

# Public Document Pack



**Service Director – Legal, Governance and  
Commissioning**

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Thursday 3 March 2022

## 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 11 March 2022**.

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', on a light-colored background.

**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 - 2

To approve the Minutes of the meeting of the Committee held on 11 February 2022.

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**3: Declarations of Interest**

3 - 4

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: Democracy Commission Update**

To receive a verbal update on the work of the Democracy Commission.

Officer: Leigh Webb – Governance Manager

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**8: Draft Auditors Annual Report**

5 - 38

To receive the Draft Auditors Annual Report.

Contact: Grant Thornton External Audit

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**9: Dates of Council Meetings - 2022 to 2023 Municipal Year**

39 - 42

To consider the schedule of Council meetings for the 2022-23 municipal year.

Contact: Samantha Lawton – Head of Governance

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Contact Officer: Leigh Webb

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 11th February 2022**

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

Observers: Councillor Paul Davies (ex-Officio)  
Councillor Elizabeth Smaje (ex-Officio)

**1 Membership of the Committee**

No apologies for absence were received.

**2 Minutes of Previous Meeting**

**RESOLVED-** That the minutes of the meeting of the Board held on 21 January 2022 were agreed as a correct record subject to item 2 where apologies were received from Councillor Melanie Stephen.

**3 Declarations of Interest**

Councillor John Taylor declared an interest as a Member of the Democracy Commission.

Councillor Kath Pinnock declared a personal interest in respect of item 10 as a Governor of a school named in the report.

**4 Admission of the Public**

It was noted that Agenda item 10 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 Democracy Commission Update**

The Committee received an update on behalf of the Chair of the Democracy Commission which advised that the first Democracy Commission meeting had been arranged for 14<sup>th</sup> February 2022. The purpose of the meeting was to map out the

## **Corporate Governance and Audit Committee - 11 February 2022**

work of the Commission and identify specific witnesses/contributors the Commission wished to hear from.

**RESOLVED-** That the Democracy Commission update be received and noted.

### **8 Quarterly Report of Internal Audit Q3 2021/22 - October 2021 to December 2021**

The Committee received the Internal Audit Quarterly Report, Quarter 3 2021/22 which set out an overview of internal audit activity for the period October 2021 – December 2021.

The report highlighted that coronavirus continued to impact on the ability to do internal audit work and provide a strong level of assurance. Three investigations had taken place and there were 11 formal completed pieces of work. All new work had at least adequate assurance.

**RESOLVED –**

1. That the Internal Audit Quarterly Report 2021/22 (Quarter 3) be received and noted.
2. That the Committee noted that there had been no Regulation of Investigatory of Powers Act activity during the period Quarter 3 2021/22.

### **9 Exclusion of the Public**

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

### **10 Quarterly Report of Internal Audit Q3 2021/22 - October 2021 to December 2021**

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

The Committee received the Internal Audit Quarterly Report, Quarter 3, which set out an overview of internal audit activity in the third quarter of 2021/2022.

**RESOLVED -** That the Internal Audit Quarterly Report 2021/2022 (Quarter 3) be received and noted.

<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.



# Auditor's Annual Report on Kirklees Council Final Draft

## 2020-21

2 March 2022

# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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 Council 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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks as set out in the table below in respect of Financial sustainability.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	Risk of significant weakness regarding the extent of Dedicated School Grant Special Educational Needs overspend (links also to financial sustainability)	No significant weaknesses in arrangements identified, but improvement recommendations made

## Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year settlement. Kirklees, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Authority has put forward a proposed balanced budget for 2021/22 but recognises budget gaps and pressure on reserves in future years. At 31 March 2021, the Authority held general fund balances of £197.4m of which £187.4m are earmarked reserves.

This places the Authority in a reasonable financial position but with recognised pressures. Having forward planned its budgets for future years this should enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents. A reprofiling of the Minimum Revenue Provision (MRP) policy has improved the Council's budget position.

We have not identified any significant weaknesses in arrangements to secure financial stability at the Authority, although there is a recognised pressure from Dedicated School Grant special needs overspend which management are seeking to resolve.

Further details can be seen on pages 6-11 of this report.

