

# Public Document Pack



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Thursday 18 November 2021

## Notice of Meeting

Dear Member

### **Corporate Governance and Audit Committee**

The **Corporate Governance and Audit Committee** will meet in the **Reception Room - Town Hall, Huddersfield** at **10.00 am** on **Friday 26 November 2021**.

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

A handwritten signature in black ink, appearing to read "Julie Muscroft".

**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:-**

### **Member**

Councillor Yusra Hussain (Chair)  
Councillor Paola Antonia Davies  
Councillor Steve Hall  
Councillor Susan Lee-Richards  
Councillor Kath Pinnock  
Councillor Melanie Stephen  
Councillor John Taylor

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**

B Armer  
A Gregg  
V Lees-Hamilton  
R Smith  
M Thompson  
D Hall

#### **Green**

K Allison

#### **Independent**

C Greaves  
T Lyons

#### **Labour**

M Akhtar  
E Firth  
M Kaushik  
J Ramsay  
M Sokhal  
C Scott

#### **Liberal Democrat**

J Lawson  
A Marchington  
A Munro  
A Pinnock

### **Ex Officio Members**

Councillor Paul Davies  
Councillor Erin Hill  
Councillor Elizabeth Smaje

# Agenda

## Reports or Explanatory Notes Attached

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### Pages

**1: Membership of the Committee**

To receive any apologies for absence, or details of substitutions to the Committee membership.

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**2: Minutes of Previous Meeting**

1 - 6

To approve the Minutes of the meeting of the Committee held on 24 September 2021.

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**3: Declarations of Interest**

7 - 8

Committee Members will be asked to advise if there are any items on the Agenda in which they have a Disclosable Pecuniary Interest, which would prevent them from participating in any discussion or vote on an item, or any other interests.

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**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.

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**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.

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**6: Public Question Time**

The Committee will hear any questions from the general public.

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**7: Committee System Proposal**

9 - 18

To consider the Local Government report and next steps.

Officer: Samantha Lawton, Head of Governance

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**8: Half Yearly Monitoring Report on Treasury Management Activities 2021/22**

19 - 40

To receive the half-year treasury management performance in 2021/22.

Officer: Rachel Firth, Finance Manager

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**9: Audit Progress Report and Sector Update**

41 - 54

To receive the Audit Progress Report and Sector Update.

Contact: Grant Thornton External Audit

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**10: Public Sector Audit Appointments Process for the 2023/28 Period**

55 - 58

To consider the Public Sector Audit Appointments (PSAA) process for the appointment of external audit provision.

Officer: James Anderson, Head of Accountancy

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**11: Recommendation on the Code of Conduct from Standards Committee**

59 - 104

To consider changes to the Council's Code of Conduct.

Officer: David Stickley, Senior Legal Officer

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**12: Risk Management Update** 105 -

120

To consider the Council's Risk Management Statement and its arrangements for Corporate Risk Management.

Officer: Martin Dearnley, Head of Risk & Internal Audit

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**13: Quarterly Report of Internal Audit Q2 2021/22 - July 2021 to September 2021** 121 -

124

To receive information about internal audit work in Quarter 2 of 2021/22.

Officer: Martin Dearnley, Head of Risk & Internal Audit

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**14: 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.

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**15: Risk Management Update** 125 -

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Officer: Martin Dearnley, Head of Risk & Internal Audit

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**16: Quarterly Report of Internal Audit Q2 2021/22 - July 2021 to September 2021** 131 -

144

Officer: Martin Dearnley, Head of Risk & Internal Audit

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Contact Officer: Leigh Webb

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 24th September 2021**

Present: Councillor Yusra Hussain (Chair)  
Councillor Steve Hall  
Councillor Susan Lee-Richards  
Councillor Kath Pinnock  
Councillor John Taylor  
Councillor Alison Munro

Observers: Councillor Paul Davies, Cabinet Member (Resources)  
Councillor Elizabeth Smaje, Chair of Overview & Scrutiny  
Committee

Apologies: Councillor Melanie Stephen  
Councillor Erin Hill (ex-Officio)

**1 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Mel Stephens and Cllr Erin Hall. Councillor Alison Munro substituted for Councillor Paola Davies.

**2 Minutes of Previous Meeting**

**RESOLVED** – That the Minutes of the meeting held on 13 August 2021 be approved as a correct record.

**3 Declarations of Interest**

There were no declarations of interests.

**4 Admission of the Public**

It was noted that Agenda item 15 would be considered in private session.

**5 Deputations/Petitions**

There were no deputations or petitions received.

**6 Public Question Time**

No public questions were submitted.

**7 Corporate Customer Standards Annual Report 2020-21**

The Committee received a report on Corporate Customer Standards 2020-21. The report updated the Committee on complaint issues and performance during the previous year.

## **Corporate Governance and Audit Committee - 24 September 2021**

The report was informed by the Local Government Ombudsman Annual Report which was published in July 2021. The report incorporated information about third stage complaint handling, some key examples of learning and a summary of the Whistleblowing concerns that had been received.

The ultimate sanction that the Local Government Ombudsman could apply was to issue a formal report against a Council. Those were usually issued where a matter was very serious and had a number of process issues to consider and resolve. In 2020-21 there were no formal reports issues against Kirklees Council.

Ombudsman upheld complaints were similar to previous years. It was noted that the Ombudsman was closed for new complaints for 3 months of the year and it was difficult to consider what impact the pandemic had on complainant behaviour.

Kirklees Council was approximately 19% of the West Yorkshire total and attracted a proportionate rate of referrals. Fewer upheld complaints were received than anticipated by population.

Learning from complaints was noted, the Committee was informed that working with complaint matters across the council increased learning from complaints.

### **RESOLVED –**

- (i) That the Committee recognise the excellent work of the Complaints team,
- (II) That the report be noted

### **8 Annual report on Bad Debt write-offs 2020-21**

The Committee received a report on Bad Debt write-offs 2020-21. Overall write-offs for 2020-21 were less than 2019-20 with some debt showing in future years due to very little debt recovery throughout the pandemic. It was noted that there was restricted enforcement recovery during the pandemic due to being unable to attend court. No recovery took place on business rates due to the team processing payments of government grants to businesses.

Although debt recovery was down, it was felt that was not a true reflection due to the pandemic and would be reflected in 2021-22.

There was a difference in finance write offs due to many debts raised in 2020-21 that weren't raised in 2019-20. Adult Social Care had been targeted, there was a dedicated recovery team that pursued Adult Social Care historical debt, that had been targeted for write off.

The Housing Revenue Account and Council Tax write offs were significantly reduced, which was a reflection of the pandemic. A provision in the accounts had been made for outstanding debts.

### **RESOLVED –**



## **Corporate Governance and Audit Committee - 24 September 2021**

- (i) That benchmarking figures for write-offs in other Local Authorities be provided in future reports
- (ii) That the report be noted

### **9 Committee System Proposal**

The Committee considered a report on Committee System Proposal. On 8<sup>th</sup> September 2021 Council approved the Corporate Governance and Audit Committee to determine the next steps in relation to the motion to consider a committee system governance model.

The Committee was asked to appoint an independent advisor Mark Edgell, who was from the Local Government Association to work with Councillors, beginning with an informal session of the committee to determine the next steps of the proposal and to establish a clear timetable.

#### **RESOLVED –**

- (i) That Mark Edgell be appointed to advise and work with the committee on the review process
- (ii) That an informal meeting be arranged with the Committee to meet Mark Edgell to discuss the key work areas, the timetable for the key milestones and timetable of work required.

### **10 Annual Governance Statement 2020-21**

The Committee received a report seeking the approval of the 2020/21 Annual Governance Statement signed off by the Chief Executive and Leader of the Council. The Statement covered 2020/21 and up to the date at which the Annual Statement of Accounts was approved. The Statement concluded that overall the governance arrangements remained fit for purpose. It was reported that the draft Statement had been noted at the August meeting of this Committee and had remained largely unchanged, albeit reflecting feedback and issues raised then as appropriate.

It was explained that the statement had been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements and was based on a number of forms of assurance which had been presented to various parts of the Council during the year. It was reported that a number of significant governance issues had been highlighted, all but one were brought forward from the 2019-20 statement, reflecting both the wide-ranging nature of the issues and action required, as well as the unique impact of the pandemic.

The actions and controls the Council was taking were contained within an Action Plan that accompanied the statement. It was reported that the Action Plan would be the subject of internal monitoring, with reporting back to Executive Team during 2021/22.

**RESOLVED -** That the Annual Governance Statement 2020/21 be approved.

**11 External Audit Findings Report 2020-21**

The Committee received the External Audit Finding Report, for year end 31 March 2021, as submitted by Grant Thornton.

It was reported that Grant Thornton's audit work was completed remotely during July to September 2021 and the findings were summarised within the report. The Committee was advised that the report was a draft and the final report would be shared with the Committee at a later meeting. At this stage Grant Thornton had not identified any adjustments to the financial statements that result in an adjustment to the Council's Comprehensive Income and Expenditure Statement, Balance Sheet or General Fund. It was anticipated that the audit report opinion would be unmodified and unqualified, with reference to the material estimation uncertainty disclosure in the financial statements regarding property valuation as a key audit matter.

During discussion of this item, Councillor John Taylor stressed the importance of Members updating their Interests.

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

**12 Council's Final Accounts 2020-21**

The Committee received a report on the final accounts and audit processes for 2020/21 which sought Committee approval of the Council's Statement of Accounts for 2020/21 and a final version of the Annual Governance Statement.

The preparation of the Statement of Accounts was a statutory requirement and local authorities were 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, in a sector-wide response to the consequences of the COVID-19 pandemic and noting the recommendations from the Redmond Review, the statutory deadline for the production of the unaudited Statement of Accounts for 2020-21 was revised. For the Council the revised deadline was 31 July. The accompanying deadline for the completion of the audit was also amended to 30 September 2021.

It was reported that there were no queries or objections raised in the six week public inspection period and that Value For Money formed part of the audit process which was now 3 months later. The date was now December 2021.

A discussion took place regarding the Councils reserves, it was agreed that a paper on the Councils reserves would be taken to Corporate Scrutiny Panel with members of this Committee being invited.

**RESOLVED** – That the Committee approves:

(i) The Statement of Accounts 2020/21 incorporating the Annual Governance Statement (Appendix A), with the Chair certifying the Statement of Responsibilities on page 22 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.

**13 Financial Reporting Council Audit Quality Review on Grant Thornton**

The Committee was asked to consider a quality review by the Financial Reporting Council on the council's external auditor, Grant Thornton.

In accordance with their routine selection of audits, the Financial Report Council's Audit Quality Review (AQR) team had completed a review of the audit. The report set out the scope of the review, the assessment of the quality of the audit work reviewed, any key findings and any examples of good practice that AQR sought to draw out from the inspection.

The Audit Quality Review had reviewed and assessed the audit of the financial statements and the conclusion on the Value for Money arrangements only. The Audit Quality Review had not assessed the adequacy of the entity's financial controls of financial reporting.

The details of the work and conclusions were provided in a private appendix, in accordance with the Financial Reporting Council's standard arrangements for confidentiality.

**RESOLVED:** That the Committee notes (following consideration of the private appendix) the conclusions of the Financial Report Council.

**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 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, as specifically state in the undermentioned minute.

**15 Financial Reporting Council Audit Quality Review on Grant Thornton**

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 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Committee noted the exempt information, which was an appendix to Agenda Item 13.

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<b>KIRKLEES COUNCIL</b>				
<b>COUNCIL/CABINET/COMMITTEE MEETINGS ETC</b>				
<b>DECLARATION OF INTERESTS</b>				
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 and Audit Committee

**Date:** 26th November 2021

**Title of report:** Committee System Proposal

**Purpose of report:** Corporate Governance and Audit to consider the Local Government report and recommend next steps

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?	No
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u> ?	No
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & name  Is it also signed off by the Service Director for Finance?  Is it also signed off by the Service Director for Legal Governance and Commissioning?	Rachel Spencer- Henshall – 17 <sup>th</sup> November 2021   Julie Muscroft – 17 <sup>th</sup> November 2021
Cabinet member <a href="#">portfolio</a>	N/A

**Electoral wards affected:** All

**Ward councillors consulted:** No

**Public or private:** Public

**Has GDPR been considered?** No GDPR implications

## **1. Summary**

On 24<sup>th</sup> September 2021 Council approved the appointment of the Local Government Advisor (LGA), Mark Edgell to advise and work with Councillors on the governance review process. Mr Edgell attended that session and discussed the various governance models available, the approach to a governance review and the issues specific to Kirklees.

- 1.1 Subsequently, an informal session was arranged on 13<sup>th</sup> October 2021 with this Committee to receive further advice from the LGA and discuss the approach to the review of the different governance models available.
- 1.2 The report of the Local Government Advisor is attached to this report at Appendix 1 and sets out the advice provided to the committee.

## **2 Information required to take a decision**

- 2.1 Following advice received from the LGA as outlined in the report attached. This committee agreed to consider the approach to the governance review using the following design principles: -

- A. First, consider changes to the way people behave within the current arrangements (culture). If not, could they be met by;
- B. Changes to the way the current legal governance arrangements are defined and work, such as through the constitution. If not, then they are likely to be best met by;
- C. Change to the legal governance model

- 2.2 On 4<sup>th</sup> November 2021 an all-Councillor committee system session was held to discuss the issues together, in a balanced, neutral way and to capture the views of all members. The outcome of that session is set out in the attached report at Appendix 1 for consideration by this committee.

- 2.3 The report provides some recommendations for this committee's consideration at paragraph 5.

