risk assessment
- Business impact analysis
- Maintenance and review of business continuity plans
- Identification of critical and non-critical activities

- Content of business continuity plans.
- Plan sign off by a strategic officer
- Plan accessibility
- Testing/exercising
- Debriefing following business disruptions
- Awareness of plans existence within the service and the action to take on discovering a business disruption
- Role competence
- GDPR

A small number of themes also received low compliance scores and require further work. These are:

- Maintaining a log of information, decisions, rationale and actions.
- Assurance that critical partners, suppliers and commissioned services have adequate plans in place.

Appendix 2: Summary Report of the Councils Business Continuity Response to and Recovery from the COVID-19 Pandemic

This report summarises the Councils business continuity response to and recovery from the COVID-19 pandemic (to date). It highlights both successes and learning that will be taken forward to improve future planning.

2. **Information required to take a decision**
N/A

3. **Implications for the Council**
N/A (3.1-3.6)

3.1 **Working with People**
3.2 **Working with Partners**
3.3 **Place Based Working**
3.4 **Improving outcomes for children**
3.5 **Climate change and air quality**
3.6 **Other (e.g. Legal/Financial or Human Resources)**

4. Consultees and their opinions

There are no consultees to this report, other than the Director level Officers that have signed the report off.

5. Next steps and timelines

N/A

6. **Officer recommendations and reasons**
Members are asked to discuss both reports at the forthcoming Corporate Governance and Audit Committee meeting on Wednesday 20th January 2021.

Questions relating to the content of the reports are welcome.

7. **Cabinet portfolio holder's recommendations**

N/A

8. **Contact officer**

Name: Sean Westerby
Job Title: Emergency Planning and Business Continuity Manager
Tel: 01484221000

Name:Martin Jordan
Job Title: Senior Emergency Planning Officer
Tel: 01484 221000

9. **Background Papers and History of Decisions**

Previous business continuity assurance survey reports

10. **Service Director responsible**

Rachel Spencer-Henshall

APPENDIX 1

Annual Business Continuity Assurance Report 2020

1 Purpose

1.1 This report will brief the strategic officers responsible for business continuity on the findings of the annual business continuity assurance survey. The report will highlight themes of business continuity planning that are strong within the organisation and themes that require further work.

2 Background

2.1 Kirklees Council holds and maintains business continuity plans and arrangements to ensure it can continue to provide its most critical functions (as a minimum) when normal business is disrupted, and to ensure compliance with the Civil Contingencies Act (2004).

2.2 The Emergency Planning Team develop and maintain the corporate business continuity framework, which outlines a response to a large-scale business disruption impacting on multiple teams/services across multiple directorates (such as the COVID-19 pandemic).

2.3 The Emergency Planning Team maintain an oversight of business continuity plans across the Council and support teams/services to write, maintain, review, exercise and activate their plans and arrangements in accordance with the Council's policy (when assistance is requested).

2.4 The Emergency Planning Team periodically reviews the Council's business impact analysis template and business continuity plan template to reflect changes to legislation, best practise and learning from actual business disruptions and exercises. Teams/services are advised to use these templates when writing their business continuity plans.

2.5 Business continuity plans across the Council are written at either a team level, or a service level. Senior management within each service are responsible for deciding what level their business continuity plans will be written at. Business continuity plans and arrangements are owned by each individual team/service.

2.6 Each team/service should appoint a business continuity champion to take responsibility for developing and maintaining their business continuity plan(s) and arrangements in accordance with the Council's policy. Many teams/services have appointed more than one champion.

2.7 At the time the survey was undertaken, the Council had 108 business continuity champions and 82 team/service level business continuity plans.

2.8 Business continuity champions are required to undertake an annual business continuity assurance survey. The survey has the following aims:

- Assess the robustness of business continuity plans and arrangements across the Council.
- Provide a mechanism for teams and services to identify what they are doing well and how their business continuity plan(s) and arrangements can be improved.

2.9 The survey was hosted on the ‘Snap Survey’ platform. A copy of the questions can be provided on request by the Emergency Planning Team.

3 Assurance Survey Findings

3.1 This year, 35 business continuity plans were assessed via the survey.

3.2 Whilst this figure only equates to a 42% completion rate, it should be noted that at the time of the survey, almost all teams/services had activated their business continuity plans and were responding to the impacts of COVID-19. It is reasonable to assume that workload pressures led to some teams not prioritising the survey.

3.3 A full summary of the responses, and copies of individual team/service responses can be provided on request by the Emergency Planning Team.

3.4 The following themes of the survey received high compliance scores (over 75% compliance):

- Risk assessment
- Business impact analysis
- Maintenance and review of business continuity plans
- Identification of critical and non-critical activities
- Content of business continuity plans.
- Plan sign off by a strategic officer
- Plan accessibility
- Testing/exercising
- Debriefing following business disruptions
- Awareness of plans existence within the service and the action to take on discovering a business disruption
- Role competence
- GDPR

3.5 The following themes of the survey received low compliance scores (less than 75% compliance):

- Maintaining a log of information, decisions, rationale and actions.
- Assurance that critical partners, suppliers and commissioned services have adequate plans in place.

4 Further Work

4.1 Teams/services across the Council are responsible for addressing the gaps that were identified in their business continuity assurance survey. On completion of the survey, business continuity champions were sent an automated email detailing the survey questions and their responses.

4.2 The Emergency Planning Team will undertake the following additional actions over the forthcoming 12 months to improve compliance towards the themes identified in Section 3.5 (in addition to the day to day business continuity work undertaken by the team).

Maintain a log of key information, decisions, rational and actions.

- Remind business continuity champions about the importance of maintaining a log during a significant business disruption.
- Remind business continuity champions that the Emergency Planning Team can deliver loggist training to management (and other appropriate officers). Please note: The Emergency Planning Team regularly deliver loggist training to teams (and partners) throughout the year.

Gaining assurance that critical partners, suppliers and commissioned services have adequate business continuity plans and arrangements in place.

- Remind business continuity champions of the importance of gaining assurance that critical partners, suppliers and commissioned services have adequate business continuity plans and arrangements in place.
- Contact commissioning and procurement teams across the Council to request that (where appropriate) contracts include a requirement for tendering organisations to hold business continuity plans.
- Undertake more work with local businesses and partners. Please note work has already begun on this. In late 2019 the team delivered a business continuity best practise event for care homes and care providers, and more recently, is working with the Council's Business Team and Communications Team to improve the accessibility and content of the information available to businesses on the Council's website.

4.3 Whilst the assurance survey has identified areas for improvement, the Emergency Planning Team is satisfied with the compliance of business continuity planning within most teams across the Council. The Emergency Planning Team will continue to engage with the small number of teams whose planning is known to be significantly behind, with a view to improving their compliance.

4.4 Although not directly associated with this report, the Team has, and will continue to debrief the team level and corporate learning from the business continuity response to the COVID-19 pandemic, which led to the activation of almost all team level business continuity plans and the corporate business continuity framework. In general, the Emergency Planning Team is satisfied with the implementation of team level business continuity plans and the corporate framework, but as with all incidents and business disruptions we can learn lessons to improve future responses.

4.5 The business continuity assurance survey will be re-run in 12 months.

APPENDIX 2

SUMMARY REPORT OF THE COUNCIL'S BUSINESS CONTINUITY RESPONSE

TO AND RECOVERY FROM THE COVID-19 PANDEMIC

Background

For several years, teams and services across the Council have maintained business continuity plans that enable them to prepare for, respond to, and recover from a wide range of business disruptions. The Emergency Planning Team assist teams and services with their business continuity preparedness through the provision of templates, advice, training and support.

At a corporate level, the Emergency Planning Team maintain the Corporate Business Continuity Framework which provides a mechanism for a corporate response to a significant business disruption that impacts on multiple teams, across multiple directorate themes.

The 2020 COVID-19 pandemic led to the activation of almost all team and service level business continuity plans and the first ever activation of the Corporate Business Continuity Framework (which was activated on Tuesday, 24 March 2020).

Summary of the response following the activation of the Corporate Business Continuity Framework

It should be noted that the business continuity response to the COVID-19 pandemic is only one strand of the Councils full response. This report only covers the business continuity response, and none of the other strands.

Following the activation of the Corporate Business Continuity Framework, the Corporate Business Continuity Team formed, and regular meetings were established. The primary aim of the Corporate Business Continuity Team is to ensure that the Council can deliver its most critical services as a minimum, when national and local priorities change, and restrictions are imposed. The Team met daily until June and now meets 3 times each week to discuss the following themes:

- Assets, venues, and human resources (Tuesdays)
- Business continuity situation reports (Wednesdays)
- Schools and other learning settings (Thursdays)

To ensure that the Corporate Business Continuity Team could achieve its primary aim, a situation reporting mechanism was established, which allows teams and services to report key information, issues, concerns, and requests. By requesting that all teams and services submit situation reports, the Corporate Business Continuity Team can control service delivery across the entire organisation. This ensures that the Council can deliver a planned, appropriate, and consistent service that adheres to changes in local priorities and restrictions. The situation reports were originally completed daily and are now completed weekly as standard and anytime by exception for urgent issues and requests. In addition to COVID-19 content, teams and services are also now also able to report Brexit related issues, concerns and requests.

To further assist the Corporate Business Continuity Team to achieve its primary aim, a workforce skills audit was completed in April 2020. This allowed the Team to understand the skills and capabilities of both officers and teams across the Council. The results from the skills audit are used alongside other intelligence to inform decisions on redeploying staff into areas that are agreed as more critical at the time. The workforce skills audit was reviewed in November 2020.

Over time, additional strands to the business continuity response and recovery have been established. Most notable was the establishment of Recovery Support and Challenge sessions, which act as a ‘critical friend’ to teams wishing to reinstate service delivery. The sessions not only ensure that the service restoration has been well planned; they also ensure that future service delivery is consistent with the medium to long-term service delivery strategies of the Council.

Finally, in order to ensure that the Council was prepared for the winter months, with unknown pressures, frontline services working differently and resource uncertainty, the Corporate Business Continuity Team rolled out a pre-winter survey to all teams and services. The pre-winter survey provided a mechanism for teams and services to consider pressures in advance and escalate any concerns and issues for corporate action and resolution. It also provided data on other themes, such as the resource commitment to the COVID-19 response.

Successes and Learning

As with every incident response there have been both successes and lessons to learn. In November 2020, the Emergency Planning Team debriefed the corporate business continuity response to the first wave of COVID-19. A short summary of the major successes and learning is below:

Successes

1.	Most teams and services had valid Business Continuity Plans in place, which they successfully activated and used to respond and recover.
2.	Many teams reported that they had taken transferable learning from recent business continuity exercises (written by the Emergency Planning Team) which were based on scenarios including a pandemic, loss of premises and loss of IT.
3.	Most teams and services had embraced remote working prior to COVID-19 which assisted the transition to home working.
4.	Service leads have reported that the situation report provides an effective mechanism for two-way communication between services and the Corporate Business Continuity Team.
5.	The Recovery Support and Challenge sessions ensure that service reinstatement is consistent with medium to long-term corporate service delivery strategies. This demonstrates that the Council is using the COVID-19 recovery as an opportunity to ambitiously improve future service delivery (rather than being content and recovering to pre COVID-19 delivery methods).
6.	Teams with an integral role in the business continuity response and recovery such as Emergency Planning, Asset Management, Human Resources, Communications etc can adapt quickly to priorities that change regularly. This ensures that the Council is always able to continue to deliver its highest priority functions.

7.	The response highlighted the resilience and flexibility of officers across the Council, many of whom were redeployed to work in unfamiliar roles.

Learning

1.	Over time, the situation reporting template evolved from a template on Microsoft Word to an e-form, which automatically collates and displays data. Once the recovery from COVID-19 is over, the Emergency Planning Team will explore opportunities to better integrate IT systems into both business continuity planning and response. Once in place, these electronic systems will be exercised regularly at both team and corporate levels.
2.	The Council's team and service level business continuity plan template contained sections that were of significant value (such as lists of critical and non-critical activities, contact details, interdependencies, different ways of working, agendas and logging templates). However, the learning taken from the response and recovery will be applied to the template to further improve it.
3.	The Corporate Business Continuity Team responded directly to service leads on all issues and requests. In addition to this, they also produced a regular communication message that was sent to members of the Council's Management Group (CMG), which contained key information to aid the response and recovery. Over time it became apparent that it would be useful to extend the audience for these regular communications. These communication messages now reach a much wider audience that just CMG level officers.
4.	A definitive list of all critical and non-critical activities would have been useful at the start of the business continuity response and recovery. Historically, a list was maintained by the Emergency Planning Team, but due to the frequency of change within the organisation the list quickly became out of date and lost its value. The list of activities was replaced with a dynamic response procedure, which was used successfully as part of the response. However, as part of the work to explore opportunities for digitising business continuity post COVID-19, the maintenance of an automated full list of critical and non-critical activities will be explored with IT colleagues.

Conclusion

Given the size, scale and unprecedented nature of the COVID-19 pandemic, the Emergency Planning Team is satisfied with the business continuity response to and recovery (to date) from the COVID-19 pandemic. Both team and service level plans, and the Corporate Business Continuity Framework were activated quickly, and the response and recovery were, and continue to be planned, appropriate and consistent. Whilst learning will most definitely be applied into future planning, the situation reporting process used throughout the business continuity response was successful and will remain. Other Local Authorities have approached the Emergency Planning Team wishing to learn more about the situation reporting process.

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Name and date of meeting: Corporate Governance and Audit Committee
20 January 2021

Cabinet
26 January 2021

Council
10 February 2021

Title of report: Treasury Management Strategy 2021/22

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 – 12 January 2021** **Julie Muscroft – 12 January 2021**
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 adopted CIPFA's Code of Practice on Treasury Management (2017 Edition), and accompanying Prudential Code 2017, and is thereby required to approve 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. The last training for members of this Committee was provided in November 2019 by the Council's treasury management advisors/consultants, Arlingclose. Further training is to be provided following the Committee meeting in January 2021.

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 2021/22;

(ii) outline the current and estimated future levels of Council borrowing (internal and external) and recommend a borrowing strategy for 2021/22;

(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 2021/22 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:

Economic Background

2.1 The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Council's treasury management strategy for 2021/22.

2.2 The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

2.3 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market.

2.4 GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

Interest Rate Forecast

2.5 The Council's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading deal. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Borrowing and Investment – General Strategy for 2021/22

2.6 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. A Council 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, a Council can choose not to invest externally but instead use these balances to effectively "borrow internally" and minimise external borrowing. In between these two extremes, a Council 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 31 March 2021 and forecast CFR and borrowing requirements over the following 5 years:

Table 1: Balance Sheet Forecast

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
General Fund CFR						
- Non PFI	504.4	577.2	661.0	703.2	717.7	730.6
- PFI	42.5	39.4	35.5	33.6	31.3	28.8
HRA CFR - Non PFI	171.6	173.8	176.8	176.3	180.5	182.7
- PFI	48.1	45.2	42.7	40.6	38.0	35.3
Total CFR	**766.6**	**835.6**	**916.0**	**953.7**	**967.5**	**977.4**
Less: PFI debt liabilities*	90.6	84.6	78.2	74.2	69.3	64.1
Borrowing CFR	**676.0**	**751.0**	**837.8**	**879.5**	**898.2**	**913.3**
Financed by:						
Deferred Liabilities *	3.7	3.7	3.6	3.6	3.5	3.5
Internal Borrowing	206.2	213.1	220.5	218.3	212.3	215.6
External Borrowing	466.1	534.2	613.6	657.6	682.4	694.2
Total	**676.0**	**751.0**	**837.8**	**879.5**	**898.2**	**913.3**
Treasury investments	30.0	30.0	30.0	30.0	30.0	30.0

** £94.3m other debt liabilities, incl leases and PFI (£6.1m falling due in 2020/21)*

2.7 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.

2.8 The Council has increasing CFR due to the capital programme. The external borrowing necessary to fund the projected rise in CFR will be a mixture of long and short-term borrowing. The cost of borrowing has been historically low over the past decade and short term borrowing rates remain extremely low. Longer term PWLB rates were reduced by 1% in November 2020 following a wide ranging consultation by HM Treasury. The rates are now back down to similar levels before the overnight increase in October 2019.

2.9 Table 1 above also reflects a fairly consistent level of internal borrowing forecast over the next 3 years. However as usable reserves start to diminish the internal borrowing will also reduce resulting in further external borrowing that will need to be required to fund the CFR.

2.10 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 the updated Council budget plan revenue resource assumptions to accommodate a continued future mix of internal and external borrowing.

2.11 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2021/22 continues to place emphasis on the security of the Council's balances. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Although credit conditions generally on banks and building societies have tended to be relatively benign despite the impact of the pandemic, the global economy is fragile. Looking forward credit will remain a risk suggesting the Council needs to take a cautious approach to bank deposits in 2021/22.

2.12 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 £20 million). The remainder of the balances will be effectively invested internally, that is used to offset borrowing requirements. As Covid impacts through 2021/22 expectations that Government will continue to deliver upfront COVID related grant funding, to ensure Councils can continue to manage their daily cashflow requirements effectively and efficiently, as has been the case throughout 2020/21.

2.13 In order to increase investment returns, the Council has invested £10 million in the Local Authorities Pooled Investment Fund (LAPF) as per the approved Council 2019/20 Treasury Management Strategy. The Council will not make any further investment in the property fund or similar investments.

2.14 Average current Council cashflow balances remain consistent at about £30 million (including the LAPF), with the investment in the LAPF leaving about £20 million for day-to-day cashflow requirement as noted above.

Borrowing Strategy

2.15 The Council is forecast to hold around £556.7 million of external borrowing and other long-term liabilities as at 31 March 2021. This is analysed at Table 2 below:

Table 2 – year end estimate – 31 March 2021

	£m	**%**
PWLB loans (fixed rate)	263.3	47
LOBOs	60.0	11
Loan stock (fixed rate)	7.0	1
Other long term loans (fixed rate)	43.6	8
Temporary borrowing	92.2	17
Total external borrowing	**466.1**	
Other Long Term Liabilities (mainly PFI)	90.6	16
Total external debt liabilities	**556.7**	

2.16 The approved sources of borrowing are:

- HM Treasury's PWLB lending facility

- 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 The Council has previously raised the majority of its long-term borrowing from the PWLB, however will consider long-term loans from other sources including banks, pensions and local authorities, in order to lower interest. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council intends to avoid this activity in order to retain its access to PWLB loans.

2.18 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.

2.19 The Council's current approach is to borrow short term, although will be looking to fund the capital plan longer-term. This will be subject to ongoing review, in consultation with Arlingclose, as to when it may be more appropriate to borrow longer term with the PWLB or via an alternative source.

2.20 One example of an alternative source of funding is the Local Capital Finance Company established in 2014 by the Local Government Association. 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.

2.21 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.

2.22 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 £6.8 million interest free loans to part fund the £11.0 million approved street lighting replacement scheme in the Council's approved capital plan.

2.23 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.

Treasury Investment Strategy

2.24 Investment guidance issued by MHCLG requires that an investment strategy, outlining the Council'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.

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

2.26 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.

2.27 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.

2.28 The Council's investment criteria are detailed in Appendix A. 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.

2.29 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.

2.30 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.

2.31 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.

2.32 If the UK enters into a recession in 2021/22, 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.

2.33 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)

2.34 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.

2.35 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.

2.36 Current MHCLG guidance recommends that Council's 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.

2.37 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.

2.38 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 26 January and Budget Council on 10 February 2021.

Policy on the Use of Financial Derivatives

2.39 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.

2.40 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.

2.41 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

2.42 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 Council's Investment Strategy (see Appendix E).

Treasury Management Indicators

2.43 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

2.44 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 Council'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 2021-26.

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 26 January 2021 and then full Council on 10 February 2021.

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 2.23;
(ii) the investment strategy (treasury management investments) outlined in paragraphs 2.24 to 2.33 and Appendices A and B;
(iii) the policy for provision of repayment of debt (MRP) outlined in paragraphs 2.34 to 2.38 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 26 January 2021 and Council on 10 February 2021.

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

Investment Policy for 2021/22

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 three 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 Council 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council'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 2020
	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 Barclays Coventry BS Bank of Scotland Handelsbanken Nationwide BS
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	Aberdeen Standard Deutsche Bank Aviva 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

Credit ratings

Moody's Long-term	Moody's Short-term	S&P Long-term	S&P Short-term	Fitch Long-term	Fitch 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		
/						

APPENDIX C

CURRENT MINIMUM REVENUE PROVISION POLICY

1. Background

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

1.2 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 £91.2 million 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.

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 2021/22, 2022/23 and 2023/24 of £836 million, £916 million, £953 million of its net principal. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2021/22, 2022/23 and 2023/24 of £200 million 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.

Investment Strategy 2021/22

Introduction

The Council 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 meets 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 Council typically receives its income in cash (eg. from taxes and grants) before it pays for its expenditure in cash (eg. 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 guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to average £30 million with fluctuations between £20 million and £50 million during the 2021/22 financial year.

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 Council's policies and its plan for 2021/22 for treasury management investments are covered in the treasury management strategy report 2021/22 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.