## **2 Implications for the Council**

### **3.1 Working with People**

The Council's capacity to work effectively and to deliver all aspects of its corporate outcomes is underpinned by ensuring that it takes informed and transparent decisions with openness and accountability. The Council's choice of governance arrangements is fundamental to this. The decision-making structure



of the Council should provide a framework of transparent accountability to users, stakeholders, and the wider community.

### **3.2 Working with Partners**

No implications

### **2.1 Place Based Working**

No implications

### **2.2 Climate Change and Air Quality**

No implications

### **2.3 Improving outcomes for children**

No implications

### **2.4 Other (e.g. Legal/Financial or Human Resources) Consultees and their opinions**

There may be resource implications to the review dependent on the scope of reviewing governance models, complexity of work and timeframe involved. There may be need for additional legal support. The committee may recommend actions that have a financial implication, including an impact on the Members' Allowances Scheme, and these should be contained within the committee's findings.

A review of governance arrangements will need to ensure that the recommendations are in accordance with the Localism Act 2011 and other relevant legislation, particularly the Local Government Acts and the timeframes included therein.

### **Next steps and timelines**

Subject to approval the Committee discuss the recommendations as outlined in the report at Appendix 1 and identify any further areas of work required and the key milestones and timetable of the work required.

### **Officer recommendations and reasons**

- (i) That Corporate Governance and Audit committee consider the recommendations as outlined in the report attached at Appendix 1.
- (ii) That Corporate Governance and Audit committee consider and agree the next steps in relation to the governance review and timetable of the work required in consultation with the Chair.

**3 Cabinet Portfolio Holder's recommendations**

Not applicable

**4 Contact officer**

Samantha Lawton, Head of Governance

**5 Background Papers and History of Decisions**

Not applicable

**6 Service Director responsible**

Julie Muscroft, Legal, Governance and Commissioning

# Kirklees Council

## Governance Review: Report

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### 1. Background

1.1 The Council approved the Corporate Governance and Audit (CGA) Committee to determine the next steps in relation to the motion to consider a committee system governance model.

1.2 The CGA appointed me, Mark Edgell, from the LGA to advise and work with Councillors on the review process.

### 2. First Meeting with CGA

2.1 At the first meeting with the Committee (24/9/21) background to different governance models was provided, what some perceive the characteristics of those models to be and examples of Councils that had changed their governance model.

2.2 The Committee were advised that the initial approach aimed to take the conversation away from addressing whether they preferred a particular type of governance system – namely, the Leader and Cabinet or Committee system models. Instead, aiming to focus on the core issues that the Council was seeking to solve. Why did some people want/feel the need to change governance arrangements? This would then extend into a conversation on the strengths of current arrangements and the issues that needed improving or to change. Throughout these discussions, it was essential to ensure that Councillors did not automatically conflate any disagreements with actual decisions made, with the system within which those decisions were being made.

2.3 Flowing out of these conversations would be clarity around some “design principles” or “needs” for the future governance model. These design principles would allow consideration of how best to retain the desired strengths and to deliver the desired improvements or changes, through some sequential tests. Could those needs be met by:

- A. Changes to the way people behave within the current arrangements (culture). If not, could they be met by;
- B. Changes to the way the current legal governance arrangements are defined and work, such as through the constitution. If not, then they are likely to be best met by;
- C. Change to the legal governance model

2.4 At the first meeting, the Committee agreed to the suggested approach.

### 3. Further informal meeting with CGA

3.1 At the informal meeting with the CGA on 13/10/21 further advice was provided. Specifically referring to:

3.2 Governance being vital:

- It's the way you develop policy

# Kirklees Council

## Governance Review: Report

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- The way you make decisions
- The way you hold people to account for delivery

### 3.3 What makes for good governance?

- Clarity and transparency over who is making decisions
- Appropriately inclusive decision making
- Appropriately speedy decision making
- Ability to hold those who are responsible for decisions and delivery to account

### 3.4 That there are 3 official options for council governance (in order of frequency):

- Leader and Cabinet
- Committee
- Mayor and Cabinet

3.5 But that in reality there are a whole variety of options. Sometimes some of these are referred to as “hybrids,” although officially they are all one of the 3 above. Some Councils have arrangements where:

- Within the Leader and Cabinet model there is no delegated decision making and all decision making is collective
- Within the Leader and Cabinet model most powers are delegated to individual portfolio holders
- Within the Leader and Cabinet model most powers are delegated to portfolio holders working in a small team with an advisory panel or assistant cabinet members
- Within the Leader and Cabinet system there could be powerful overview and scrutiny which considers big issues and gives a view before Cabinet makes a decision (pre decision scrutiny)
- Within a Committee System, there is often a Policy and Resources Committee which makes some bigger decisions. Some people liken this to a Cabinet

3.6 However the main message was that it is not just about the formal model, or the way it is adapted in a specific council’s case, but also about culture. In other words, the way that people behave within any system, the way they assert themselves, the way they listen to others and are influenced by them etc. Consequently, culture can be just as important as structure.

3.7 The way in which some people characterise the pros and cons of a Leader and Cabinet model or a Committee system model was explained. Several specific councils that had moved between different official models were provided as examples, including Nottinghamshire which had moved from Leader and Cabinet to Committee system and is now proposing to move back to Leader and Cabinet.

3.8 Councillors were advised that the best approach was to, initially, take the focus away from the question: “Committee system or not” and to consider what the problem was; the

# Kirklees Council

## Governance Review: Report

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issue; the shortcoming; that the Council was seeking to solve. But equally to consider the strengths of current arrangements alongside any issues that needed improving or to change.

3.9 It was therefore agreed that all Councillors would be invited to a meeting, facilitated by the LGA. At this session it would be possible to discuss these issues together, in a balanced, neutral, way and to capture the views of all members.

#### 4. Outcomes from the all-Councillor facilitated session on 4/11/21

4.1 The purpose of the session was to go beyond the model itself and to try to identify the reasons why some in Kirklees are asking for change, the nature of those current shortcomings, but without overlooking any current strengths.

4.2 The session gave all members the chance to contribute and, to me, felt productive and constructive. It began with detailed introductions, outlining the various systems, and what are sometimes seen as their advantages and disadvantages. A handful of examples where Councils had changed governance models and where members may like to make further enquiries were also provided.

4.3 The event delivered some fairly clear messages on what members felt was good with current arrangements:

- Clarity of policy direction and knowing who is making the decisions
- Focused, joined up thinking but with good speed of decision making
- Strong cabinet member can create change
- Scrutiny can challenge
- Balance between officers and councillors
- Accountability
- Less time demand on councillors

4.4 But equally the discussion gave some clear messages on shortcomings of current arrangements:

- One party makes all the decisions
- Not a lot of back bench members involved in policy making, other voices not heard, expertise of some councillors not used
- Some councillors feel done to, rather than part of
- Limited communication with and information provided to councillors
- Navigation (Large reports) and therefore access to advice
- Accountability not clear
- Bigger time call impact on small group of councillors

4.5 From this first part of the conversation (including some views received by email), it was felt there may be three, interlinked, areas on which to focus consideration of change:

# Kirklees Council

## Governance Review: Report

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### A. How to involve all councillors, in some way, in the development of key policies

Some called for “putting councillors at the heart of decision making.” But it was clear that some members meant, by this, that they wanted more control over directing council services in their Wards. This is to misunderstand the role of councillors. They should be focussed on key STRATEGIC decision making. Operationally directing services is not a councillor function.

More generally, councillors talked about the need for a greater involvement from a wider set of councillors in policy development and therefore decision making. This will draw on the broad experience, views, and expertise of a larger number of councillors. There was a suggestion that there could be a greater use of cross-party working groups and some task and finish groups.

But the largest message was that there is mileage in the greater use of pre-decision scrutiny to ensure that on key issues a broader range of members can consider a matter, look at evidence and consider a way forward, before the Cabinet makes a formal decision. Consequently, improving the quality of decision making. Councillors commented this was the approach that was followed on the waste strategy, and it should be considered how this approach can be extended.

This would build on an already good scrutiny function and make even more use of pre-decision scrutiny. But mention was made that this would require greater commitment from councillors to be effectively involved. It was expected that this would allow a clearer path for more councillors to influence policy.

### B. Transparency of Decision Making and holding people to account

There was a need for clarity about which Cabinet member had what within their portfolio. However, recognising that there was no delegated power within the Cabinet and that all decisions were made collectively, there was a need for Cabinet to be clearer about decisions it was due to make, what it was considering in reaching a decision and why it made the decision it did. In the context of the point about scrutiny above, Cabinet would need to be clear how scrutiny’s view was being integrated into its decision.

There were also some points raised about the nature of Full Council meetings, whether there was space for more debates/discussions or indeed also, more decision making. Recognising at present it is not always possible to get through the agenda, there were some limited calls for the meeting to start earlier.

There was also a request for clarity as to how issues are referred to scrutiny and the Scrutiny Call in process.

# Kirklees Council

## Governance Review: Report

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But the main message was about there needing to be more clarity concerning how Cabinet reaches its decisions. Explaining its decision and what it expected the outcome from that decision to be would allow greater transparency, clearer scrutiny and holding to account for the outcomes of those decisions.

### C. Better communication

Councillors felt that there was a need for much better flow of information, to and from them. Mention was made of resurrecting an “Information sharing protocol.” Whilst clearly member decisions are generally strategic in nature, there was also a desire for members to have a “Ward forward plan” allowing them to be clear on what was happening in their wards.

Improvements in information should also focus on timeliness. This should ensure that information is shared sufficiently early to allow there to be proper influence over decisions and the asking of questions.

There was a view that Cabinet reports should be made more understandable, with clear timelines in them and clear advice, which would enable others to challenge that advice where appropriate.

4.6 Participants at the end of the all-member session on 4/11/21 were also offered the chance to specify one change they would like to see. There were a very small number of explicit suggestions to simply move to a Committee system (without further justification) but the majority of suggestions reflected the earlier desire to build on what were seen as the strengths of the current arrangements and to make some changes to ensure the result is, as one participant put it, “co-operative and collaborative politics and policies.” These other suggestions have been incorporated into 4.5 above.

## 5. Conclusions and Recommendations

5.1 Having heard the views of the members of the CGA, as well as those attending the all-councillors session on 4/11/21, there was not a sense that the current governance system was failing Kirklees. Members were able to describe many strengths (see section 4.3) that derived from the current arrangements.

5.2 However, there were some clear views that improvements could be made. These have been listed in 4.4. Section 4.5 gives some further detail on this and suggestions on the areas on which to focus change.

5.3 Using the sequential tests in 2.3 my strong advice and recommendation would be that the Council can resolve the issues raised by members by “simply” encouraging changes to the way people behave within the current arrangements, namely on:

# Kirklees Council

## Governance Review: Report

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A. Ensuring the strengthening of the impact of scrutiny, through greater involvement of members and a greater focus on pre-decision scrutiny. This latter issue is the only area where the committee may wish to consider changes to the way the current legal governance arrangements are defined and work (i.e., sequential test B in 2.3). This depends on whether the Council feels the role and status of pre-decision scrutiny is suitably defined within the current Council Constitution.

B. Greater transparency over the decisions Cabinet is making – a clearer forward plan and timetable, what it has decided, why, and the outcomes it expects from that decision. By being clearer about, and better at explaining, its decisions, this should enable greater transparency, clearer scrutiny and stronger accountability.

C. A better flow of information, to and from members, which will ensure both Cabinet decision making, scrutiny and the community leadership role of members becomes better informed and more effective. Perhaps this could be formalised through an “Information sharing protocol.”

Mark Edgell and Jacqui Smale LGA

11 November 2021





**Name and date of meeting:** Corporate Governance and Audit Committee  
26 November 2021

**Cabinet**  
14 December 2021

**Council**  
19 January 2022

**Title of report:** Half Yearly Monitoring report on Treasury Management activities 2021/22

### Purpose of report

The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2021/22 covering the period 1 April to 30 September 2021.

<b>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?</b>	<b>No</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>Key Decision: Yes Private Report/Private Appendix: N/A</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>No</b>
<b>Date signed off by Strategic Director and name</b>	<b>N/A</b>
<b>Date signed off by Service Director</b>	<b>Eamonn Croston – 16 November 2021</b>
<b>Is it also signed off by the Service Director Legal Governance and Monitoring?</b>	<b>Julie Muscroft – 16 November 2021</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Corporate Cllr Paul Davies</b>

**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.

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## 1 Summary

- 1.1 The report gives assurance that 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 £37.6 million during the period at an average rate of 0.49%. Investments have ranged from a peak of £68.8 million and a low of £16.6 million both in April. The high investment balance in April was due to receiving a restart grant of £22.4 million from Central Government but this was paid out to local businesses in mid-April.
- 1.2 Balances were invested in line with the approved treasury management strategy (see Appendix 1), in instant access accounts or short-term deposits.
- 1.3 The treasury management revenue budget is £24.3 million. This is covered in more detail at paragraph 2.18 later in this report.
- 1.4 In-year treasury management performance is in line with the treasury management prudential indicators set for the year (see Appendix 4).

## 2 Information required to take a decision

- 2.1 The treasury management strategy for 2021/22 was approved by Council on 10 February 2021. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements.
- 2.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds. Diversification amongst counterparties is key. The additional cash received in April was mainly invested in the Debt Management Office (DMO) which is an Executive Agency of Her Majesty's Treasury.

### Economic Context

- 2.3 *The following economic update has been provided via our external advisors Arlingclose (paragraphs 2.4 to 2.9 below):*
- 2.4 The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a Covid-19 vaccine and almost 45 million their second dose.
- 2.5 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was

predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions.