The Council is planning on providing significant development finance loans to support major town centre regeneration and economic growth, up to a Council approved £37 million (per the 5 year Capital Plan 2020/21 to 2024/25), through a combination of Property Investment Fund (£24 million) and HD-One Fund (£13 million). Amounts have been set aside in the capital plan for this type of investment.

From 2021/22 the Council is earmarking (up to £1 million) to provide financial loans to support 3rd sector partners and anchor organisations. A further element (up to £1 million) 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 Council, 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	**31.03.2020 actual**			**2021/22**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Further education college	15.1	-0.8	14.3	**14.3**
Leeds City Region revolving investment fund	3.1	0.0	3.1	**4.3**
Local businesses and charities	1.6*	-0.1	1.5*	**38.0**
Local residents	2.2	0.0	2.2	**2.2**
TOTAL	**22.0**	**-0.9**	**21.1**	**58.8**

* This is made up of numerous small investments, the largest of which are £0.8 million 103 New Street, £0.2 million for the Media Centre and £0.2 million for KSDL.

Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council 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 Council 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.

Service Investments: Shares

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment (£0.9 million) 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 Kirklees Stadium Development Ltd, a 14% holding in QED KMC

Holdings Ltd (£0.2 million) and a 50% shareholding in Kirklees Henry Boot Partnership Ltd (£0.1 million).

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	31.03.2020 actual			2021/22
	Amounts invested	**Gains or losses (-)**	**Value in accounts**	**Approved Limit**
Local businesses	1.4	-0.1	1.3	3.8

Risk assessment: The Council 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 loss before entering into and 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 Council 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 Council's upper limits on non-specified investments. The Council 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 with the intention of making a profit that will be spent on local public services.

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**	**31.3.2020 actual**		**31.3.2021 expected**	
	Purchase cost	**Gains or losses (-)**	**Value in accounts**	**Gains or losses (-)**	**Value in accounts**
Commercial Property	*See below	0.8	20.1	0.0	20.1

*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 a 'book of acquisition' which is a hard-backed ledger held in legal services.

Security: In accordance with government guidance, the Council 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 Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2020/21 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 Council'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 Council 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 £1.2 million that KSDL hold in the event of default

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 – Growth and Regeneration has extensive experience of major Council regeneration schemes and partnerships with major business and third 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 Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 4: Total investment exposure in £ millions

Total investment exposure	**31.03.2020 Actual**	**31.03.2021 Forecast**	**31.03.2022 Forecast**
Treasury management investments	42.0	30.0	30.0
Service investments: Loans	21.1	28.3	39.8
Service investments: Shares	1.3	1.3	1.3
Commercial investments: Property	20.1	20.1	20.1
TOTAL INVESTMENTS	**84.5**	**79.7**	**91.2**
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	1.3	5.8	5.8
TOTAL EXPOSURE	**85.8**	**85.5**	**97.0**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council 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 Council's investments are funded by usable reserves and income received in advance of expenditure

Table 5: Investments funded by borrowing in £ millions

Investments funded by borrowing	**31.03.2020 Actual**	**31.03.2021 Forecast**	**31.03.2022 Forecast**
Service investments: Loans	**18.0**	**24.5**	**28.0**

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 6: Investment rate of return (net of all costs)

Investments net rate of return	**2019/20 Actual**	**2020/21 Forecast**	**2021/22 Forecast**
Treasury management investments	1.1%	0.8%	1.3%
Service investments: Loans	0.6%	0.6%	0.6%
Service investments: Shares	None	None	None
Commercial investments	4.7%	5.0%	5.0%
ALL INVESTMENTS	**6.4%**	**6.4%**	**6.9%**

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Audit Findings (ISA 260) Report for Kirklees Council

Year ended 31 March 2020

8 January 2021

Contents

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council. Areas of Kirklees have endured a high transmission rate of the Covid-19 pandemic and the Council has responded by diverting staff towards dealing with front line services such as adult and social care needs. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and our Audit Plan included a financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council finance staff and audit staff have had to work remotely throughout the period of the year end audit which created audit challenges such as remotely accessing financial systems, video calling, physical verification of assets and ensuring the completeness and accuracy of information produced by the entity. Management initially intended to provide draft accounts for audit on 30 June 2020. Despite not meeting this target date, draft accounts were presented for audit on 31 July, a month ahead of the extended deadline which is an achievement given the challenges faced by the impact of the pandemic.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	The majority of our audit work was completed remotely during September to November 2020. Our findings are summarised on page 4. We have identified non-material errors in the financial statements that management have chosen not to process as detailed in Appendix C. The adjusted misstatements and disclosure recommendations are also reported at Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters; • completion of IAS19 pension liability audit work • completion of our internal quality review processes • reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to include the agreed amendments • obtaining and reviewing the management letter of representation • updating our post balance sheet events review, to the date of signing the opinion • procedures for Whole of Government Accounts

Headlines

Financial statements **(continued)**		We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited cover the period up until 31 March 2020 which was shortly after the outbreak of the Covid-19 coronavirus pandemic. Our anticipated extended audit report opinion will be unqualified, although highlighting the material uncertainty that exists regarding the valuation of land, building and investment property, and the material uncertainty regarding the valuation of underlying pension fund assets that make up the pension fund net liability. These uncertainties reflect the market conditions arising from the Covid-19 pandemic. We were unable to provide our audit opinion by the deadline of 30 November 2020 due to delays in receiving responses from management to enquiries regarding the IAS19 pension liability calculation. Management are reliant upon the West Yorkshire Pension Fund to provide these responses.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Kirklees Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised in section 3 of this report.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and included:

- An evaluation of the Council's internal control environment, including its IT systems and controls, including the IT recommendations and progress on prior year at Appendix B;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Kirklees Neighbourhood Homes Ltd specified audit procedures for IAS19 pension liabilities was required, which was completed by Beever and Struthers (KNH auditor) and by ourselves. Management also consolidate Kirklees Stadium Development Ltd into the group accounts, due to the fair value valuation of the stadium building being material. Our audit procedures are limited to analytical review and an assessment of the KSDL Stadium valuation.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As explained to the Corporate Governance and Audit Committee meeting on 24 November 2020, our audit of your financial statements is substantially complete. Subject to outstanding matters listed at page 3 being completed, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee meeting on 20 January 2021. This is be later than the deadline of 30 November 2020 whilst we await the updated draft accounts from management.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,370,000	13,250,000	This equates to 1.35% of the previous year's gross cost of services expenditure and is considered to be the level above which the users of the accounts would wish to be aware of any misstatement
Performance materiality	8,691,000	8,613,000	Assessed at 65% of financial statements materiality
Trivial matters	663,000	663,000	Assessed at 5% of Authority financial statements materiality
Materiality for Senior Officer's Emoluments (Note 33)	n/a	20,000	This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19 Authority and Group The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, and one of the most significant assessed risks of material misstatement.	In response to the risk identified we: • worked with management to understand the implications the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert and pension fund actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • engaged the use of auditor experts for higher risk audited bodies such as Kirklees Council for property asset valuations. Management have included a material uncertainty in the financial statements regarding land and buildings valuation arising from the global pandemic as we would expect to see. Management have also included a material uncertainty regarding the Council's share of West Yorkshire Pension Fund property funds and personal equity investments within Note 5 (Estimation Uncertainty) arising from the audit. We have no other specific matters to report concerning the risk identified.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Improper revenue recognition - Authority Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined at the planning stage that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Kirklees Metropolitan Council, mean that all forms of fraud are seen as unacceptable	The presumed risk was rebutted at the planning stage of the audit for the reasons given. We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate. As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income. During the audit we identified a misclassification leading to overstatement of both income and expenditure on the Central Budgets line of the Comprehensive Income and Expenditure Statement (CIES). This related to pension related costs and had no impact on the net expenditure. The CIES was updated as reported in Appendix C.
Management override of controls - Authority Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following procedures in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk or unusual journals • tested high risk and unusual journals recorded for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions. For 2019/20 management adopted a triennial revaluation cycle for land and buildings replacing the five yearly cycle that operated previously. We consider that this change will lead to more responsiveness to valuation movements and consequently a more accurate valuation in the balance sheet. Management also revisited their disclosure in Note 5 Assumptions and Major Sources of Estimation Uncertainty. Reference to Provisions was removed as not considered to be a source of material estimation uncertainty. Otherwise, our audit work has not identified any issues in respect of management override of controls which we wish to bring to your attention.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land, buildings, dwellings and investment property – Authority The Authority re-values its land and buildings on a three-yearly basis. In the intervening years, such as 2019/20, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. Where a rolling valuation programme is used, the Authority needs to ensure the carrying value of land and buildings in the financial statements that is not formally revalued during the year is not materially different from the current value or the fair value at 31 March 2020. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing. The adjustment factor is prescribed in Government guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Authority's area, they can use their more accurate local factor. There is a risk that the Authority's application of these assumptions is not in line with the statutory requirements and that the valuation is not supported by evidence indicating that the social housing factor is not appropriate to use. Council dwellings and investment properties are revalued annually by management's expert to provide a Fair Value valuation. We identified valuation of land and buildings as a significant risk, and one of the most significant risks of material misstatement, and a key audit matter. Following issue of the Audit Plan, the significant risk was extended to include valuation of dwellings and investment property due to the high values and level of estimation involved.	Our audit work included, but was not restricted to: • evaluating management's assessment of the valuation of land, buildings, dwellings and investment property, gaining an understanding of the valuation process, including the key controls and assumptions used by management; • evaluating management's assessment that land and buildings not subject to the triennial valuation are not materially misstated at 31 March 2020; • critically assessing how key assumptions, such as the location, floor area, market vale, VAT recognition and the useful economic lives of the assets are determined by the Authority; • evaluating the competence, capabilities and objectivity of management's valuation experts; • challenging the information used by the valuer to assess its completeness and consistency with our understanding; • evaluating the beacons used for the council dwelling valuation in order to ensure that the classes used were appropriate and reflected the Authority's housing stock, as well as challenging the basis of valuation of such beacons. • challenging the social housing discount factor used by the Council in determining the value of dwellings; • engaging our own valuer to assess the instructions issued to the Authority's valuer by management, the valuer's report and the assumptions that underpin the valuation; and • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register and financial statements. **Key observations** As, disclosed in note 5 (Assumptions and Major Sources of Estimation Uncertainty) to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a material valuation uncertainty' in their valuation report. This is on the basis of uncertainties in the markets caused by Covid-19. The valuation exercise was carried out in December 2019 with a valuation date of 31 March 2020. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and management believes this remains the best information available to the Authority. The Authority's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We identified an overstatement of two care home valuations by £5m due to an error in the number of bedrooms used to derive the valuation. We have reviewed all care home valuations to ensure that the error does not extend beyond the two identified. Details are shown in the schedule of adjusted errors at Appendix C. Subject to the above adjustment, we have obtained sufficient audit assurance to conclude that: • the basis of the valuation of land, buildings and investment property was appropriate; • the assumptions and processes used by management in determining the estimate of valuation of property were reasonable; and • the valuation of land, buildings and investment property disclosed in the financial statements is reasonable.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability – Authority and Group The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£824m in the Authority's 2019/20 balance sheet provided for audit) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. Since issuing the Audit Plan we have also identified the Valuation of the pension fund liability as a significant risk to the Group due to the values and level of estimation involved regarding the share of the liability for Kirklees Neighbourhood Homes Ltd. This is however not considered a key audit matter for the group.	Our audit work included, but was not restricted to: • evaluating the accounting policy for the Authority's membership of the West Yorkshire Pension Fund (WYPF) for appropriateness and compliance with the Code of Practice for Local Authority Accounting 2019/20; • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls; • assessing the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • engaging with the auditors of WYPF to identify, document and evaluate the procedures and controls used by WYPF to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation, updating our understanding of the Authority's agreement with WYPF; • evaluating the instructions issued by management to their management expert (an actuary) for these estimates and the scope of the actuary's work; • assessing the work of the subsidiary (KNH) auditor regarding the WYPF pension liability and review of the KNH assumptions in arriving at their net pension liability; • assessing the accuracy and completeness of the information provided to the actuary to estimate the liability; and • testing the Authority's membership information provided by WYPF to the scheme actuary to the underlying records. **Key observations** Management adjusted the first draft version of accounts for audit to correct an error made in the pension fund valuation made by and identified by AoN, the scheme actuary. The Pensions disclosure note figures and related entries were amended for the AoN notified error. Areas amended include Narrative Report (page 12), estimation uncertainty note 5, Note 25 Other LT liabilities, Note 27 Unusable reserves. This increased the net pension fund liability by £10.536m. During the course of the audit the WYPF external auditor notified that they were placing an emphasis of matter in their audit opinion regarding uncertainty in the valuation of level 3 direct and pooled property within the fund (£347m) and regarding level 3 private equity in the fund (£1,514m). As a result we have requested that this estimation uncertainty is reflected in Note 5 to the Kirklees accounts (Assumptions and Major Sources of Estimation Uncertainty). The WYPF external auditors have also identified an extrapolated overstatement of pension fund investments of £68.8m. Management have revisited their investment valuation with WYPF who approximate the Kirklees Council share of the overstatement to be £8.35m. Management have not adjusted the accounts for this error as it is not material and is based upon an estimated extrapolated value. This is reported at Appendix C.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability – Authority and Group (continued)	**Key observations (continued)** The WYPF has estimated that the Council's liability arising from the Goodwin case is £1.65m. This is based upon 0.2% of the net pension liability. Management have chosen not to adjust for this amount as it is not material. It should be noted that this adjustment would be reversed through the Movement in Reserves Statement to remove any CIES cost to services. This is reported at Appendix C. Subject to the amendment made by the Authority to the draft financial statements pre commencement of the audit and the unadjusted misstatements referred to above, we obtained sufficient audit assurance to conclude that: • the basis of the valuation of the net pension fund liability was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the pension fund net liability disclosed in the financial statements is reasonable.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
Control deficiency – Updating supplier bank details Internal audit's review covering the period from 1 April 2018 to 31 October 2019 identified a fundamental breakdown of control regarding the processing of bank mandate changes from suppliers, exposing the Council to serious risk a significant fraud. Recommendations were made by Internal Audit to improve controls effective from mid-February 2020.	Our follow up review covered the remainder of the 2019/20 financial year. No evidence of bank mandate fraud was identified in our testing, however we were notified by officers that one minor third party fraud did occur in February 2020, which was refunded by the bank. We also found that although enhanced checks on bank mandate changes did appear to be evidenced on the system, in line with Internal Audit's recommendation, the monitoring of the recommendation had not been actioned until we made our own inquiries in October 2020.	A strong control environment is needed to contain the risk of bank mandate fraud, which if left uncorrected could leave the Council exposed to financial and reputational damage. A control recommendation has been raised at Appendix A to re-iterate that monitoring and oversight of bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee.
GRNI accrual (Goods Received Not Invoiced) Audit testing identified three GRNI accruals which had been settled during 2019/20 and should not therefore have been reported as creditors at 31 March 2020.	We have extrapolated the error to £788k. As this amount is not material management have decided not to adjust the financial statements.	As the overall GRNI balance is £3.3m we are satisfied there is no risk of material misstatement within the accounts. Management should however revisit their controls to ensure that GRNI balances are matched to payments.
Dedicated Schools Grant The Council had a cumulative overspend of £14,396m as 31 March 2020 carried forward as a negative reserve. We disagree with the Management (and CIPFA's) view that a negative reserve can be created to carry forward DSG overspends. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it "neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position".	Management have produced a briefing paper to support their accounting treatment of DSG overspends which they consider to be in accordance with CIPFA Bulletin 05 regarding Closure of the 2019/20 Financial Statements. This is interpreted to mean that a Local Authority can carry forward any overspends on DSG as a negative usable reserve rather than deducting from the general fund balances. The £14,396m negative DSG reserve is netted off other earmarked reserves.	Although we agree that management are complying with the CIPFA Bulletin 05 we do not consider that this is consistent with CIPFA LAAP bulletin 05 and consequently there should not be a voluntary earmarked DSG reserve. We however recognise that more clarity is required from CIPFA and note that a statutory override is proposed for 2020/21. The Council should also address the negative reserve position over the medium term. We have therefore raised this as a misclassification error between reserves in Appendix C.
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, Authorities still need to include disclosure in their 2019/20 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	Management include IFRS 16 within note 3 Accounting Standards that have been issued but have not yet been adopted.	Whilst the 2019/20 disclosure meets minimum expectations, management should ensure that they are fully prepared for the additional disclosure requirements arising from the introduction of IFRS 16 which will involve a detailed review of existing leases.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Kirklees Stadium Development Company Ltd (KSDL) **(40% Joint Venture)**	Revell Ward LLP	At the planning stage of the audit, and based upon prior year Group Accounts, we did not identify any specific significant risks regarding the Council's consolidation of the Joint Venture, and consequently planned to rely upon analytical procedures to gain audit assurance for the consolidation. The following matter has arisen during the audit: 1. The Council provided an updated IFRS based valuation of the KSDL stadium and associated property for £51.1m on 11 November 2020. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m and corresponding unrealised gain on the Group CIES. This is reported as an audit adjustment at Appendix C. We also recommended that management disclose the material valuation uncertainty concerning the stadium valuation as disclosed by the valuer. 2. As a result of the updated stadium valuation report we undertook further specified procedures to understand the valuation assumptions including appointing our own expert valuer to review the report. Also, given the market uncertainty arising from the pandemic we requested additional evidence from the Council to support that KSDL remains a going concern. Management have provided suitable evidence to support this assertion.	We have reviewed the Council's IFRS stadium valuation and do not disagree with the DRC valuation process followed by the Council's valuer. Management have updated the Group accounts to explain that a material valuation uncertainty exists in the stadium value which could impact the value of the Council's investment and share of the financial outturn of the joint venture.
Kirklees Neighbourhood Homes Ltd (KNH) **(100% owned subsidiary)**	Beever Struthers LLP	Management adjusted the first draft version of the Group Accounts presented for audit to correct an error made in the pension fund valuation for KNH made by and identified by AoN, the scheme actuary. We sought to place reliance upon some of the work of the auditor of KNH to gain assurance over the valuation of the KNH net pension fund liability within WYPF. Upon inspection of the component auditor's work we are required to carry out further procedures to gain sufficient assurance over the control environment over the pension fund liability in place at KNH. This is a change n the scope of the audit work reported in the Audit Plan. The Council has plans in place to bring the services of KNH back in house from 1 April 2021 followed by the closure of the subsidiary company. We have recommended that management make reference to this in the notes to the Council's accounts.	We have carried out further procedures over the value of the KNH net pension liability and have concluded that there is low risk of material error in the values used for group consolidation.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £528m	Other land and buildings comprises £403m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£125m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 December 2019 on a three yearly cyclical basis. 53% of total Land and Buildings assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5. The valuation of properties undertaken by the valuer has contributed to a net increase of £32.7m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2019 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. The total year end valuation of Other land and buildings was £528m, a net increase of £33m from 2018/19 (£495m).	• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • The Council has moved to a triennial valuation cycle from 2019/20 onwards which provides more robustness to the five yearly cycle that operated previously • Management has deemed that from 2019/20, Care Homes can be valued on an Existing Use Value (EUV) based upon revenue potential which is a move from Depreciated Replacement Cost that operated previously • During the audit we identified that two Care Homes were overvalued due to a calculation error of number of bedrooms by the valuer. The valuation was amended by £5m to correct the error as reported in Appendix C • Otherwise the valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion.	● Green

Page 57

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing - £679m	The Council owns 22,229 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Cushman & Wakefield to complete the valuation of these properties. The year end valuation of Council Housing was £679m, a net increase of £62m (10%) from 2018/19 (£617m). The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in their valuation reports. This is also reported in critical judgements, estimations made within the financial statements.	• The Council's RICS qualified valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly during 2019-20 valuation. • There has been an increase in the housing stock valuation of £62m during the year (10%). • We have compared the valuation movements with the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to reference this issue in our audit opinion • We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. As such, we will be reporting this within our audit opinion (as noted at Appendix E).	Green

Page 58

Significant findings – key estimates and judgements

Accounting area	Auditor commentary
Land, Buildings, Dwellings and Investment Property	We have used Gerald Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Gerald Eve comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	Generally, we are comfortable that the valuer's instructions with the Authority have been set out within the Terms of Engagement letter in line with the RICS Red Book VPS 1.	N/A	● GREEN
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the four classifications of valuation approaches have been set out in accordance with the Code.	N/A	● GREEN
Reasons for changes in assumptions or methodologies employed from prior periods.	The Valuation of Care Homes has moved from DRC to Existing Use Value due to the availability of suitable income generation information to support the valuation. The Council has moved to a triennial external valuation schedule for 2019/20 to replace the previous 5 yearly cycle. GE were content with these changes in methodology.	Our work involved detailed testing of the external valuation schedules, including a sample of EUV assets and reviewing the underlying assumptions such as floor areas, location factors and use of indices. There are no further issues identified.	● GREEN
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	The audit team should confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. The team should also confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work included review and challenge of the MEA assumptions, and review of evidence to support land values adopted for the sample of assets tested – no issues were identified.	● GREEN
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	The audit team should check that the valuer has assessed remaining economic lives in accordance with the DRC Guidance Note.	We have assessed the appropriateness of remaining useful economic lives and have no issues to report.	● GREEN
How has obsolescence been arrived at for DRC valuations?	The audit team should understand how the age and obsolescence has been calculated.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues were identified.	● GREEN

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £824m Council **£888.8m Group**	The Council's net pension liability at 31 March 2020 is £824.7m (PY £738.1m) comprising the West Yorkshire Pension Fund defined benefit Local Government pension scheme obligations. The Council uses AoN to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The WYPF auditor has referenced a material uncertainty in the valuation of property investments and personal equity investments at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5 (Estimation Uncertainty). The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council has seen a £86.6m net increase in Net Liability Related to Defined Benefit Pension Scheme during 2019/20.	• We have assessed the Council's actuary, AoN, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	

Assumption	Actuary Value	PwC value / range	Assessment
Discount rate	2.3%	2.3%	
Pension increase rate	2%	1.9% - 2.1%	
Salary growth	3.25%	3% - 3.6%	
Life expectancy – Males currently aged 45 / 65	21.8 / 22.5 years	20.8 -23 years 22.5 – 27.2 years	
Life expectancy – Females currently aged 45 / 65	24.6 / 25.7 years	23.5 – 24.7 years 25 -27.2 years	

- We have reviewed the pension assurance work of the Kirklees Neighbourhood Homes Ltd external auditor, and carried out additional procedures in this area to gain assurance over the group's pension liability
- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method
- We are satisfied with the reasonableness of estimate of the net pension liability.