- 2.6 Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021 for the remaining 1.6 million workers still on the furlough scheme at that point.
- 2.7 The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.
- 2.8 Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%. The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% quarter on quarter (final estimate vs 4.8% quarter on quarter initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% quarter on quarter, construction 3.8% quarter on quarter and services 6.5% quarter on quarter, taking all of these close to their pre-pandemic levels.
- 2.9 Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, led to higher prices. The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10 year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

#### Investment Performance

- 2.10 The Council invested an average balance of £27.6 million externally (excluding the LAPF) during the period (£43.4 million in the first six months of 2020/21), generating £4k in investment income over the period (£64k in 2020/21). The LAPF investment of £10.0 million generated £180k of dividend income (£155k

in 2020/21). Appendix 7 shows a comparative average net monthly balances invested over the last 3 years.

- 2.11 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. Balances were invested in instant access accounts, short term deposits and the LAPF. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.
- 2.12 The Council's average investment rate for the period was 0.49%. This is higher than the average in the same period in 2020/21 of 0.41%. This is mainly due to the dividend returns on the LAPF investment. Returns on liquid cash balances were 0.01% and 3.60% on the LAPF (after deducting charges). The actual gross dividend yield quoted from the fund on Net Asset Value was 3.91% at the end of September for the last 12 months, and the fund size was £1,296.7 million (4.36% and £1,155.8 million respectively for the 12 months to September 2020).
- 2.13 Appendix 3, provided by Arlingclose, compares the Council's performance against other Local Authorities at the end of September. In order to gain better rates of return, the majority of Local Authorities with a higher rate of return have further external investments creating a more diverse portfolio.

#### Borrowing Performance

- 2.14 Long-term loans at the end September totalled £404.2 million (£384.4 million 31 March 2021) and short-term loans £5.9 million (£40.9 million 31 March 2021).
- 2.15 Fixed rate loans account for 85.2% of total long-term debt giving the Council stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix 2 and shows that no more than 10.1% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.
- 2.16 The mid-year liability benchmark highlights that there is an expectation of new additional long term borrowing of £76.6 million. Having considered the appropriate duration and structure of the Authority's borrowing need based on realistic projections, the Council decided to take advantage in the fall of external borrowing rates and borrowed two £10.0 million 20 year EIP loans from the PWLB in April and July. This is in addition to the £10.0 million borrowed in March 2021. These loans provide some longer-term certainty and stability to the debt portfolio. Further detail on the reduction in PWLB interest rates is covered in paragraph 2.26.
- 2.17 Appendix 5 sets out in year repayments on long term borrowing and also further re-payments for the next 6 months.

## Revenue Budget Monitoring

2.18 The treasury management revenue budget is £24.3 million. Forecasted outturn is currently in line with budget. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £9.1 million MRP budget over-provision in 2021/22. The budget strategy update report 2022/23 re-affirmed the decision taken in the annual budget report in February 2021 to forward profile the release of the MRP over-provision with an additional £4.6m, in light of estimated medium term COVID impacted pressures on the Council finances. The MRP policy is to provide for MRP on the basis of the asset life to which external borrowing is incurred. The MRP calculation is used to determine the amount of revenue resources that need to be set aside annually by the Council to meet its debt obligations.

## Prudential Indicators

2.19 The Council is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. Under this Code, certain indicators have to be set at the beginning of the financial year as part of the treasury management strategy.

2.20 The purpose of the indicators is to contain 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. Appendix 4 provides a schedule of the indicators set for treasury management and the latest position.

## Borrowing and Investment – General Strategy for 2021/22

2.21 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

2.22 An authority can choose to finance its CFR through internal or external borrowing or a combination of the two.

2.23 Forecast changes in the Capital Financing Requirement (CFR) and how these will be financed are shown in the balance sheet analysis at Table 1 below:

Table 1: Balance Sheet Forecast

	<b>Actual 2020/21 £m</b>	<b>Strategy Estimate 2021/22 £m</b>	<b>Revised Forecast 2021/22 £m</b>
General Fund CFR - Non PFI	500.1	577.2	571.0
PFI	42.5	39.4	39.4
HRA CFR - Non PFI	170.3	173.8	167.4
PFI	48.1	45.2	45.2
<b>Total CFR</b>	<b>761.0</b>	<b>835.6</b>	<b>823.0</b>
Less: PFI debt liabilities (1)	90.6	84.6	84.6
<b>Borrowing CFR</b>	<b>670.4</b>	<b>751.0</b>	<b>738.4</b>
Financed via:			
Deferred Liabilities (2)	3.7	3.7	3.7
Internal Borrowing	240.9	213.1	202.9
External Borrowing	425.8	534.2	531.8
<b>Total</b>	<b>670.4</b>	<b>751.0</b>	<b>738.4</b>
Investments	37.1	30.0	30.0

2.24 The revised forecast takes into account the following factors;

- a) General Fund CFR has reduced slightly from £577.2 million in the 2021/22 Strategy to £571.0 million revised forecast due to re-profiling during the year.
- b) Internal borrowing in the 2021/22 Strategy was £213.1 million, this has now been revised down to £202.9 million due to higher than forecast use of reserves. Internal borrowing reflects the totality of General Fund, HRA revenue reserves, Capital Grant Reserves and Capital Receipts reserves.

2.25 The Council currently looks to maximise internal borrowing that can be used in lieu of borrowing due to the relatively low rates of investment income available within the scope of the Treasury Management Strategy.

2.26 At the end of November 2020 the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8%, providing that the borrowing authority could confirm that it is not planning to purchase ‘investment assets primarily for yield’ in the current or next two financial years. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Settlement times for a PWLB loan has been extended from two working days to five working days.

2.27 Short term interest rates remain much lower than longer term rates and with surplus of liquidity continuing to feature in the Local Authority to Local Authority market, the Council considered it to be more cost effective in the near term to use internal resources or borrowed temporary short-term loans when needed.

## Future Treasury Management Strategy

- 2.28 The Council's overall Treasury Management Strategy 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 LAPF, will be used internally, offsetting borrowing requirements. The investment strategy is designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds.
- 2.29 The Treasury Management Code of Practice ensures management practices are in place for non-treasury management activity in addition to the existing 12 Treasury Management Practices (TMPs). This is identified at the end of this report (Appendix 6).
- 2.30 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some Authorities for investment purposes. In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes.
- 2.31 The main changes include:
- Clarification that Local Authorities must not borrow to invest primarily for financial return and defining acceptable reasons to borrow money.
  - For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the Authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
  - Prudential Indicators, new indicator for net income from commercial and service investments to the budgeted net revenue stream. Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the Authority's full debt maturity profile.
  - Excluding investment income from the definition of financing costs.
  - Incorporating ESG (Economic, Social, Governance) issues as a consideration within TMP 1 Risk Management.
  - Additional focus on the knowledge and skills of officers and elected members involved in decision making
- 2.32 The Council's objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. PWLB is the primary source of borrowing alongside cheaper short term borrowing for a mixed portfolio of debt.

- 2.33 PWLB rates remain historically relatively low, although rates have fluctuated by margins around 1% over the last 30 months, as illustrated in the PWLB borrowing rates table at Appendix 7. In light of current inflationary pressures and likelihood of MPC uplifts in base rate over the coming months, this may add some increased short-term volatility on PWLB rates. Officers will continue to review funding options going forward in conjunction with its external advisors.
- 2.34 Budget developments for 2022/23 and future years include significant regeneration activity which provides potential for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields, with blending funding approaches alongside the PWLB.
- 2.35 Current MRP policy calculates MRP on new assets during the construction phase, however in light of the aforementioned significant regeneration activity the Council will consider appropriate revisions to its MRP methodology to align the timing of MRP charges to the point new assets become operational.

#### Risk and Compliance issues

- 2.36 In line with the investment strategy, the Council has not placed any direct investments with companies as defined by the Carbon Underground 200.

### **3 Implications for the Council**

- 3.1 Treasury management budget forecast will continue to be reported as part of the overall quarterly financial monitoring reporting cycle to Cabinet, through the remainder of the year.

### **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**

Following consideration at consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 14 December 2021 and then full Council on 18 January 2022.

### **6 Officer recommendations and reasons**

Having read this report and the accompanying Appendices, Corporate Governance & Audit Committee are asked to:

- 6.1 Note the half-year treasury management performance in 2021/22 as set out in the report;

### **7 Contact officer**

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



**8 Background Papers and History of Decisions**

CIPFA's Prudential Code for Capital Finance in Local Authorities.

CIPFA's Code of Practice on Treasury Management in the Public Services.

CIPFA's Treasury Management in the Public Services – Guidance notes

The treasury management strategy report for 2021/22 - Council 10 February 2021

Council Budget Strategy Update Report 2022/23 – Council 13 October 2021

Annual Report on Treasury Management 2020/21 - Annual Financial Outturn and Rollover Report 2020/21; Council 23 July 2021

**9 Service Director responsible**

Eamon Croston      01484 221000

<b>Kirklees Council Investments 2021/22</b>												
Counterparty	Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2021*	1 April 2021 (opening)			30 June 2021			30 September 2021		
				£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment
<b>Specified Investments</b>												
LAPF Property Fund	10.0	-	-	10.0	-	***	10.0	-	***	10.0	-	***
DMO Govt	Unlimited	-	F1+/AA-	0.0	-	-	0.0	-	-	0.0	-	-
Santander Bank	10.0	F1	F1/A+	5.0	0.30%	35 Day Notice	0.0	0.10%	35 Day Notice	5.0	0.10%	35 Day Notice
Barclays Bank	10.0	F1	F1/A+	0.6	0.01%	Deposit	0.0	0.01%	Deposit	0.0	0.01%	Deposit
Aberdeen Standard MMF**	10.0	AAA-A	AAA	8.6	0.01%	MMF	10.0	0.01%	MMF	10.0	0.01%	MMF
Aviva MMF**	10.0	Aaa-A2	Aaa*	7.0	0.01%	MMF	9.6	0.01%	MMF	6.1	0.01%	MMF
Deutsche MMF**	10.0	AAA-A	AAA	5.9	0.01%	MMF	9.9	0.02%	MMF	10.0	0.02%	MMF
Goldman Sachs MMF**	10.0	AAA-A	AAA	0.0	0.00%	MMF	4.0	0.00%	MMF	0.0	0.00%	MMF
				<b>37.1</b>			<b>43.5</b>			<b>41.1</b>		
<b>Sector analysis</b>												
Property Fund	10.0			10.0	27%		10.0	23%		10.0	24%	
Bank	10.0 each			5.6	15%		0.0	0%		5.0	12%	
MMF**	50.0			21.5	58%		33.5	77%		26.1	64%	
Central Govt	Unlimited			0.0	0%		0.0	0%		0.0	0%	
				<b>37.1</b>	100%		<b>43.5</b>	100%		<b>41.1</b>	100%	
<b>Country analysis</b>												
UK				15.6	42%		10.0	23%		15.0	36%	
MMF**				21.5	58%		33.5	77%		26.1	64%	
				<b>37.1</b>	100%		<b>43.5</b>	100%		<b>41.1</b>	100%	

\*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

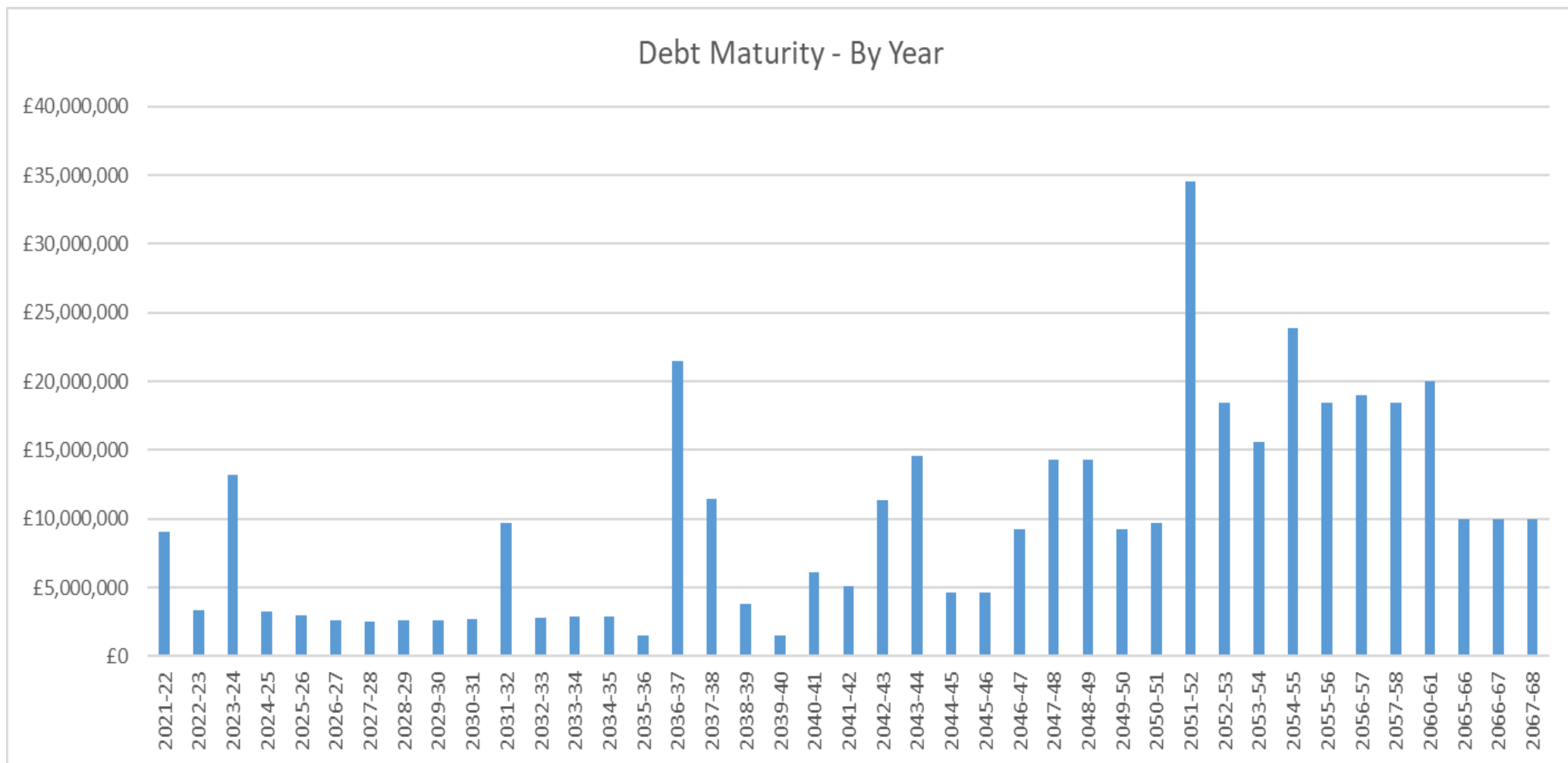
\*\*MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

\*\*\*Specialised property fund available for Local Authority investors.