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process Management have an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council’s treasury management arrangements. The Council has in place a three year Medium Term Financial Strategy 2021/22 – 2025/26 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS was approved by Cabinet in October 2020 and incorporates the impact of Covid-19. In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.	• The Service Director, Finance has concluded and confirmed to the auditor that the Council remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis. Management do not however prepare a formal paper setting out the basis of their going concern assessment for Those Charged With Governance (See Recommendation in Appendix A) • The Council has a track record of delivering its budget. It delivered the 2019/20 breakeven budget and with an operational underspend of £0.2m in 2018/19. The Council’s general fund reserves increased by £8.4m during 2019/20 from £105m to £113.4m as at 31 March 2020 • The budget setting processes to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate • The Service Director, Finance (s151 Officer) and Head of Service - Accountancy routinely monitor the Council’s financial position and report regularly to Members • The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019/20 given the pandemic started to impact from mid-March 2020, the scale of impact is being felt during 2020/21. There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services and lost income through reduced trading activities. • The Council’s Q2 budget monitoring report for 2020/21 reports a variance against plan of £5.5m of which £3.76m is attributable to Covid-19 related income losses. The 2020/21 budget and MTFS have been revisited and refreshed to include Covid-19 pressures and were approved by Cabinet in October 2020. The revised budget includes planned transfers from reserves during the year, with the largest being £1.3m from the revenue grants reserve, £0.8m from the Public Health reserve and £0.6m from the Strategic Investment Support reserve. • A balanced budget has been set for 2020/21. The MTFS reports a budget gap of £1.9m for 2021/22 and £13.1m for 2022/23. The gaps increase beyond that date although are expected to be partly met by government spending reviews. The budget is accompanied by appropriate sensitivity analysis.

Significant findings – going concern

Going concern commentary	Auditor commentary
Work performed Management did not complete their own going concern assessment so we considered key areas of focus and consideration of its Medium Term Financial Strategy.	• General Fund reserves have increased during 2019/20 by £8.4m to £113.4m at 31 March 2020. This includes £103.4m of earmarked reserves, of which £37.1m is a Financial Resilience Reserve for the purpose of meeting unfunded risks and pressures. A further £2.3m was transferred to reserves in Q1 of 2020/21. • A specific Covid-19 Response Reserve has been created to cover Covid-19 related expenditure during 2020/21. At 31 March 2020 this reserve contained £11.1m being the remainder of the first tranche of the Government's Covid-19 support grant. • The Council is working with the Local Government Association (LGA) and Special Interest Group of Metropolitan Authorities (SIGOMA) to ensure the Council is appropriately compensated for Covid-19 related pressures. Full year forecasts include estimated General Fund Covid-19 impacts of £38m before funding offsets. • Kirklees was allocated £28.2m of the Government's initial £3.7bn Covid-19 support package. The funding for tranches 1 to 4 total £35.8mm and will be initially transferred to the Covid-19 Response Reserve. This helps to provide some mitigation against the financial challenges posed by Covid-19. • At 31 March 2020 the Council held £42m of "cash equivalent" investments which are highly liquid (31 March 2019 £39.1m). • The Council's cash flow forecast to November 2021 reports a balanced income to match planned expenditure after recognising other council tax income, fees and charges which are not yet identified. Otherwise the income and expenditure plans agree to the Council's overall budget. • Considering the measures taken to address Covid-19 pressures, emergency funding available and relatively healthy general fund reserves position, Kirklees is in a stronger position than many Council's to deal with the financial challenges posed by the pandemic. • The updated MTFS and 2020/21 budget approved by the Cabinet in October 2020 contains realistic forecasts and sensitivity analysis and is compensated by adequate reserves to meet deficits as they arise. • We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.
Concluding comments	We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: • the Services Director, Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the Services Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. In the absence of a detailed assessment by management that the going concern basis is appropriate for the 2019/20 financial statements, we have completed our own enquiries and consider that there is no reason for management to disclose a material uncertainty regarding going concern. We have recommended at Appendix A that management prepare a going concern assessment paper annually for the Corporate Governance and Audit Committee in accordance with best practice. We have also recommended that management include a Going Concern note to the financial statements to confirm that this is the basis for preparation and the factors that support this assessment. (Appendix A)

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance and Audit Committee. We have not been made aware of any incidents in the period relevant to our audit and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the confirmation has been received.
Disclosures	Our review found no material omissions in the financial statements. Disclosure omissions raised during the audit are summarised at Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to appendix E. Management agreed to some presentational amendments to Annual Governance Statement and Narrative Report which are reported in Appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold, we will be required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet commenced and will be completed once all other audit work has been concluded.
Certification of the closure of the audit	As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E. This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review in December 2020.

Value for Money

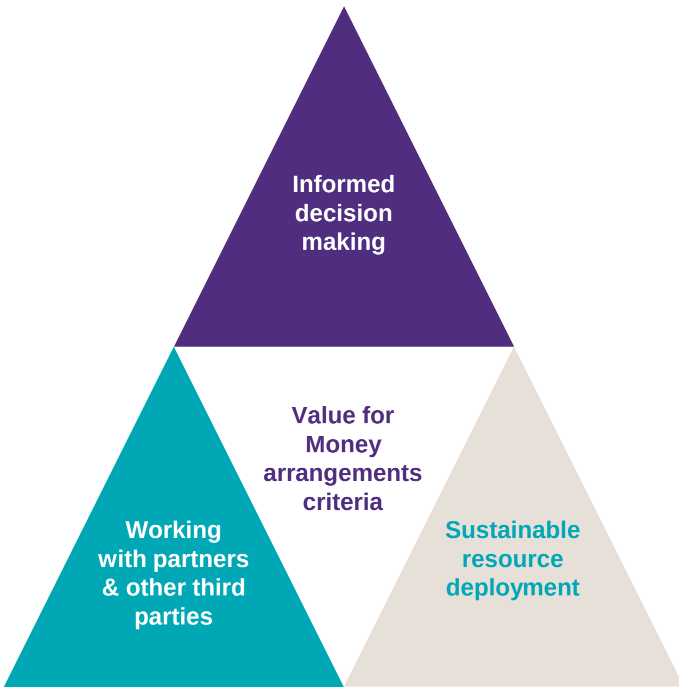
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Page 65

Risk assessment

We carried out an initial risk assessment in May 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated May 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We have not identified any new VfM risks in relation to Covid-19 due to the date of the pandemic impacting month 12 of the financial year only. We have however reviewed management's response to the pandemic within the medium term financial plan.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was:

- Financial standing – the Authority as other authorities, continues to operate under significant financial pressures and achieving the set budget is considered as a key risk.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 23.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work and no recommendations for improvement are required.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability Risk identified in the Audit Plan: The Council in common with other councils, continues to operate under significant financial pressures. For 2019/20, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver planned savings. There is a risk that the Authority does not meet its 2019/20 budget position or have appropriate arrangements in place to review its savings plans and take full account of the Covid-19 related expenditure and income in the Medium-Term Financial Plan. Since setting the original budget the Covid-19 pandemic has led to significant additional spend and requires a significant reprofile of the short and medium term financial plan. We will assess the progress made by the Council in achieving the 2019/20 financial outturn and consider how the Council plans to manage additional pressures arising from Covid-19. Our audit work included, but was not restricted to: • evaluating the arrangements the Council has in place to achieve its 2019/20 balanced budget; • review the achievement of planned savings during 2019/20; and • assessing whether the Medium-Term Financial Plan (MTFP) and saving plans appropriately recognise the financial risks and pressures facing the Council, including the financial impact of Covid-19 on the Council's finances.	The Council agreed a net revenue budget for 2019/20 of £294.7 million. The budget included targeted investment in the key focus areas for the Council of creating outstanding children's services, tackling climate change and investing in our places. Subsequently, following a net transfer to reserves of totalling £7.6 million, the revised budget was £287.1 million and this was achieved by the Council. The Council planned to deliver £7.7 million savings in 2019/20 as part of the 2020-23 Medium Term Financial Plan (MTFP). The actual savings delivered were £6.5 million. The balance was met through unplanned non-recurrent savings. During 2019/20 there were unplanned service pressures, the largest being £14.4 million for Special Educational Needs and Disability (SEND), above the Council's Dedicated Schools Grant (DSG) allocation. The in-year pressures were met by underspends elsewhere and higher than planned income streams such as Business Rate Relief Grant being £2.2 million higher than budgeted. General Fund balances increased by £8.4 million to £113.4 million at 31 March 2020. This includes £37.1 million financial resilience reserves to address unfunded cost pressures and risks. The Council approved a balanced net revenue budget of £304.5 million for 2020/21 in February 2020, including £2.2 million transfer to reserves. The MTFP included a budget gap of £12 million and £22 million for 2021/22 and 2022/23 respectively.	The Council operates under significant financial pressures, however, it continues to have effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. Whilst the Council has a savings target for 2020/21 of £3m, it has a good record of delivering the savings required and considers the savings targets are achievable. The majority of the 2019/20 savings target was achieved. Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments. For the majority of 2019/20 the Covid-19 impact was limited given it commenced during March 2020. The cost impact for 2020/21 has been estimated by the Council at £26.5m which is met by government support. However there is also a forecast Covid-19 income loss pressure of £11.4m which is not fully met by government support. The 2020/21 Q2 budget report shows an overspend of £5.5m against the revised General Fund revenue budget of £305.9m. Of this, £3.7m was Covid-19 related income losses. The Council continues to effectively manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid-19 and has plans in place to deal with the expected cost of Covid-19. We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supports our proposed 'clean' unqualified VFM conclusion.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk (Continued)	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability (Continued)	The Council has refreshed its MTFP in view of the emerging pressures facing the Council and anticipated funding streams, including from Covid-19, which was approved by full Council on 20 October 2020. The budget gap has reduced to £1.9 million for 2021/22 and £13.1 million for 2022/23 based upon an assumed £11 million annual increase in Adult Social Care funding. The expected budget gap rises sharply from 2023/24 onwards given the uncertainties regarding future government funding settlements and reform such as business rates. The financial impact of Covid-19 was felt from March 2020 although the government has committed to meeting the Council's Covid-19 costs. Kirklees initially received £28.2 million of the £3.7 billion set aside by the Government. A specific reserve for Covid-19 pressures was established in March 2020 containing £11.1 million of the Government's first tranche of un-ringfenced Covid-19 support grant at 31 March 2020. The funding for tranches 1 to 4 total £35.8m and will be initially transferred to the Covid-19 Response Reserve.	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. The firm, its partners, senior managers, managers and network firms have complied with the Financial Reporting Council's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.

We have received confirmation that the component auditors (Beever and Struthers LLP and Revell Ward LLP) are independent of the Council.

We have received confirmation that Gerald Eve, auditor's valuation expert is independent.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit and non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing capital receipts grant	2,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Certification	34,000*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,000 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers' Pension Return Certification	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
NCTL Certification	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	39,240		

* Estimated fees

Independence and ethics

Audit and Non-audit services (continued)

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	11,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,500 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Governance and Audit Committee. None of the services provided are subject to contingent fees.

We do not believe that the previous services detailed above will impact our independence as auditors.

Action plan

We have identified the following recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Going Concern** Management do not prepare a paper for Those Charged With Governance to support the going concern basis of accounts preparation. Such a paper is considered to be good practice and would provide assurance on how the Council will meet its financial liabilities, future financial challenges and manage cash flow over the next 12 months.	Prepare a paper annually for Corporate Governance and Audit Committee setting out the basis for the going concern preparation of the financial statements and provide this with the audit working papers. **Management response** Agreed. A going concern report will be submitted to CGAC as part of the 20-21 Accounts process.
● High	**Supplier bank mandate changes** Internal Audit have identified a discrepancy regarding the processing of bank mandate changes for suppliers. Although no evidence of bank mandate fraud was identified by officers at the Council, during 2019/20 Management had not fully implemented the monitoring and reporting of bank mandate changes to the Corporate Governance and Audit Committee, as recommended by Internal Audit.	Monitoring and oversight of supplier bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee. **Management response** Agreed.
● Medium	**GRNI accruals** Audit testing identified three GRNI accruals which had been settled during 2019/20 and should not be reported as creditors. The error extrapolation was £788k.	Review GRNI accruals to payments made to avoid overstating the GRNI creditor balance. **Management response** TBC

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Action plan

Assessment	Issue and risk	Recommendations
● High	**Improvements to control over administrator access for the Northgate application and database** During our audit, we were informed that administrator access on the Northgate application and database is restricted to users within IT that require it as part of their job roles / duties. However, based on our audit procedures it was noted that one user, who is part of the functional Business Support/CTR Team had this level of access assigned. This breaches good practice to manage risk through segregation of business users and those with administrator access assignments. While we understand a review of access by team is underway a risk currently exists due to this user's access. In addition, it was also noted that a number of shared generic accounts existed within both the application and database that also have administrator access assigned. Whilst we understood these accounts are required for specific tasks (i.e. updates and year end processes) and access is limited to relevant teams (i.e. application support or database admins) the controls over the accounts are not formalised / documented.	We recommend that management should review users assigned privileged access within the Northgate application to ensure all have an appropriate requirement and do not create any segregation of duties threats. Where risks exist and access cannot be removed for operational reasons management should consider implementing formal monitoring of user activities to gain assurance activity is appropriate / in line with job roles and as relevant formal requests. In addition, we recommend management should review controls around the use of any shared accounts to ensure that it is possible for them to gain assurance these are used only for approved tasks and by members of the appropriate teams. Management may also wish to consider if tasks performed by shared accounts could be undertaken through individual user accounts with delegated permissions. This would ensure accountability can be maintained and decrease the risk created through use of shared accounts. **Management response:** The user in the functional business area identified as having administrator access has had that access level removed in order to minimise risk. We recognise the particular risk associated with the Generic accounts. The accounts themselves are required as mandated by Northgate configuration. These functions cannot be assigned to other users, although some will run under another user they do not complete correctly. We have started to investigate audit reports to develop a system to review account logins and also to separately record when Generic accounts are used and by whom. From end of September 2020 we will run two standard audit reports in Northgate, monthly, against the "RB" user to ensure it is only used for approved tasks and by appropriate team in IT. September 2020 - Northgate have released V6.22 of the application and with it an additional (chargeable) module, V6 User Security. We have requested more details and a quote for the additional module which could provide opportunities to enhance overall security, improve our understanding of Job Roles, Action Groups and how they link to user access level thus ensuring a more informed user review. New features include but are not limited to, Single Sign On, the ability to distinguish Revenues access to either Council Tax or NDR, and an updated approach to setting User Roles, Action Groups and login profiles. We are looking to have release 6.22 in test by the end of September and to have made a decision on the additional module. This will inform next steps on the review. It is our intention to complete the review as soon as is practicable.

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Evidence not available of access reviews being periodically conducted on Active Directory** During our audit, we were informed that user access and permissions reviews are performed on a periodic basis to reconfirm the requirement for individual users assigned access based on their current job role / duties. However, evidence of these reviews occurring was not provided for review. Where evidence of a control operating is not provided the risk is created that the control is not operating effectively. This then creates / increases the following risks: a) Gaps in user administration processes and controls may not be identified and dealt with in a timely manner; b) Access to information resources and system functionality may not be restricted on the basis of legitimate business need; c) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls; d) No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts; and e) Access privileges may become disproportionate with respect to end users' roles. We understood that management have initiated a project to review all Northgate access and security logging processes but have not been provided with evidence for review and have been informed new processes have not yet been implemented.	It is our experience that access privileges tend to accumulate over time. As such, we recommend that management implement a process to perform periodic, formal reviews of the user accounts and permissions within Active Directory These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties). **Management response:** A new Access Control Policy has been agreed that sets out the requirements for user account permissions. • Leavers process is automated to disable accounts immediately on instruction from HR; deletion after 30 days; • Existing user account permissions challenged when changes requested • Approval of changes and new permissions to be authorised by manager's manager • Policy commits to regular audits of access permissions In progress: A schedule is now in place to audit all service areas annually using a random sample of 5 - 10% users depending on size of service.

Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Audit log monitoring is not fully enabled on Active Directory** During our audit, we reviewed the current audit logging output for Active Directory. This has been enabled through the use of a Security Information and Event Management product (SIEM) by McAfee with various events and activity logged, reported and reviewed. However, audit logging is currently not fully enabled across all relevant activities and events. Specifically, we noted that the current provision does not cover: Active Directory Office 365 Supported Applications While the system is not fully enabled the following risks still exist: a) Without appropriate logging and review of user account activities, it is difficult for management to monitor and detect unauthorised actions and / or identify potential external attacks in a timely manner. We understand that IT services are proposing to widen the scope of the processes and reporting / implement a new SIEM tool to ensure that this is completed and followed up in the future.	We recommend that management should ensure that audit logging / reporting processes covers all activities that could risk the security of the systems in use. Specifically logging should ensure use and / or activities of user accounts are configured to capture transactional level and configuration changes using a risk-based process, for example focusing on those accounts with elevated permissions. Logs should be reviewed periodically by someone other than the system administrators themselves. These reviews and, as relevant, follow up activity should be formally documented. **Management response:** SPLUNK has replaced SIEM; AD, O365, VPN, AV and Firewall are monitored in this system; Critical and High alerts are sent to the Security mailbox; Duties are segregated; all monitoring of activity and logs is carried out by the security team. In progress: Currently investigating the onboarding of other applications servers Security team is developing further features with the Consultants.

Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2018/19 financial statements. We have followed up on the implementation of our recommendations and note that 3 are not fully addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Revaluation of 'Other Land and Buildings'** The Council's current revaluation cycle of 5 year's for 'Other Land and Buildings' whilst compliant with the Code creates material estimation uncertainty, particularly where the replacement cost of specialised assets may have changed since the last revaluation. This necessitates a substantial amount of work by both finance staff, and auditors to demonstrate that for non revalued assets the current value is not materially different from the carrying value.	The revaluation of 'Other Land and Buildings' is carried out on a three year cycle starting in 2019/20.
✓	**Recognition of Investment in KSDL (Valuation of Stadium)** The valuation of the Stadium complex had been recognised at historical cost and not adjusted to Depreciated Replacement Cost on the consolidation of the Council's investment interest in the group accounts.	The Council provided an updated IFRS based valuation of the KSDL stadium and associated property on 11 November 2020 at £51.1m. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m. This is reported as an audit adjustment at Appendix C.
X	**Valuation of Investment Properties** The Council only revalues investment properties for individual assets under £250,000 on a 5 year cyclical bases. Whilst we are satisfied that no material estimation uncertainty remains as many of these are long term 'ground rents' this approach is not in our view compliant with the Code. We recommended that the Council should revalue all investment properties annually in compliance with the Code.	**Management Response 2018/19** There are a large number of investment properties (88) that are valued below £250k. At 31st March these represented £7.2m, which is not material. As such the limit for individual pieces of land will remain at £250k. We will however revalue these pieces of land on a 3 year revaluation cycle and those not valued will be reviewed for any potential movement by our internal valuer. **Auditor Update 2019/20:** The Code requires all investment property to be revalued annually and does not allow de-minimus exemption. The Council's treatment is therefore a departure from the Code. We have reviewed the assets not revalued and have concluded that they do not present a risk of material misstatement and comprise investments such as property leases.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Idle Login Sessions within Northgate** Login sessions within Northgate have an automated logout which disconnects after a period of 3 hours of inactivity. This condition poses the following risk(s) to the organization: a) Misuse of unattended login sessions by other valid users of the system, leading to loss of accountability of actions performed. b) Misuse of unattended login sessions by unauthorized personnel, leading to unauthorized data disclosure or data tampering	Based on discussion undertaken within the 2019/20 IT audit review of refinements / changes to the Northgate system is ongoing as part of a wider user and logging review. We note however, mitigation of the risk created is provided through the Active Directory screensaver being automatically enabled after 15 minutes.
X	**Automated Notifications of Leaver and Mover Activity** Security administrators of SAP, Northgate and Active Directory were not being provided automated, proactive notifications of anticipated HR mover and leaver activity, nor were they being provided automated per-occurrence notifications of unanticipated HR mover and leaver activity. It is understood that the introduction of AD Manager which is currently undergoing UAT testing should be implemented by the end of January 2019. This condition poses the following risk(s) to the organization: a) Access to information resources and system functionality may not be restricted on the basis of legitimate business need, (b) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls, (c) Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts, (d) Revocation of access rights may not be performed accurately, comprehensively, or on a timely basis	Based on discussion undertaken within the 2019/20 IT audit this finding remains open as the automation through the AD manager tool was not fully implemented and operating at the time of the audit. We have been provided with evidence which allows us to move this item to in-progress.