**Key – Fitch’s credit ratings:**

**Appendix 1 Continued**

		<b>Long</b>	<b>Short</b>
Investment Grade	Extremely Strong	AAA	F1+
		AA+	
	Very Strong	AA	
		AA-	
		A+	
	Strong	A	
		A-	
		BBB+	F2
	Adequate	BBB	
BBB-		F3	
Speculative Grade	Speculative	BB+	B
		BB	
		BB-	
	Very Speculative	B+	
		B	
		B-	
	Vulnerable	CCC+	C
		CCC	
		CCC-	
		CC	
		C	
	Defaulting	D	D



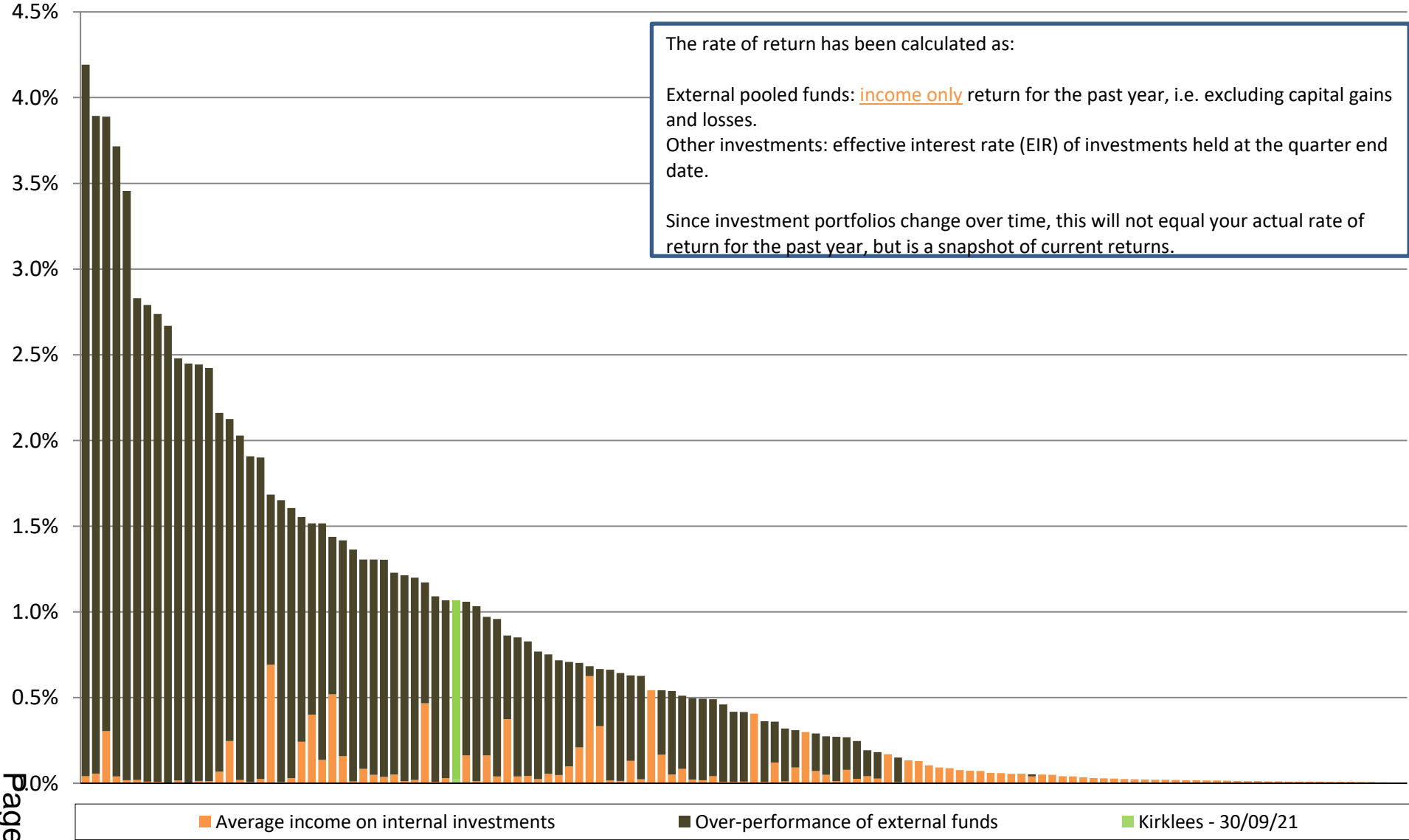
### Income Only Return on Total Investments (Internal plus External Funds)

The rate of return has been calculated as:

External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.

Other investments: effective interest rate (EIR) of investments held at the quarter end date.

Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.



**Treasury Management Prudential Indicators**

**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. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2021/22	Estimated Actual* 2021/22
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

\*The estimated actual is within the limits set.

**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.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2021/22	Estimated Actual 2021/22
Under 12 months	0% - 20%	3%
12 months to 2 years	0% - 20%	1%
2 years to 5 years	0% - 60%	5%
5 years to 10 years	0% - 80%	4%
More than 10 years	20% - 100%	87%

The limits on the proportion of fixed rate debt were adhered to.

**Total principal sums invested for periods longer than 364 days**

The Council will not invest sums for periods longer than 364 days.

Long-term loans repaid during the period 01/04/21 to 30/09/21

	<b>Amount £000s</b>	<b>Rate %</b>	<b>Date repaid</b>
Salix - Annuity	321	0.00	1 April 21
PWLB (313112) - EIP	250	1.64	6 Sept 21
PWLB (496956) - Annuity	386	4.58	29 Sept 21
<b>Total</b>	<b>957</b>		

Long-term loans to be repaid during the period 01/10/21 to 31/03/22

	<b>Amount £000s</b>	<b>Rate %</b>	<b>Date to be repaid</b>
Salix - Annuity	490	0.00	1 Oct 21
PWLB (340221) - EIP	250	1.63	27 Oct 21
PWLB (373440) - EIP	250	1.46	12 Jan 22
PWLB (475156) - Maturity	6,458	8.63	14 Feb 22
PWLB (313112) - EIP	250	1.64	4 Mar 22
PWLB (496956) - Annuity	395	4.58	29 Mar 22
<b>Total</b>	<b>8,093</b>		

## **TREASURY MANAGEMENT PRACTICES**

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

### **1. TMP 1 Risk management**

The Service Director - Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

#### **(i) Credit and counterparty risk management**

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques are listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### **(ii) Liquidity risk management**

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. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

#### **(iii) Interest rate risk management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.



(iv) Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(v) Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(vi) Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(vii) Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(viii) Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

2. **TMP2 Performance measurement**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential

improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

3. **TMP3 Decision-making and analysis**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **TMP4 Approved instruments, methods and techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice when entering into arrangements to use such products.

5. **TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Service Director - Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Service Director - Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Service Director - Finance in respect of treasury management is set out in the schedule to this document. The Service Director - Finance will fulfil all such

responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

#### 6. **TMP6 Reporting requirements and management information arrangements**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

#### 7. **TMP7 Budgeting, accounting and audit arrangements**

The Service Director - Finance will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Service Director - Finance will exercise effective controls over this budget, and will report any major variations.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

#### 8. **TMP8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director - Finance and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director - Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i)

Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **TMP9 Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **TMP10 Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **TMP11 Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such arrangement's rests with the Service Director - Finance, and details of the current arrangements are set out in the schedule to this document.

12. **TMP12 Corporate governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury

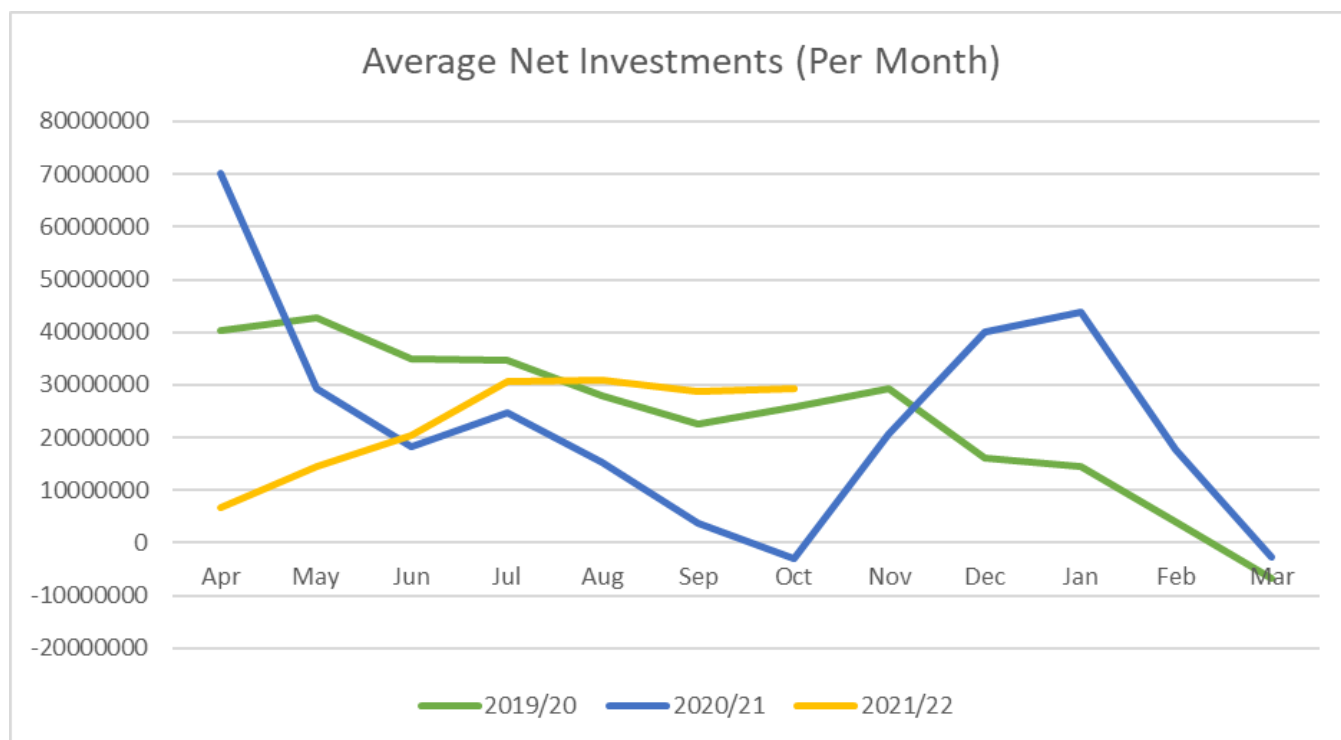
management, and the Service Director - Finance will monitor and, if necessary, report upon the effectiveness of these arrangements.

### **Management Practices for Non-Treasury Investments**

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.



<b>PWLB Borrowing Rates %</b>								
	30/09/21	31/03/21	30/09/20	31/03/20	31/10/19	09/10/19	08/10/19	29/03/19
<b>Annuity</b>								
15 years	1.87	1.74	2.09	2.24	2.50	2.30	1.27	1.93
20 years	2.07	1.97	2.27	2.40	2.67	2.46	1.45	2.09
30 years	2.31	2.26	2.58	2.69	3.00	2.79	1.78	2.44
50 years	2.38	2.38	2.76	2.84	3.20	2.99	1.98	2.58
<b>Maturity</b>								
15 years	2.28	2.22	2.56	2.66	2.96	2.76	1.75	2.39
20 years	2.38	2.35	2.72	2.84	3.16	2.95	1.94	2.54
30 years	2.36	2.37	2.74	2.79	3.18	2.97	1.96	2.57
50 years	2.17	2.20	2.60	2.59	3.05	2.82	1.81	2.43
<b>EIP</b>								
15 years	1.86	1.72	2.09	2.26	2.51	2.30	1.29	1.89
20 years	2.04	1.95	2.26	2.40	2.66	2.45	1.44	2.07
30 years	2.28	2.22	2.56	2.68	2.97	2.77	1.76	2.38
50 years	2.39	2.39	2.77	2.87	3.21	3.00	1.99	2.59

# Kirklees Council Audit Progress Report and Sector Update

Year ending 31 March 2022

November 2021



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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.

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# Introduction

## Your key Grant Thornton team members are:

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This paper provides the Corporate Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Corporate Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at November 2021

## Financial Statements Audit 2020/21

We presented our detailed Audit Findings Report to the 24 September 2021 Corporate Governance and Audit Committee setting out our response to audit risks and the proposed audit opinion.