Assessment

✓ Action completed

X Not yet addressed

Page 77

Appendix B

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Reviews of Information Security Logs Created by Northgate and Active Directory** Logs of information security activity within Northgate and Active Directory were not being formally, proactively, and routinely reviewed. This condition poses the following risk(s) to the organization: Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.	Based on testing undertaken within the 2019/20 IT audit we note that a review of user management, user reviews and audit logging is currently underway, but has not been implemented fully at this date. We have been provided with evidence which allows us to move this item to in-progress.

Page 78

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Comprehensive Income and Expenditure Statement (CIES) During the audit we identified a misclassification of income and expenditure on the Central Budgets line of the CIES relating to pension costs. Income and expenditure were both reduced with the net expenditure remaining unchanged. Corresponding impact for Group Accounts.	Dr Central Budgets Income £36,698 Cr Central Budgets expenditure £36,698	0	0
Note 9 Expenditure and Income analysed by nature To correct an error in the table whereby NNDR income of £77.6m was wrongly included within other grants Corresponding impact for Group Accounts.	Dr Income from Grants, Reimbursements and Contributions £77,600 Cr Income from Council tax and business rates £77,600	0	0
Group Balance Sheet (KSDL Consolidation) To include the updated IFRS valuation of Kirklees Stadium within joint venture equity investment (including associated adjustments to Group Movement in Reserves Statement).	0	Dr Investment in joint venture £12,592 Cr Group Reserve £12,592 *(Group Balance Sheet)*	Group CIES unrealised gain £12,592
To recognise "Share of other comprehensive income and expenditure of joint venture" arising from the above adjustment	Dr Group Reserve £12,592 Cr Group CIES Joint Venture Income £12,592		
Overall impact	**£0**	**£0**	**£0**

Audit adjustments continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Note 15 Property Plant and Equipment To correct an overstatement in care home valuation (Mill Dale and Crescent Dale) Corresponding impact for Group Accounts.	0	Dr Revaluation reserve £5,000 Cr Land and Buildings £5,000	0
Overall impact	**£0**	**£0**	**£0**

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
1	Disclosure	A Going Concern note should be included in the accounts or Narrative report to explain that the accounts are prepared on a going concern basis and that management's assessment of going concern extends to 12 months from the date of the audit opinion (November 2021).	Suggest new note	X
2	Disclosure	Presentational amendments were suggested to improve the reader's understanding of the Narrative Report for the reader which management declined to include.	Narrative Report	X
3	Disclosure	Accounting policy for group accounts says the Council has material interests in companies and other entities etc. This should be rewritten to refer specifically to the current consolidation. It would also be appropriate to update the Group Accounts to note that there are plans to bring Kirklees Neighbourhood Homes Ltd back into the Council on 1 April 2021	Accounting Policies "Interests in Companies and Other Entities"	✓
4	Disclosure	Schools bullet should be amended to explain the critical judgement rather than being a description of how the Code is followed.	Critical Judgements Note 4	X
5	Disclosure	Following issue of the Council's draft accounts, we have been notified by the external auditor of West Yorkshire Pension Fund of a material valuation uncertainty regarding a number of property funds and private equity funds which form part of the WYPF investments. This should be noted as a material valuation uncertainty in note 5.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
6	Disclosure	Provisions removed as major source of estimation uncertainty as not anticipated to be materially misstated through estimation error.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
7	Misclassification	The Council reports the DSG overspend as a transfer to an overspent DSG reserve resulting in a negative reserve of £14,396k at 31 March 2020. The Council considers that the accumulated DSG deficit should be disclosed as an earmarked usable reserve, thus creating a comparable position to the now statutory funding basis for the 2020/21 financial year. Grant Thornton remains of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years and these should form part of the unearmarked general fund.	Transfers to/from Earmarked Reserves Note 11	X
8	Disclosure	Narrative added to explain how assets not revalued in year are assessed for accurate valuation at 31 March 2020	Property Plant and Equipment Note 15	✓

Audit adjustments

Misclassification and disclosure changes

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
9	Disclosure	Narrative added to explain the basis and calculation of the NNDR provision.	Provisions Note 24	✓
10	Disclosure	Fees to Grant Thornton regarding Certifications were updated to reflect the accurate fees for all non audit related services to be consistent with the Audit Plan. Also the fee for CFO Insights was updated to be consistent with the Audit Plan and to make clear that this is a non-audit service.	External Audit Costs Note 31	✓
11	Disclosure	Update to the remuneration disclosures to correct a salary banding error.	Officers Remuneration Note 33	✓
12	Disclosure	A note should be added to explain to the reader that the Group accounts are of equal stature to the Council's single entity accounts.	Narrative Report	✓
13	Disclosure	Hyperlinks should not be included in the Narrative Report and Financial Statements but replaced with a reference to where the corresponding information may be located.	Narrative Report	✓
14	Disclosure	Other minor presentational amendments.	Throughout the financial statements	X
15	Disclosure	Group accounts to be updated to highlight the material valuation uncertainty that exists in the external valuer's report for the KSDL Ltd stadium.	Group accounts narrative	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total comprehensive income and expenditure £'000	Reason for not adjusting
Note 25 Other Long Term Liabilities (Net LGPF pension liability) The external auditor of WYPF reported an unadjusted extrapolated error of £68.8m in the valuation of the underlying investments. WYPF have advised management that the impact on the value of the Kirklees underlying investment is approximately £8,350k. Corresponding impact for Group Accounts.		Cr Gross pension asset (within the net defined benefit pension liability) £8,350 Dr Pension reserve £8,350	0	Not material and based upon an extrapolated estimated value.
Note 40 Pension Fund The estimated liability relating to the recent Goodwin case on the pension liability for Kirklees Council. Note that the impact of the revaluation is reversed through the Movement in Reserves Statement (MIRS) so there is no impact on the General Fund balance. Corresponding impact for Group Accounts.	Dr Pension past service cost £1,649	Cr Pension liability £1,649	0	Not material and based upon an estimation.
Overall impact	**£1,649**	**£1,649**	**0**	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements reported in the 2018/19 Audit Findings Report.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£152,222	£175,555*
Total audit fees (excluding VAT)	£152,222	**£175,555**

* The final fee includes a variation of £22,833 due to factors including the impact of Covid-19 and remote working, plus the pass through cost of the auditor's expert valuer to review the KSDL stadium valuation. A sum of £2,500 was rebated due to the delayed implementation of IFRS16.

Fees per financial statements: £152,222 (does not include the above variation)

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
Housing Benefits Subsidy Grant Certification	£34,000	£TBC
Teachers' Pension Certification	£5,000	£5,000
Housing Pooled Capital Receipts Certification	£2,000	£TBC
NCTL Teacher Training Certification	£5,000	£5,000
Non- Audit Related Services – CFO Insights	£11,500	£TBC
Total non- audit fees (excluding VAT)	**£57,500**	**£XX,XXX**

Audit opinion – Draft

We anticipate we will provide the Group with an unmodified audit report

See Separate Document

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Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE

Date: 20th JANUARY 2021
Title of report: RISK MANAGEMENT UPDATE

Purpose of report.
To provide information on the Councils Risk Management Statement and its arrangements for Corporate Risk Management.

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 Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	**not applicable** **Yes (11/1/21)** **Yes (11/1/21)**
Cabinet member portfolio	**not applicable**

Public or private: PRIVATE APPENDIX

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

1. **Corporate Matrix & Corporate Processes**

Cabinet approved the new approach to risk management in March 2018, The Corporate Risk Matrix is quite stable in terms of contents, structured by risk type with trend analysis and responsibility holders.
As reported in November 2019, there were difficulties in engaging service directors and heads of service in the risk management process. A simplified

spreadsheet was created and populated for many activities although there were some issues re quality control and moderation. These were in the process of being addressed during spring 2020, but the coronavirus pandemic meant that management actions were redirected to more immediate priorities. In autumn 2020 management were invited to review and formally resubmit directorate or service-based risk records, and these are currently being collected in.
The pandemic also led to new risk priorities being identified during April 2020, with these being modified somewhat during the summer and autumn as immediate concerns became less intensive and a wider range of ongoing issues became apparent.
The Risk Panel now meets more regularly than previously, the Executive Team still consider reports at a quarterly frequency, although the progression through some member processes was not fully achieved during 2020, The Corporate Scrutiny Panel have informally reviewed the matrices on several occasions during the year.

2. Corporate Risk Matrix

The Corporate Risk Matrix already identified the ongoing risks and issues many of which are common to any large local authority. These do have a significant Kirklees dimension, and have been affected by current issues, such as the coronavirus pandemic and Brexit. The December 2020 version is attached as Appendix 1 (public). It has since been revised to reflect the UKs new relationship with the EU.

3. **Key Significant Risks and Threats**

This report has been reformatted into a style closer to but not identical to the corporate risk matrix. It still contains emerging risks and issues, with assessments of immediacy and impact, but it has become too long and complex. It will be shortened and prioritised for first consideration in 2021. The draft shared with the Corporate Scrutiny (informal) meeting in December 2020 is an appendix recommended for consideration in the private part of this meeting.

4. CGAC are asked to

1. Indicate if they are content with the risk management processes as described
2. Make comments, if any, on the corporate risk matrix and the emerging risk matrix, including identifying any other major and imminent risks not addressed here

M E Dearnley
Head of Risk January 2021

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend
	Emergency & Immediate Risk			
0	The current national emergency as result of the Covid 19 coronavirus has huge implications on the Kirklees community, and the Council.	There are additional risks and impacts on the council (and community) in the short and medium term, which relate to community, operational and financial matters This is an ever-changing position, which requires regular reconsideration until the current crisis is declared under control/has passed, with a substantial number of areas of uncertainty.	**L**	↑
	Community Impacts & Risks	The current national emergency has a serious and significant risk to the community citizens and services users, with particulalr concerns about the impact on specific user groups.		
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. This risk may have worsened as a result of the full and partial coronavirus lockdown, with reduced referrals, an unwillingness of third parties to make referrals and a reduced ability to investigate. the basic controls described above remain valid	• 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 Safeguarding Practice Reviews (Children), Safeguarding adults reviews and Domestic Homicide Reviews • Active management of cases with media interest • Review of current practices following the child sexual exploitation in other authorities 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	**H**	↑ (Covid related-otherwise probably neutral)

		• Take effective action after Safeguarding Practice Reviews (Children), Safeguarding adults reviews and Domestic Homicide 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 • Ensure effective record keeping ***Responsible for this risk – R Parry and M Meggs***		4X5=20
2	Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters.	• Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required. • 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 • Ensure effective record keeping ***Responsible for this risk –M Meggs***	**LM**	↔ 4x4=16
3	Failure to address matters of violent extremism and related safer stronger community factors, including criminal exploitation, 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. • Awareness that campaigns such as black lives matter may give cause to action and reaction. • Global events can create ongoing potential issues and tensions, (national risk status raised recently) which the council needs awareness and mitigations strategies • West Yorkshire Violence Reduction Unit will assist ***Responsible for this risk – R Parry and M Meggs (& J Greenfield)***	**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.) • Emergency Planning risks for current year reflect risks of (e.g.) staff sickness for both services such as gritting and meeting home care commitments. ***Responsible for this risk – C Parr***	**M**	⬌ 3x5=15
5	Risk of infection with a high consequence infectious disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar. International transmission of HCIDs issues can also affect supply chains with the consequence of availability of products	• National mitigation actions controlled through UK Government and devolved administrations. • Advice/instruction to/from, Chief Medical Officer, PHE, Health and Social care system. and schools (from DfE). • More local mitigations controlled through Public Health, Health protection. • Local lockdown processes in line with statutory positions • Business continuity planning and arrangements invoked. • Preparations for risk of recurrence • Understanding supply change and alternatives, and mitigations to retain essential existing suppliers where appropriate • Appropriate advice and Information cascaded to Kirklees citizens and staff ***Responsible for this risk –Rachel Spencer Henshall & all of ET***	**L**	⬆ 5x5=25
	The UK exiting the EU	SINCE THIS REPORT WAS PREPARED THE UK HAS ESTABLISHED A NEW TRADING RELATIONSHIP WITH THE EU- THIS WILL BE REFLECTED IN A REVISED REFLECTION OF THIS RISK IN JANUARY 2021		
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.	These risks are largely addressed elsewhere in the Matrix, but there is a shortening timescale, and local businesses may consider that coronavirus related risk is a more severe threat now. • 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	**LM**	⬆

	• 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, particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and reported hate crimes	• 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***		4x4=16
	The finances of the Council	The current national emergency has a serious and significant risk to the councils financial position-		
7	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings	• Significant impacts on incomes (as a result of coronavirus impacts and similar), and cost pressures on certain service areas • Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level	**M**	

	(from elsewhere) to ensure financial stability	• 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***		4x5=20
8	Coronavirus has added significant income risks and imposed additional costs (some of which have been met by government funding) which have a current year and likely medium-term continuing impact. The whole horizon risks also remain in relation to a 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) And in the longer term, the costs of waste disposal.	• Monitor short term loss of income • Monitor additional costs (& be sure they are all captured) • Recognise in budget plans • Scenario plan for reduced level of demand, post current crisis • Scenario plan for recurrences of coronavirus or similar • Scenario plan for default by debtors- council tax and rents (individual citizens), business rates and commercial rents (businesses), sundry debtors (both) • Consider impacts from rent deferrals • Seek to recover additional costs where budgets held by other parties or partners • Significant service pressures recognised as part of resource allocation • 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***	**M**	↑ 5x5=25
9	Above inflation cost increases, particularly in the care sector, impact on the ability of providers to	• Monitor quality and performance of contracts. • Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices	**M**	↑

	deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.	• 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***		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***	**MH**	2x5=10
11	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances. Insurance market unwilling to cover certain risks.	• 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). • Awareness of risk activity that is not insured or uninsurable. ***Responsible for this risk - E Croston & J Muscroft***	**H**	4x4=16
12	The 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. This relates to the essential dependence on initial and medium-term financial support from government as a consequence of impact on the council's finances from coronavirus.	The current crisis has resulted in some changes to national finance proposals- but major and fundamental changes to national government funding of crisis costs and implications (e.g. loss of tax and trading revenues) impact more heavily. The government has promised continuing resource to meet coronavirus consequence, but it is unclear if this will be adequate, if the government will seek to risk share, and the financial consequence in the medium term. In the 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**	5x5=25

	Future national budget position and allocation of funding to local authorities.	• 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***		
	Other Resource & Partnership Risks	The current national emergency has a serious and significant risk to the councils position with regard to commercial and community suppliers, information management /technology/cyber, health and safety- addressed in more detail in the special report		
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	**MH**	⬆ 5x4=20

		Responsible for this risk – J Muscroft		
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. (Volume of working from home may increase risks or change their perspective)	• Thorough, understandable information security policies and practices that are clearly communicated to workforce and councillors • Effective management of data, retention and recording. • Raised awareness and staff and councillor training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Recognition of increased risk from homeworking (e.g. destruction of paper records), and whether there is a need for additional security, training or other matters • 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***	**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,)	• Ensuring appropriate H&S responses re Coronavirus (appropriately balancing statutory obligations, desirable positions and commerciality/business risk) • 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	**H**	↑

		• Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors. Improved employee work practices • Approval of additional resources to improve corporate monitoring regime. ***Responsible for this risk – R Spencer Henshall***		3x5=15
16	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications.	• Active site management • Routine servicing and cleansing regimes (including coronavirus compliance in both operational and managed tenanted commercial property) • 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 – C Parr***	**H**	↔ 4x4=16
17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	• Engagement in 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. • Assess dependency on voluntary organising, and impacts that coronavirus has on their sustainability, and consider actions. ***Responsible for this risk – R Parry & all ET***	**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)	• 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	**H**	↔

	• encouraging entrants to professional roles where pay is often below market levels. • and ensuring that the workforce is broadly content, without whom the council is unable to deliver its service obligations.	• 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 • Ensuring awareness to ensure employees safety and health (including stress) • Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues ***Responsible for this risk – R Spencer Henshall***		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***	**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	• Reconsideration of priorities and potential achievability within timescales • 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 ***Responsible for this risk – C Parr***	**M**	⬆ 4x4=16

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
20201214

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

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

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Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 20th JANUARY 2021
Title of report: QUARTERLY REPORT OF INTERNAL AUDIT Q3 2020/21 OCTOBER 2020 to DECEMBER 2020

Purpose of report.
To provide information about internal audit work in quarter 3 of 2020/21

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 Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	**not applicable** **not applicable**
Cabinet member portfolio	**not applicable**

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public with a private appendix

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Have you considered GDPR? Yes

1. **Summary**

1.1 This report sets out the activities of Internal Audit in the third quarter of 2020/21.
1.2 This includes work in both Kirklees Council and its controlled subsidiary Kirklees Neighbourhood Housing Ltd.

1.3 Although Internal Audit staff have continued to work throughout the pandemic, much of the work undertaken has been unplanned (e.g. supporting the business grants schemes, school admissions appeals, special investigations) rather than routine, planned work. This has potential implications on the Head of Internal Audit's ability to give a positive annual assurance statement for 2020/21 because rather less than normal routine work has been completed so far this year. The report to the November 2020 meeting set out a plan to enable the Committee to gain broad assurance by the year end as regards the quality of the council's business control assurance arrangements. Paragraph 1.9 below sets out progress information.

1.4 The work reported in the period included the completion of a substantial investigation into a complaint by an individual that he was subject to discrimination by the council when it was exercising its regulatory functions.

1.5 There were completed planned audits that included housing rents and services charges, business centre income, grounds maintenance income collection, vehicles maintenance, taxi licencing, and client benefits, direct payments and better care fund for adult care clients.

1.6 Internal Audit also continued with its activity to support information governance, the stronger families and monthly pay projects, and in the preparation of information for the national fraud initiative.

1.7 Monitoring of the implementation of matters addressed in the Annual Governance Statement is currently taking place and will be reported to a future meeting.

1.8 A substantial further amount of time has been spent in supporting the implementation of the statutory and local discretionary business grant schemes. The processes have been particularly in support of control arrangements and the prevention and investigation of fraud.

1.9 As noted in paragraph 1.3 above the November 2020 meeting of this Committee agreed a revised Core Audit Plan to assist with the Committee responsibility to satisfy themselves about the adequacy of the council's business control and assurance arrangements. Much of the work that relates to this is taking place during quarter 4, but a substantial bank of evidence already exists through current and previous year work, and knowledge about the integrity of operational systems to enable the opinion to be formed. Subject to this work being completed, the Head of Internal Audit anticipates being able to prepare a report providing information to enable the Committee to consider their decision at its meeting planned for April 2021.

1.10 It was agreed at March 2018 Council that this committee consider any surveillance activities under the Regulation of Investigatory Powers Act 2000. There are none this quarter. The annual return to the Regulator has been submitted, and Cabinet have been advised about the recent regulatory visit.

2. Information required to take a decision

2.1 The detail of the audit work performed this quarter is contained within the private Appendix.

3. Implications for the Council

3.1 **Working with People –** None directly
3.2 **Working with Partners –** None directly
3.3 **Place Based Working –** None directly
3.4 **Improving outcomes for children–** None directly
3.5 **Climate change and air quality-** None directly

3.6 **Other (e.g. Legal/Financial or Human Resources)-** Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above- where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. Consultees and their opinions

There are no consultees to this report although heads of service/directors are involved in and respond to individual pieces of work

5. Next steps and timelines

5.1 To consider if any additional activity is sought. (Limited assurance audit outcomes are routinely followed up)

6. Officer recommendations and reasons

6.1 Members are asked to note the Internal Audit Quarterly Report and determine if any further action is sought on any matter identified.

6.2 Members are asked to consider what additional areas of assurance they may wish beyond those shown in the detailed report.

6.3 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 3 2020/21.

7. Cabinet portfolio holder's recommendations

Not applicable

8. Contact officer

Martin Dearnley, Head of Risk & Internal Audit (01484 221133 x73672)

9. Background Papers and History of Decisions

Previous Quarterly Reports, Audit Plan, and confidential appendix.

10. Service Director responsible

Not applicable

4

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Document is Restricted

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