We concluded our financial statements audit in November 2021 after receiving the responses we required regarding the Council's net pension liability from the Pension Funds and their auditor. We issued our audit opinion on 5 November 2021. The audit opinion was unqualified and unmodified.

Our responsibilities include providing an assurance statement on the Council's Whole of Government Accounts consolidation pack to the National Audit Office (NAO), based upon the 2020/21 audited financial statements. The NAO has not yet confirmed the data collection arrangements to the Council and therefore our assurance work is expected during early 2022, after which we will provide our certification that the audit is completed.

## Financial Statements Audit 2021/22

We are currently at the initial planning stage of the 2021/22 audit. This involves audit risk assessment informed by review of minutes from assurance committees, review of Internal Audit reports, meetings with senior officers and an understanding of any changes to the Code of Practice which may impact upon the Council.

We will undertake detailed audit planning and interim testing of balances in the spring of 2022 in order to issue our detailed Audit Plan in June 2022.

## Value for Money 2020/21

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

We plan to complete our Value for Money work during December 2021 and January 2022 and to issue the Auditor's Annual Report no later than 5 February 2022, on accordance with the NAO timetable.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Corporate Governance and Audit Committee (CGAC) setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	July 2021	Completed
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the December CGAC</p>	November 2021	Completed
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	November 2021	Completed
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	By 5 February 2022	Not yet due
2021/22 Deliverables (dates to be confirmed)	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Corporate Governance and Audit Committee (CGAC) setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	June 2022	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the December CGAC</p>	September 2022	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	September 2022	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	September 2022	Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Corporate Governance and Audit Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font.

Local  
government

# What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

# Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Corporate Governance and Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

# Local government finance in the pandemic – National Audit Office

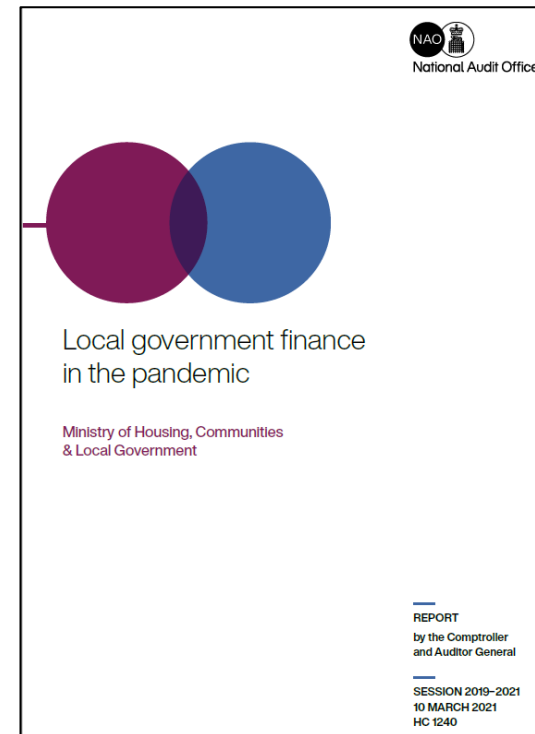
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)



# Local authority Covid-19 pressures - MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

**Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	<b>3,181.254</b>
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	<b>378.846</b>
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	<b>298.584</b>
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	<b>299.433</b>
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	<b>340.858</b>
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	<b>2,363.926</b>
<b>Total</b>	<b>329.937</b>	<b>2,111.187</b>	<b>1,791.153</b>	<b>1,503.848</b>	<b>1,126.777</b>	<b>6,862.902</b>



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

**Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	<b>1,215.708</b>
Council tax	399.037	0.000	217.633	191.219	232.727	<b>1,040.616</b>
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	<b>2,137.728</b>
Commercial income	82.448	24.159	120.629	204.211	52.154	<b>483.600</b>
Other	33.494	39.947	27.163	53.664	45.166	<b>199.435</b>
<b>Total</b>	<b>1,307.903</b>	<b>259.029</b>	<b>1,113.524</b>	<b>1,053.190</b>	<b>1,343.441</b>	<b>5,077.087</b>



# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

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

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

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

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

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



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

# Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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**Name of meeting:** Corporate Governance and Audit Committee  
26 November 2021, Council 8 December 2021.

**Title of report:** Public Sector Audit Appointments (PSAA)  
Process for the 2023-28 Period

**Purpose of report**

The report updates Members on the Public Sector Audit Appointments (PSAA) process for the appointment of external audit provision.

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 <a href="#">Council's Forward Plan (key decisions and private reports)</a> ?	No
The Decision - Is it eligible for "call in" by Scrutiny?	No
Date signed off by Strategic Director & name	
Is it also signed off by the Service Director for Finance?	Eamonn Croston 16/11/2021
Is it also signed off by the Service Director – Legal, Governance & Commissioning?	Julie Muscroft 16/11/2021
Cabinet member portfolio- Corporate	Cllr Shabir Pandor Cllr Paul Davies

**Electoral wards affected:** Not applicable

**Ward councillors consulted:** Not applicable

**Public or private:** Public

**GDPR:** This report contains no information that falls within the scope of General Data Protection Regulations.

**1. Summary**

The report updates Members on the proposed procurement exercise for Public Sector Audit Appointments (PSAA) process for the 2023 to 2028 period, which, subject to Local Authorities exercising their right to opt in, is to be undertaken by the PSAA to appoint their external auditors from 1 April 2023 to cover the period 2023-2028.

## **2. Information required to take a decision**

- 2.1 The Audit Commission was formally closed on 31 March 2015, and Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014. PSAA is a company limited by guarantee without share capital and is a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the LGA.
- 2.2 In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 2.3 Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. PSAA has a responsibility for ensuring that the company delivers the following objectives:
- appointing auditors to all relevant authorities;
  - setting scales of fees, and charging fees, for the audit of accounts of relevant authorities and consulting with relevant parties in relation to those scales of fees;
  - ensuring effective management of contracts with audit firms for the delivery of consistent, quality and effective audit services to relevant authorities;
  - ensuring that public money continues to be properly accounted for and protected;
  - being financially responsible having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies; and
  - leading its people as a good employer, ensuring that it continues to be fit-for-purpose; motivating and supporting its staff; and communicating with them in an open, honest and timely way.
- 2.4 An individual Local Authority could appoint their own auditor if they so choose. In practice the vast majority, including this Council, opted into the procurements undertaken by the PSAA. The current contracts for audit procurement let by the PSAA expire after the end of the financial year 2022/23. One of the recommendations from the Redmond Review was that the PSAA will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.
- 2.5 On 22 September 2021, PSAA invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023, for a further 5 years. Both documents have evolved in response to the feedback provided by the PSAA market engagement exercise and consultation on the draft prospectus undertaken during June 2021. A link to the prospectus and strategy is included at Section 9 of this report.

- 2.6 The alternative to using PSAA to appoint an auditor is to carry out a council specific procurement (or one with another consortium of local authorities) compliant with all normal procurement rules, and an additional set of complex rules (including an independent selection panel) required by the Department for Levelling Up, Housing & Communities.
- 2.7 Delayed audit opinions continue to be a major concern in the local audit system. The growing scale of the challenge is illustrated by the latest figures compiled by PSAA. As at the target date of 30 September 2021 only 9% of local government bodies' 2020/21 audits have been completed. The position compares to completion of 45% of 2019/20 audits and 57% of 2018/19 audits by the respective target dates of 30 November 2020 and 31 July 2019.
- 2.8 The challenges posed by Covid-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular, there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.
- 2.9 The recommendation of the Service Director- Finance is that the Council should opt-in to the procurement exercise undertaken by the PSAA, who remain best placed to drive whole system improvements on the sector's behalf. It is consistent with the principle recommended in the Redmond Review that Local Authorities should not appoint their own auditor. In terms of price, there is a likely benefit from a bulk procurement, and it is uncertain if Kirklees were to undertake its own procurement it would attract an appropriate external auditor. One of the findings from the Redmond review was that there are only limited participants in the market prepared to undertake Local Authority audit.

## **2. 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 Council wants a qualified, competent supplier at a reasonable cost, to perform their independent certification duties, including the added requirement to report to CGAC with a much expanded value for money commentary requirement from 2020/21 onwards, separate to the audit opinion of the annual financial statements.

**4. Consultees and their opinions**

N/A

**5. Next steps**

PSAA guidance states that a decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council.

Subject to the Corporate Governance & Audit Committee recommendation 'opt-in' being approved at full Council, officers must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) no later than midnight on Friday 11 March 2022.

When the Auditor Panel, or Public Sector Audit Appointments Ltd have carried out a tender process, they will recommend an auditor to the Council. An Auditor needs to be appointed by 31<sup>st</sup> December 2022.

**6. Officer recommendations and reasons**

- 6.1 That Corporate Governance & Audit Committee having considered the potential options, recommend that Council ask Public Sector Audit Appointments Ltd to carry out Auditor Panel duties on behalf of the Council and nominate a proposed External Auditor to the Council in due course, for the 2023-28 period.

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

N/A

**8. Contact officer**

James Anderson      Head of Accountancy  
01484 221000      james.anderson@kirklees.gov.uk

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

[https://www.psa.co.uk/  
PSAA prospectus-and-procurement-strategy](https://www.psa.co.uk/PSAA-prospectus-and-procurement-strategy)

**10. Service Director responsible**

Eamonn Croston      01484 221000





**Name of meeting: Corporate Governance and Audit**

**Date: 26<sup>th</sup> November 2021**

**Title of report: Recommendation on the Code of Conduct from Standards Committee**

**Purpose of report:**

To ask Corporate Governance and Audit to recommend changes to the Council's Code of Conduct proposed by the Standards Committee to Council.

<b>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?</b>	<b>NO</b>
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>NO</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>NO</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>Rachel Spencer-Henshall 18/11/21</b>  <b>Eamonn Croston 18/11/21</b>  <b>Julie Muscroft 18/11/21</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Paul Davies</b>

**Electoral wards affected: All**

**Ward councillors consulted: NO**

**Public or private: Public**

**Has GDPR been considered? YES**

## **1. Summary**

- 1.1 This report is intended to update Corporate Governance and Audit on the Standards Committee's recommendations on the Code of Conduct.
- 1.2 The Standards Committee met on the 14<sup>th</sup> of September and considered a report on the LGA Model Code of Conduct and whether or not it should be adopted in Kirklees.
- 1.3 After discussing the options, it was agreed that Standards Committee would recommend a 'hybrid' code of conduct to this committee, and ask that it be agreed and referred to Council as a recommendation of this committee.

## **2. Information required to take a decision**

- 2.1 In the CSPL report that was published in January 2019, there were a number of best practice suggestions made for Local Authorities to incorporate into their codes of conduct. The majority of those were either already in the Kirklees Code or were adopted following the publication of the report. The LGA also undertook to draft a model code of conduct, based on the recommendations of the report.
- 2.2 The LGA's model code was published in December 2020, and incorporated the best practice suggestions that were in the CSPL report and which had also by then had been incorporated into the Kirklees code. The principal difference was a stylistic one, with the LGA model code being written in the first person, reading more as a 'contract'.
- 2.3 Consideration was given to the LGA's draft model of Code of Conduct, and it was compared to the existing Kirklees code. The available choices were to adopt the code in full, to adopt it in part with some revisions or to reject it outright and to retain the Kirklees code.
- 2.4 It was felt that, whilst the LGA model code was overall a good and clear document, there were some areas where it was not as detailed as the existing Kirklees code (e.g. relating to Other Interests) and that to adopt it in full would mean that we would lose some clarity in those areas. . The Standards Committee took the view that the best approach was to adopt the LGA code, but to make some modifications to it to incorporate those parts of the Kirklees code that it was felt addressed certain issues in a better or clearer way.
- 2.5 A 'hybrid' code was drafted, which used the LGA code as its starting point, adding those parts of the Kirklees code identified as being preferable to the LGA's drafting. The proposed drafted 'hybrid' code is attached at Appendix 1.
- 2.6 Members are asked to review the proposed draft and to recommend that to Council for adoption.

### **3. Implications for the Council**

The Council is required under the Localism Act 2011 to have a members Code of Conduct but is at liberty to determine the contents of any Code.

#### **3.1 Working with People**

N/A

#### **3.2 Working with Partners**

N/A

#### **3.3 Place Based Working**

N/A

#### **3.4 Climate Change and Air Quality**

In order to minimise any impact, printing is kept to a minimum.

#### **3.5 Improving outcomes for children**

N/A

#### **3.6 Other (eg Legal/Financial or Human Resources) Consultees and their opinions**

The promotion and maintenance of high standards of conduct by councillors is an important part of maintaining public confidence in both the council and its members. Failure to do so could have significant reputational implications.

### **4. Next steps and timelines**

If applicable, this committee's recommendation will be put before Council.

Any recommendation will be considered by Council and, subject to approval, the Monitoring Officer will amend the Constitution to incorporate the amended version of the Code of Conduct.

### **5. Officer recommendations and reasons**

Members are asked to recommend to Council to adopt the draft 'hybrid' code that is based on the LGA model code as set out in Appendix to this report.

**6. Cabinet Portfolio Holder's recommendations**

N/A

**7. Contact officer**

David Stickley  
Senior Legal Officer  
01484 221000  
[david.stickley@kirklees.gov.uk](mailto:david.stickley@kirklees.gov.uk)

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

Report to Standards Committee & Appendices – 15<sup>th</sup> September 2021

**9. Service Director responsible**

Julie Muscroft  
Service Director – Legal, Governance and Commissioning  
01484 221000  
[julie.muscroft@kirklees.gov.uk](mailto:julie.muscroft@kirklees.gov.uk)

## **Appendix 1**

Draft version of a hybrid proposed Code of Conduct

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## **Code of Conduct for Members**

## Definitions

For the purposes of this Code of Conduct:

- “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

- “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

- “meeting” means any meeting of:

- the authority;
- the executive of the authority
- any of the authority’s or its executive’s committees, sub-committees, joint committees or joint sub-committees

- “body” means any body of which you are a member or in a position of general control and management and:

- to which you are appointed or nominated by your authority, or
- which is a body
  - exercising functions of a public nature or
  - directed to charitable purposes or
  - one of whose principal purposes includes the influence of public opinion or policy

- “relevant person” means any person with whom you have a family, social or business relationship.

## Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, Kirklees officers and the reputation of Kirklees Council. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.



## **General principles of councillor conduct**

The principles of public life apply to everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor. I promote these principles and will challenge poor behaviour where it occurs.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest and act solely in terms of the public interest
- I understand that I am accountable to the public for my decisions and actions and will submit myself to scrutiny
- I will act and take decisions in an open and transparent manner and will not withhold information from the public unless there are clear and lawful reasons for doing so
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

## **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you are at meetings of the authority
- you are acting as a representative of the authority
- you are taking any decision as a Cabinet member or Ward Councillor
- you are discharging your functions as a Ward Councillor
- you are at briefing meetings with officers and at site visits
- you are corresponding with the authority other than in a private capacity
- you misuse your position as a councillor

- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

Where you act as a representative of your authority on another local authority you must, when acting for that other authority, comply with that other authority's code of conduct.

Where you act as a representative of your authority on a body which is not another local authority you must, when acting for that other body, comply with this Code, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

The Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

## **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

##### **As a councillor:**

**1.1 I treat other councillors and members of the public with respect.**

**1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

## **2. Bullying, harassment and discrimination**

**As a councillor:**

**2.1 I do not bully any person.**

**2.2 I do not harass any person.**

**2.3 I promote equalities and do not discriminate unlawfully against any person.**

**2.4 I will not do anything which may cause the Council to breach any of its equality duties.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

**As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **4. Confidentiality and access to information**

**As a councillor:**

#### **4.1 I do not disclose information:**

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. I have received the consent of a person authorised to give it;**
  - ii. I am required by law to do so;**
  - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. the disclosure is:**
    - 1. reasonable and in the public interest; and**
    - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - 3. I have consulted the Monitoring Officer prior to its release.**

#### **4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**

#### **4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

**As a councillor:**

**5.1 I do not bring my role or local authority into disrepute.**

**5.2 I do not conduct myself in a manner which contrary to the Council's duty to promote and maintain high standards of behaviour.**

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

**As a councillor:**

**6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Behaviours**

**As a Councillor:**

**7.1 I will comply with the standards outlined in the Council's behaviours, in particular the Member / Officer Protocol.**

There may be policies and guidance related to standards of appropriate behaviour and responsibilities agreed and issued from time to time which you will be expected to have regard to.

## **8. Use of local authority resources and facilities**

**As a councillor:**

**8.1 I do not misuse council resources.**

**8.2 I will, when using the resources of the local authority or authorising**

**their use by others:**

- a. act in accordance with the local authority's requirements**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed ; and**
- c. have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **9. Media and public speaking**

**As a Councillor:**

- 9.1 I will be clear when communicating with the media or speaking in public that I do not give the impression that I am acting in an official capacity when I am not.**

It is important that you do not do or say anything that might mislead members of the public into believing that you are speaking on behalf of the Council or that your views represent an official Council position when it is your own personal or political view.

## **10. Attendance at Meetings**

**As a Councillor**

- 10.1 I will comply with the rules and procedures of meetings I attend**
- 10.2 I will comply with the Council's Standing Orders and the rulings of the Chair**

## **11. Decision Making**

**As a Councillor**

- 11.1 When reaching decisions on any matter I will have regard to any relevant advice from:**



- a. **The Chief Finance Officer (statutory S.151 officer)**
- b. **The Monitoring Officer (Service Director of Legal, Governance and Commissioning) where she is acting pursuant to her statutory duties**

## **12. Complying with the Code of Conduct**

**As a Councillor:**

- 12.1 I undertake Code of Conduct training provided by my local authority.**
- 12.2 I cooperate with any Code of Conduct investigation and/or determination.**
- 12.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**
- 12.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

### **Protecting your reputation and the reputation of the local authority**

## **13. Interests**

**As a councillor:**

- 13.1 I register and disclose my interests.**
- 13.2 Disclosable Pecuniary Interests**

Disclosable Pecuniary Interests ("DPs") are those interests defined as such in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 ("the 2012 Regulations") or in any subsequent regulations which amend, vary or revoke the 2012 Regulations. For the purposes of illustration only, a summary of the 2012 Regulations is set out in the Schedule to this Code of Conduct.

I will, within 28 days of:

adoption of this Code of Conduct by the authority; or

taking office as a member or co-opted member of the authority notify the authority's Monitoring Officer of any DPI, where the pecuniary interest is mine, my spouse's or civil partner's, or is the pecuniary interest of somebody whom I am living with as a husband or wife, or as if we were civil partners.

When I am present at a meeting of the authority and I have a DPI in any matter to be considered or being considered at the meeting, and where the matter does not relate to 'sensitive information' as defined below, I will disclose the existence and nature of the interest to the meeting.

Following any disclosure of a DPI not on the authority's register or the subject of pending notification, I will notify the authority's Monitoring Officer of that interest within 28 days beginning with the date of disclosure.

Unless a dispensation has been granted, I will not participate in any discussion of, vote on, or discharge any function related to any matter in which I have a DPI and will withdraw from the meeting while the matter is under consideration.

I will within 28 days of becoming aware of any new DPI or the need to change or update a current DPI registration, notify the authority's Monitoring Officer of those new or revised register entries.

### **13.3 Interests which are not Disclosable Pecuniary Interests (Other Interests)**

In addition to the requirements relating to DPIs, if I attend a meeting at which any item of business is to be considered and I am aware that I have an interest which does not amount to a DPI I will make a verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent.

I will have an Other interest where –

(a) a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of me or a member of my family or a person or an organisation with whom I have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which I have been elected or otherwise of the authority's administrative area, or

(b) it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of my family (other than a partner) or a person with whom I have a close association.

In such circumstances I will consider whether my continued participation in the matter relating to my interest would be reasonable in the circumstances, particularly if the interest may give rise to a perception of a conflict of interests in the matter under discussion.

I will not have an Other interest if the interest relates to any business of the authority in respect of –

- housing, where I am a tenant of your authority provided that those functions do not relate particularly to my tenancy or lease;
- school meals or school transport and travelling expenses, where I am a

- parent or guardian of a child in full time education, or am a parent governor of a school, unless it relates particularly to the school which the child attends;
- statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where I am in receipt of, or am entitled to the receipt of, such pay;
  - an allowance, payment or indemnity given to members;
  - any ceremonial honour given to members; and
  - setting council tax or a precept under the Local Government Finance Act 1992.

#### **13.4 Sensitive Interests**

Where I have an interest which is not a disclosable pecuniary interest and information relating to the interest is sensitive information, I will indicate to the meeting that I have an interest, the details of which are withheld.

#### **13.5 Sensitive Information**

Where I consider that the information relating to any of my interests is sensitive information, and the monitoring officer agrees, I will not include that information when registering that interest.

I will, within 28 days of becoming aware of any change of circumstances which means that information excluded is no longer sensitive information, notify the monitoring officer asking that the information be included in the register of members' interests.

In this Code, "sensitive information" means information whose availability for inspection by the public creates, or is likely to create, a serious risk that I or a person connected with me may be subjected to violence or intimidation.

## **14. Gifts and hospitality**

**As a councillor:**

- 14.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 14.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.**
- 14.3 I register with the Monitoring Officer any gifts from the same source that exceed a cumulative total of £100 in any year.**
- 14.4 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

## **Appendices**

### **Appendix A – The Seven Principles of Public Life**

The principles are:

#### **Selflessness**

Holders of public office should act solely in terms of the public interest.

#### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

#### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### **Honesty**

Holders of public office should be truthful.

#### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

**Table 1: Disclosable Pecuniary Interests**

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) 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 the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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\* 'director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table 2: Other Registrable Interests**

<p>You must register as an Other Registerable Interest :</p> <ul style="list-style-type: none"> <li>a) any unpaid directorships</li> <li>b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority</li> <li>c) any body <ul style="list-style-type: none"> <li>(i) exercising functions of a public nature</li> <li>(ii) directed to charitable purposes or</li> <li>(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)</li> </ul> </li> </ul> <p>of which you are a member or in a position of general control or management</p>
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## **Code of Conduct for Members**

## Definitions

For the purposes of this Code of Conduct:

- “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

- “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

- “meeting” means any meeting of:

- the authority;
- the executive of the authority
- any of the authority’s or its executive’s committees, sub-committees, joint committees or joint sub-committees

- “body” means any body of which you are a member or in a position of general control and management and:

- to which you are appointed or nominated by your authority, or
- which is a body
  - exercising functions of a public nature or
  - directed to charitable purposes or
  - one of whose principal purposes includes the influence of public opinion or policy

- “relevant person” means any person with whom you have a family, social or business relationship.

## Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, Kirklees officers and the reputation of Kirklees Council. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **General principles of councillor conduct**

The principles of public life apply to everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor. I promote these principles and will challenge poor behaviour where it occurs.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest and act solely in terms of the public interest
- I understand that I am accountable to the public for my decisions and actions and will submit myself to scrutiny
- I will act and take decisions in an open and transparent manner and will not withhold information from the public unless there are clear and lawful reasons for doing so
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

## **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you are at meetings of the authority
- you are acting as a representative of the authority
- you are taking any decision as a Cabinet member or Ward Councillor
- you are discharging your functions as a Ward Councillor
- you are at briefing meetings with officers and at site visits
- you are corresponding with the authority other than in a private capacity
- you misuse your position as a councillor

- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

Where you act as a representative of your authority on another local authority you must, when acting for that other authority, comply with that other authority's code of conduct.

Where you act as a representative of your authority on a body which is not another local authority you must, when acting for that other body, comply with this Code, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

The Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

## **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

##### **As a councillor:**

**1.1 I treat other councillors and members of the public with respect.**

**1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

## **2. Bullying, harassment and discrimination**

**As a councillor:**

**2.1 I do not bully any person.**

**2.2 I do not harass any person.**

**2.3 I promote equalities and do not discriminate unlawfully against any person.**

**2.4 I will not do anything which may cause the Council to breach any of its equality duties.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

**As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **4. Confidentiality and access to information**

**As a councillor:**

#### **4.1 I do not disclose information:**

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. I have received the consent of a person authorised to give it;**
  - ii. I am required by law to do so;**
  - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. the disclosure is:**
    - 1. reasonable and in the public interest; and**
    - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - 3. I have consulted the Monitoring Officer prior to its release.**

#### **4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**

#### **4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

**As a councillor:**

**5.1 I do not bring my role or local authority into disrepute.**

**5.2 I do not conduct myself in a manner which contrary to the Council's duty to promote and maintain high standards of behaviour.**

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

**As a councillor:**

**6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Behaviours**

**As a Councillor:**

**7.1 I will comply with the standards outlined in the Council's behaviours, in particular the Member / Officer Protocol.**

There may be policies and guidance related to standards of appropriate behaviour and responsibilities agreed and issued from time to time which you will be expected to have regard to.

## **8. Use of local authority resources and facilities**

**As a councillor:**

**8.1 I do not misuse council resources.**

**8.2 I will, when using the resources of the local authority or authorising**



**their use by others:**

- a. act in accordance with the local authority's requirements**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed ; and**
- c. have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **9. Media and public speaking**

### **As a Councillor:**

#### **9.1 I will be clear when**

**communicating with the media  
or speaking in public that I do  
not give the impression that I am  
acting in an official capacity  
when I am not.**

It is important that you do not do or say anything that might mislead members of the public into believing that you are speaking on behalf of the Council or that your views represent an official Council position when it is your own personal or political view.

## **10. Attendance at Meetings**

### **As a Councillor**

**10.1 I will comply with the rules  
and procedures of meetings I  
attend**

**10.2 I will comply with the  
Council's Standing Orders and  
the rulings of the Chair**

## **11. Decision Making**

### **As a Councillor**

**11.1 When reaching decisions on  
any matter I will have regard to  
any relevant advice from:**

- a. **The Chief Finance Officer (statutory S.151 officer)**
- b. **The Monitoring Officer (Service Director of Legal, Governance and Commissioning) where she is acting pursuant to her statutory duties**

## **12. Complying with the Code of Conduct**

**As a Councillor:**

- 12.1 I undertake Code of Conduct training provided by my local authority.**
- 12.2 I cooperate with any Code of Conduct investigation and/or determination.**
- 12.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**
- 12.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

**Protecting your reputation and the reputation of the local authority**

## **13. Interests**

**As a councillor:**

- 13.1 I register and disclose my interests.**
- 13.2 Disclosable Pecuniary Interests**

Disclosable Pecuniary Interests ("DPs") are those interests defined as such in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 ("the 2012 Regulations") or in any subsequent regulations which amend, vary or revoke the 2012 Regulations. For the purposes of illustration only, a summary of the 2012 Regulations is set out in the Schedule to this Code of Conduct.

I will, within 28 days of:

adoption of this Code of Conduct by the authority; or

taking office as a member or co-opted member of the authority notify the authority's Monitoring Officer of any DPI, where the pecuniary interest is mine, my spouse's or civil partner's, or is the pecuniary interest of somebody whom I am living with as a husband or wife, or as if we were civil partners.

When I am present at a meeting of the authority and I have a DPI in any matter to be considered or being considered at the meeting, and where the matter does not relate to 'sensitive information' as defined below, I will disclose the existence and nature of the interest to the meeting.

Following any disclosure of a DPI not on the authority's register or the subject of pending notification, I will notify the authority's Monitoring Officer of that interest within 28 days beginning with the date of disclosure.

Unless a dispensation has been granted, I will not participate in any discussion of, vote on, or discharge any function related to any matter in which I have a DPI and will withdraw from the meeting while the matter is under consideration.

I will within 28 days of becoming aware of any new DPI or the need to change or update a current DPI registration, notify the authority's Monitoring Officer of those new or revised register entries.

### **13.3 Interests which are not Disclosable Pecuniary Interests (Other Interests)**

In addition to the requirements relating to DPIs, if I attend a meeting at which any item of business is to be considered and I am aware that I have an interest which does not amount to a DPI I will make a verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent.

I will have an Other interest where –

- (a) a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of me or a member of my family or a person or an organisation with whom I have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which I have been elected or otherwise of the authority's administrative area, or
- (b) it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of my family (other than a partner) or a person with whom I have a close association.

In such circumstances I will consider whether my continued participation in the matter relating to my interest would be reasonable in the circumstances, particularly if the interest may give rise to a perception of a conflict of interests in the matter under discussion.

I will not have an Other interest if the interest relates to any business of the authority in respect of –

- housing, where I am a tenant of your authority provided that those functions do not relate particularly to my tenancy or lease;
- school meals or school transport and travelling expenses, where I am a

- parent or guardian of a child in full time education, or am a parent governor of a school, unless it relates particularly to the school which the child attends;
- statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where I am in receipt of, or am entitled to the receipt of, such pay;
  - an allowance, payment or indemnity given to members;
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In this Code, "sensitive information" means information whose availability for inspection by the public creates, or is likely to create, a serious risk that I or a person connected with me may be subjected to violence or intimidation.

## **14. Gifts and hospitality**

**As a councillor:**

- 14.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 14.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.**
- 14.3 I register with the Monitoring Officer any gifts from the same source that exceed a cumulative total of £100 in any year.**
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In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.



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#### **Honesty**

Holders of public office should be truthful.

#### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.







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<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) 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 the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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\* 'director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table 2: Other Registrable Interests**

<p>You must register as an Other Registerable Interest :</p> <ul style="list-style-type: none"> <li>a) any unpaid directorships</li> <li>b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority</li> <li>c) any body <ul style="list-style-type: none"> <li>(i) exercising functions of a public nature</li> <li>(ii) directed to charitable purposes or</li> <li>(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)</li> </ul> </li> </ul> <p>of which you are a member or in a position of general control or management</p>
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**Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE**

**Date: 26<sup>th</sup> NOVEMBER 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.**

<b>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?</b>	<b>not applicable</b>
<b>Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)</b>	<b>not applicable</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>not applicable</b>
<b>Date signed off by Strategic Director &amp; name</b>	<b>not applicable</b>
<b>Is it also signed off by the Service Director for Finance IT and Transactional Services?</b>	<b>Eamonn Croston (16/11/21)</b>
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning Support?</b>	<b>Julie Muscroft (16/11/21)</b>
<b>Cabinet member portfolio</b>	<b>not applicable</b>

**Public or private: PRIVATE APPENDIX**

**Part of 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, As reported in January 2021, there are still difficulties in engaging service directors and heads of service in the risk management process.

The Risk Panel now meets regularly, and the Executive Team consider reports at a quarterly frequency, [although the progression through some member processes was not fully achieved during the earlier parts of 2021],

The Corporate Scrutiny Panel have informally reviewed the matrices on several occasions during the year.

The reports have been modified somewhat.

The Corporate Risk Matrix remains quite stable in terms of contents, now structured by risk type with trend analysis and responsibility holders and some symbolic information.

Recognising that change, and “projects” are a core risk to any organisation, there is now a separate project risk matrix. This is still being fully developed.

The Risk Panel reviews a longer schedule of core projects, with a summary based on those of high value, or an immediate issue being shared with those with a governance role.

The third much simpler list of emerging risk and challenges is a little shorter as some issues were previously duplicates of those already within the corporate matrix, or now featuring in the project list.

There has been a long-sought ambition to create a combined reporting of finance and activity performance, and risk, and this is currently under development. This may change the nature of risk reporting through the organisation, though it is unlikely to change the need for the collection of risk information.

To try to drive improvements in risk management practice, an officer is being recruited with a specific remit for this purpose. The role includes encouraging compliance with the processes at directorate level, assessing matter such as risk mitigation, and generally advocating good risk management practice.

## **2. Corporate Risk Matrix**

The Corporate Risk Matrix identifies the ongoing risks and issues many of which are common to any large local authority (and large organisation). These do have a Kirklees dimension; The November 2021 version is attached as Appendix 1 (public)

## **3. Project Risk Matrix**

This report list features of a number of projects that involve the council, (one is not a council project as the Trans-Pennine upgrade is promoted by Network Rail) typically with a high value or a high profile. (Appendix 2- private)

## **4. Emerging Issues and challenges**

This report list issues of risk that do not feature in the other matrices or are particular unusual or discrete aspects that those charged with governance need awareness and to consider if action (e.g., mitigation) is appropriate at this stage. (Appendix 3- private)

## **5. CGAC are asked to**





1. Indicate if they are content with the risk management processes as described, and currently operated.
2. Make comments on the risk information included in the 3 reports, or on any risks not addressed here





M E Dearnley  
Head of Risk November 2021  
Appendices







1. Corporate risk matrix (public)
2. Project risk matrix (private)
3. Emerging risk matrix (private)








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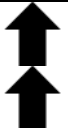




Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend	Risk Matrix Symbol
	<b>Community Impacts &amp; Risks</b>	<b>Delivering service that customers and citizens need</b>			
A1	Covid 19 coronavirus and or seasonal flu has further implications 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	<p>This position requires regular reconsideration as the position can change quickly, and there remains a substantial number of areas of uncertainty.</p> <p>Mitigations need to relate to</p> <ul style="list-style-type: none"> <li>• Infection control and management- as a council activity</li> <li>• Management of financial consequences including seeking to spend national grants effectively, and mitigation against the risk of fraud</li> <li>• Social and economic consequences (including appropriate council interventions therein)</li> <li>• Recognition of long covid and other consequent diseases</li> <li>• Ensuring staffing compliance where specific rules apply for example re vaccination (in direct and contracted facilities)</li> </ul> <p><i>Responsible for this risk –R. Spencer-Henshall and all strategic directors</i></p>	M	  5X4=20	
A2	The council does not adequately safeguard children and vulnerable adults, and those subject to elder abuse, because of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	<ul style="list-style-type: none"> <li>• Disclosure &amp; Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated.</li> <li>• 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</li> <li>• Active management of cases with media interest</li> <li>• Completion of the development of the Corporate Safeguarding Policy (scrutiny Jan'22, then Cabinet Mar'22)</li> <li>• Review of current practices following the child sexual exploitation in other authorities and the emerging requirements.</li> <li>• Ensure that workloads are balanced to resources, and that this worked is prioritised when there are staff resource availability issues</li> <li>• Staff and skill development to minimise dependence on key individuals.</li> <li>• Use of agency staff and or contractors when necessary</li> </ul>	H		

		<ul style="list-style-type: none"> <li>• Ideal manager training</li> <li>• Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally.</li> <li>• Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes</li> <li>• Adults Safeguarding Board has own specific risk register</li> <li>• Effective listening to messages about threats from other parts of the council and partner agencies</li> <li>• Proactive recognition of Members role as “corporate parent”</li> <li>• Childrens Improvement Board to assist governance and quality improvement</li> <li>• Additional work to ensure that corporate safeguarding activities include appropriate control arrangements.</li> <li>• Ensure effective record keeping</li> <li>• Ensure routine internal quality assessment</li> <li>• Training to ensure that there is a proportionate reaction,</li> <li>• Recognise that referrals may have been suppressed as a result of lockdown and other coronavirus related concerns</li> </ul> <p style="text-align: right;"><i>Responsible for this risk – R Parry and M Meggs</i></p>		4X5=20	
<b>A3</b>	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.	<ul style="list-style-type: none"> <li>• Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required.</li> <li>• Risk matrix and risk management approach implemented with the police and partners.</li> <li>• Provision of support pathways to assist victims</li> <li>• Understand relationship with the Prevent strategy, and issues linked to counter terrorism</li> <li>• Ensure effective record keeping</li> </ul> <p style="text-align: right;"><i>Responsible for this risk –M Meggs</i></p>	<b>LM</b>	4x4=16	 
<b>A4</b>	Failure to address matters of violent extremism and related safer stronger community factors, including criminal exploitation, (and with the potential of	<ul style="list-style-type: none"> <li>• Prevent Partnership Action Plan.</li> <li>• Community cohesion work programme</li> <li>• Local intelligence sharing and networks.</li> <li>• Status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding.</li> </ul>	<b>LM</b>		 

	<p>safeguarding consequences for vulnerable individuals), or national or international incidents (e.g., terrorism), out with the councils control, create significant community tension, with the risk of public disorder, and threats to councillors going about their duties. National terrorism threat level raised.</p>	<ul style="list-style-type: none"> <li>Counter terrorism local profile.</li> <li>Awareness that some campaigns may give cause to action and reaction. (e.g. black lives matter, LGBTQ)</li> <li>Global events can create ongoing potential issues and tensions, (national risk status raised recently) which the council needs awareness and mitigations strategies.</li> <li>West Yorkshire Violence Reduction Unit will assist</li> <li>Local measures to ensure councillors are/feel protected. (and staff and others) including access to relevant information</li> </ul> <p><b>Responsible for this risk – R Parry and M Meggs (&amp; J Greenfield)</b></p>		4x5=20	
<b>A5</b>	<p>Significant environmental events, as a consequence of climate change, and otherwise, such as severe weather impact on the Council’s ability to continue to deliver services.</p>	<ul style="list-style-type: none"> <li>Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans.</li> <li>Winter maintenance budgets are supported by a bad weather contingency.</li> <li>Operational plans and response plans designed to minimise impacts (e.g., gully cleansing for those areas which are prone to flooding.)</li> <li>Emergency Planning risks for current year reflect risks of (e.g.) staff sickness for both services such as gritting and meeting home care commitments</li> <li>Consultancy study advice on how the council might address global warming consequences of higher summer temperature (affecting road surfaces), and more volatile weather conditions, (e.g., rainstorms) and heating and ventilation in new and refurbished property (<i>see also A20</i>)</li> </ul> <p><b>Responsible for this risk – C Parr</b></p>	<b>M</b>	<p>As a long-term environmental trend</p> <p>↑</p> <p>4x5=20</p>	
<b>A6</b>	<p>Reconsidered individual and community and partner and business sector priorities Understanding the financial and other on-going impact on partner agencies, including the voluntary sectors –in way that reduces their ability to support communities, with an impact on the council.</p>	<ul style="list-style-type: none"> <li>Understand the impacts</li> <li>Consider what types of support the council might provide</li> <li>Engagement in resilience discussions with NHS partners</li> <li>Secure funding as appropriate (e.g., consider extension of pooled funds</li> <li>Understanding potential impacts on demand for council services</li> <li>Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced.</li> <li>Assess dependency on voluntary organising, and impacts that coronavirus has on their sustainability, and consider actions.</li> </ul>	<b>H</b>	<p>↑</p> <p>4x4=16</p>	



	Understand the impact that other entities have on e.g., demands for council service	<ul style="list-style-type: none"> <li>Understand the impact on demand and resources from the broader economic microsystem</li> <li>Determine which of these are really adverse</li> </ul> <p><i>Responsible for this risk – R Parry and M Meggs * all strategic directors</i></p>			
	<b>The finances of the Council</b>	<b>Keeping the Council solvent</b>			
<b>A7</b>	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability	<ul style="list-style-type: none"> <li>Significant impacts on incomes and cost pressures on certain service areas</li> <li>Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level</li> <li>Escalation processes are in place and working effectively.</li> <li>Alignment of service, transformation and financial monitoring.</li> <li>Tracker developed which allows all change plans to be in view and monitored on a monthly basis</li> <li>Monthly (and quarterly) financial reporting</li> </ul> <p><i>Responsible for this risk - E Croston &amp; ET</i></p>	<b>MH</b>	↔	
				4x5=20	
<b>A8</b>	<p>The council has significant financial risks related to</p> <p># Volumes (in excess of budget) of.</p> <ul style="list-style-type: none"> <li>Complex Adult Care services</li> <li>Childrens Care Services</li> <li>Educational high needs</li> </ul> <p># Coronavirus additional costs</p> <p># Coronavirus income impacts on commercial rents and other fees and charges.</p> <p># HRA Rent collection. (UC roll-out)</p> <p># Waste disposal and waste strategy</p> <p>And potential risks in relation to grant schemes, especially where the council takes on cost or outcome risk</p>	<ul style="list-style-type: none"> <li>Monitor short term loss of income and additional costs (&amp; be sure they are all captured) and recognise these in budget plans</li> <li>Scenario plan for reduced level of demand, post current crisis (e.g., changed customer tastes and priorities, currently shortfall in car park income)</li> <li>Scenario plan for recurrences of coronavirus or similar</li> <li>Scenario plan for default by debtors- although income collection on council tax, business rates, rents and sundry debtors is in line with expected levels.</li> <li>Seek to recover additional costs where budgets held by other parties or partners</li> <li>Significant service pressures recognised as part of resource allocation</li> <li>Responsibility for budgetary control aligned to Strategic and Service Directors.</li> <li>Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs</li> <li>Utilise supplementary resources to cushion impact of cuts and invest to save.</li> <li>Assess grant related risks and seek to mitigate (with the grant regime)</li> <li>Proactive monitoring as Universal Credit is introduced</li> </ul>	<b>M</b>	↔	
				5x5=25	







		<ul style="list-style-type: none"> <li>Possible financial implications from Health &amp; Social Care legislation being prompted by government</li> </ul> <p><i>Responsible for this risk - E Croston &amp; ET</i></p>			
<b>A9</b>	Above inflation cost increases, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.	<ul style="list-style-type: none"> <li>Monitor quality and performance of contracts.</li> <li>Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices (e.g., 5-year expectation of cost increases by one quarter on construction projects)</li> <li>Renegotiate or retender contracts as appropriate.</li> <li>Ensure that budgets anticipate likely cost impacts</li> <li>Recognise that some changes such as the costs of energy are longer term</li> <li>Seek additional funding as a consequence of government-imposed cost</li> <li>Determine if increased costs such as energy make efficiency projects more financially attractive or reduce consumption by less use of heating.</li> </ul> <p><i>Responsible for this risk - E Croston &amp; all strategic directors</i></p>	<b>LM</b>	 5x4=20	
<b>A10</b>	Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.	<ul style="list-style-type: none"> <li>Effective due diligence prior to granting loans and careful monitoring of investment decisions.</li> <li>Effective challenge to treasury management proposals by both officers and members (Corporate Governance &amp; Audit Committee) taking account of external advice</li> </ul> <p><i>Responsible for this risk - E Croston</i></p>	<b>MH</b>	 2x5=10	
<b>A11</b>	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. -such a clad building.	<ul style="list-style-type: none"> <li>Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services.</li> <li>Consider risks and most cost-effective appropriate approach to responding to these (internal or external insurance provision).</li> <li>Awareness of risk activity that is not insured or uninsurable.</li> </ul> <p><i>Responsible for this risk - E Croston &amp; J Muscroft</i></p>	<b>H</b>	 4x4=16	
<b>A12</b>	The future national budget position and allocation of funding to local authorities causes a loss of resources or increased and under-	<ul style="list-style-type: none"> <li>Monitor government proposals and legislation, and their impact on council and partner services.</li> <li>Continue to lobby, through appropriate mechanisms, for additional resources e.g., Local Government Association (LGA)</li> </ul>	<b>L</b>		



	funded obligations (e.g., in relation to social care), with impact on the strategic plans, Although the government has provided resource to meet coronavirus consequence, but it is unclear the how long this will continue. Medium term risks remain, as the need to address recent high level of national debt, and inflation/ interest, with other spending areas deemed of greater priority. NHS given all of social care additional tax revenues initially	<ul style="list-style-type: none"> <li>• Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources</li> <li>• Ensure that budgets anticipate likely impacts</li> <li>• Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services.</li> <li>• Lobby for appropriate shares of NI levies for local authorities- or similar funding.</li> </ul> <p style="text-align: center;"><i>Responsible for this risk - E Croston &amp; all strategic director</i></p>		 5x5=25	
	<b>Governance</b>	<b>Operating legally and ethically</b>			
<b>A13</b>	The councils arrangements to effectively determine and implement policies, and operational practices, are inadequate, leading to the potential for failure	<ul style="list-style-type: none"> <li>• Open policy development</li> <li>• Open decision making, including full consultation</li> <li>• Effective challenge (between officers, officers and members, and between member), with sufficient time for adequate consideration (e.g., Key Decision Notices)</li> <li>• Proper recording of all decisions</li> <li>• Carefully following all rules and requirements, particularly those related to Financial Procedures Rules and Contract Procedure Rules</li> <li>• Doing basis well- strong training and effective assurance</li> <li>• Clarity of management responsibility and understanding</li> </ul> <p style="text-align: center;"><i>Responsible for this risk – chief executive and all strategic directors</i></p>	<b>H</b>		
	<b>Resource Utilisation</b>	<b>Operating successfully and effectively</b>			
<b>A14</b>	Council supplier and market relationships, including contractor failure leads to. <ul style="list-style-type: none"> <li>• loss of service,</li> <li>• poor quality service</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid, where possible, over dependence on single suppliers</li> <li>• Seek to build a panel of suppliers who are available and interested in delivering work to council</li> </ul>	<b>MH</b>		



	<ul style="list-style-type: none"> <li>• an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed)</li> <li>• complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Consideration of social value, local markets and funds recirculating within the borough</li> <li>• Understanding supply chains and how this might impact on the availability of goods and services</li> <li>• Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc.</li> <li>• Develop and publish in place market position statement and undertake regular dialogue with market.</li> <li>• Effective consultation with suppliers about proposals to deal with significant major external changes</li> <li>• Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements</li> <li>• Realign budgets to reflect real costs</li> <li>• Commission effectively</li> <li>• Ensuring adequate cash flow for smaller contractors</li> </ul> <p style="text-align: right;"><i>Responsible for this risk – J Muscroft</i></p>		5x4=20	
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<p><b>A15</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Thorough, understandable information governance policies and practices that are clearly communicated to workforce and councillors</li> <li>• Effective management of data, retention and recording.</li> <li>• Compliance with retention schedules.</li> <li>• Comply with new legislation around staff access to sensitive data.</li> <li>• Council has a Senior Information Risk Owner (“SIRO”) officer and a Data Protection Officer (DPO) supported by an Information Governance Board</li> <li>• Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate</li> <li>• Recognition of increased risk from homeworking may increase risks or change their perspective (e.g., destruction of paper records), and whether there is a need for additional security, training or other matters.</li> <li>• Compliance with IT security policy.</li> <li>• Increased awareness of officers and members as to their obligations, responsibilities etc, through training</li> <li>• Recognising and understanding “cloud” based products and the advantages and risks that they provide</li> <li>• Business continuity procedures.</li> </ul> <p><i>Responsible for this risk – J Muscroft &amp; Rachel Spencer Henshall</i></p>	<p><b>H</b></p>	<p>↑ 4x5=20</p>	
<p><b>A16</b></p>	<p>Cyber related threats affecting data integrity and system functionality.</p>	<ul style="list-style-type: none"> <li>• Thorough, understandable security policies and practices that are clearly communicated to workforce and councillors</li> <li>• Recognition of increased risk from homeworking which may increase or Change their perspective -need for additional security, training or other matters.</li> <li>• Compliance with IT security policy.</li> <li>• Increased awareness of officers and members as to their obligations, responsibilities etc, through training</li> <li>• Recognising and understanding “cloud” based products and the advantages and risks that they provide</li> <li>• Business continuity procedures.</li> <li>• Proactive management of cyber issues, including additional web controls</li> </ul> <p><i>Responsible for this risk – T Hudson, A Simcox &amp; Rachel Spencer Henshall</i></p>	<p><b>M</b></p>	<p>↑</p>	

A17	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,)	<ul style="list-style-type: none"> <li>Ensuring appropriate H&amp;S responses re Coronavirus (appropriately balancing statutory obligations, desirable positions and commerciality/business risk)</li> <li>New Fire Safety Policy approved and being implemented with improved monitoring of fire risk</li> <li>Prioritised programme of remedial works to buildings to tackle fire safety and other issues</li> <li>Review work practices to address H&amp;S risks</li> <li>Monitor safety equipment</li> <li>Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors. Improved employee work practices</li> <li>Approval of additional resources to improve corporate monitoring regime.</li> </ul> <p style="text-align: center;"><i>Responsible for this risk – R Spencer Henshall</i></p>	H	  3x5=15	
A18	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, cladding and fire controls with reputational and financial implications.	<ul style="list-style-type: none"> <li>Active site management</li> <li>Routine servicing and cleansing regimes (including coronavirus compliance in both operational and managed tenanted commercial property)</li> <li>Work practices to address risks from noxious substances</li> <li>Property disposal strategy linked to service and budget strategy</li> <li>Review of fire risks</li> <li>Housing Building Safety Assurance Board established</li> <li>Develop management actions, categorised over the short to medium term and resource accordingly.</li> <li>Prioritisation of funding to support reduction of backlog maintenance</li> <li>Clarity on roles and responsibilities particularly where property management is outsourced</li> </ul> <p style="text-align: center;"><i>Responsible for this risk – C Parr/ D Shepherd</i></p>	H	  5x4=16	
A19	The risk of retaining a sustainable, diverse, workforce, including <ul style="list-style-type: none"> <li>aging and age profile</li> <li>encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks)</li> </ul>	<ul style="list-style-type: none"> <li>Effective Workforce Planning (including recruitment and retention issues)</li> <li>Modernise Human Resources policies and processes</li> <li>Increased accessibility to online training managers/ employees.</li> <li>Selective use of interim managers and others to ensure continuity of progress regarding complex issues</li> <li>Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation.</li> </ul>	H		

	<ul style="list-style-type: none"> <li>recognising that labour shortage affect a large part of economic activity.</li> <li>and ensuring that the workforce is broadly content, without whom the council is unable to deliver its service obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Understanding difficult to recruit areas</li> <li>Understand market pay challenges</li> <li>Promote the advantages of LG employment</li> <li>Emphasise the satisfaction factors from service employment</li> <li>Engage and encourage younger people through targeted apprenticeships, training, and career development (and recognising that young people’s skills, knowledge, and expectations may be impacted by coronavirus)</li> <li>encouraging entrants to professional roles where pay is often below market levels.</li> <li>Ensuring awareness to ensure employees safety and health (including stress)</li> <li>Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues</li> </ul> <p><i>Responsible for this risk – R Spencer Henshall</i></p>		4x4=16	
<b>A20</b>	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. Certain government grants require demonstration of climate commitments, impacting on funding available. Council needs to address impacts of climate change on assets and operations.	<ul style="list-style-type: none"> <li>Reconsideration of priorities and potential achievability within timescales</li> <li>Monitoring of achievements/effective project planning and costing</li> <li>Awareness of local consequences such as ensuring appropriate levels of energy efficiency in residential and commercial property, and the financial consequences</li> <li>Lobbying for financial and other government support in relation to the costs of meeting obligations</li> <li>WYMCA related projects will require assessment of carbon impacts</li> <li>Consultancy study advice on how the council might address global warming consequences of higher summer temperature (affecting road surfaces), and more volatile weather conditions, (e.g., rainstorms) and heating and ventilation in new and refurbished property (<i>see also A5</i>)</li> </ul> <p><i>Responsible for this risk – C Parr</i></p>	<b>M</b>	 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

TREND ARROWS

Worsening	
Broadly unchanged	

Improving	
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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

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**Name of meeting:** CORPORATE GOVERNANCE & AUDIT COMMITTEE  
**Date:** 26 NOVEMBER 2021  
**Title of report:** QUARTERLY REPORT OF INTERNAL AUDIT Q2 2021/22  
 JULY 2021 to SEPTEMBER 2021

**Purpose of report.**

To provide information about internal audit work in quarter 2 of 2021/22

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	not applicable
Is it also signed off by the Service Director for Finance IT and Transactional Services?	not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	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 second quarter of 2021/22.

- 1.2 A full normal work pattern has not yet been resumed. The working patterns of the entire council (“working from home”), and an inability to visit sites (and conducting some such audits virtually) continues to an extent to frustrate the ability to do internal audit work, and provide a strong level of assurance, and or requires substantial additional time for work to be completed (both from the auditor and the client). Work on fraud prevention has continued and there have been fewer staff available to carry out IA work, and whilst recruitment is being progressed, this impacted on the work achieved during quarter 2, and will also be likely to impact for the remainder of the year. Also, a number of service areas have asked that some work is deferred. Accordingly, a reduction of 22 topics (and an addition of 1 item) is proposed to the planned work as summarised in the Annex 1 to this report, these reductions are based on an assessment of imminency of risk and is also based on currently anticipated levels of resource availability.
- 1.3 A substantial amount of time was devoted to an investigation and linked audit into matters relating to homeless emergency accommodation. The planned piece of work identified a “no assurance” outcome, because of the absence of systems of controlling suppliers. The service has committed to addressing these matters promptly. All the schools visited had adequate or substantial assurance arrangements. Other planned work had positive outcomes, although the follow up on taxi licencing still identified limited assurance because of delays in implementing new (IT) systems to records information.
- 1.4 Internal Audit also continued with its activity to support a number of governance areas and has reviewed certain grants and payment regimes for stronger families, the life changes fund (a social care project) and WYMCA-Highways. We have also started work n the “FM Review”, an assessment against a cipfa standard of the quality of the councils financial management arrangements.
- 1.5 The follow up of positive assurance reports has continued, and has found that of 7 recent audits, 2 had full implementation 2 partial implementation (and responses are awaited from 3).
- 1.6 Monitoring of the implementation of matters addressed in the Annual Governance Statement, both relating to 2019/20 and 2020/21 will take place and be reported to a future meeting.
- 1.7 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.

## 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 also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 2 2021/22.

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

Not applicable

**8. Contact officer**

Martin Dearnley, Head of Risk & Internal Audit (01484 221000 x73672)

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

Previous Quarterly Reports, Audit Plan, and confidential appendix.

**10. Service Director responsible**

Not applicable

**ANNEX 1**

<b><u>Audit to be Deferred</u></b>	
Attendance Management	Business Continuity
Mandatory Staff Training	Health & Safety
Primary Schools (6)	
Communications Policy	<b><u>Deferred at Service request</u></b>
Counter Fraud & Corruption	SEND
Risk Management	School Exclusion Pathway
Stores & Van Stock	Asset Data Cleansing
Charging for Care	Business Rates Relief & Exemption
Transformation Assurance	
Plant & Equipment Hire	<b><u>Audit to be added</u></b>
Wellness Model	IT Controls in Core Financial Systems



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