## Governance

Our work has focussed on gaining a detailed understanding of the governance arrangements in place at Kirklees Council during 2020/21 and the changes instigated as a response to the pandemic. Kirklees is revisiting the current Leader and Cabinet model of governance and considering alternative models. A self assessment of the financial management code is also underway. Our review focuses upon the arrangements in place during 2020/21. We have also reviewed and identified some areas for improvement regarding the overarching governance arrangements across group entities.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements in relation to governance. Kirklees Council exhibits the majority of the features of a well led and well governed organisation.

Further details can be seen on pages 12-15 of this report.

## Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. In arriving at this conclusion we have considered the factors contributing to the DSG special needs overspend referred to above.

Further details can be seen on pages 16-20 of this report.

# Executive summary (continued)

## Opinion on the financial statements

Our audit was conducted in accordance with the requirements of the CIPFA Code of Practice, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year.

We completed our audit of the Council's financial statements for the year ended 31 March 2021 and issued an unqualified audit opinion on 5 November 2021, following the presentation of our Audit Findings Report to members of the Corporate Governance and Audit Committee.

Our findings are set out in further detail on page 29.



# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



**Page 9**  Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 6 to 22.

# Financial sustainability



## We considered how Kirklees Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Background to financial sustainability for 2020/21 and ongoing financial pressures

Kirklees has a good record of strong financial and budgetary management under capable leadership. This is supported by the CIPFA financial resilience index for 2022 which does not identify Kirklees as an outlier against the indicators of financial stress when benchmarked against other metropolitan councils, other than for the ratio of unallocated reserves to net revenue expenditure where the Council scores lowest.

The Council entered the 2020/21 financial year at the outset of the first national lockdown and immediately faced a range of challenges presented by the COVID-19 pandemic. At an early stage the government made emergency policy announcements in response to the pandemic which impacted on the Council. Consequently the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

The Government's initiatives to respond to the COVID-19 pandemic were supported by additional funding to the Council for distribution during 2020/21. The Council has played a pivotal role across Kirklees district by administering over £140m in Government grant funding to eligible businesses, £50m in COVID-19 related Business Rates reliefs and £4.5m of hardship relief to Council Tax Reduction recipients. The Council has also managed almost £33m of other COVID-19 specific grants and £36m of general un-ringfenced grants. This funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges from the COVID-19 pandemic will however continue through the medium term and this puts pressure on the Council to maintain effective financial sustainability arrangements due to the budget gaps and consequent pressure on reserves.

At the end of 2020/21 the Dedicated Schools Grant (DSG) deficit was £25.1m. This is due to pressures in the High Needs Block. The deficit is forecast to increase to at least £35m at the end of 2021/22 and the Council recognises that urgent action is required. As a result management have developed a Transformation Plan aimed at achieving a balanced DSG position in 5 years subject to acceptance by the government.

Whilst DSG deficit positions can be carried forward against the grant for future years, the Authority is required to have a multi-year deficit recovery plan in place. We identified this as a risk of a significant weakness to financial stability at our planning stage. However, the Council is clearly aware of this risk and has a number of action plans in place to address this. The Council's management information is good, and there is targeted monitoring and oversight of this area. It is considered that sufficient action is being taken to address this risk and it is not considered necessary to additionally report this from a VFM perspective. This deficit has been identified by the Council as one of the highest risks set out on the Corporate Risk Register. Ongoing monitoring will remain necessary – especially over the reduction in demand assumed in future years. These assumptions will need to be reviewed regularly.

The Council has a strong but reducing reserves position. At 31 March 2021, the Authority held general fund balances of £197.4m of which £187.4m are earmarked reserves. Reserves management is seen by the Council as critical and it has been seen that members understand reserves are not available to be spent to 'balance the books'. The reports provided by the Service Director – Finance and verbal updates to Members on the financial pressures are considered clear and concise.

The 2022/23 budget is balanced following a planned transfer of £5.5m from reserves. Updated budget forecasts for the following 4 years indicate a forecast budget gap of £16.4m in 2023/24 increasing to £31.4m in 2024/25, £33.5m in 2025/26 and £38.2m in 2026/27. Key factors here are the future for the DSG High Needs overspend and the expiry of the Council's MRP "prepayment". These matters are discussed in the pages that follow.

# Financial sustainability (continued)

## How the Council identifies all the significant financial pressures it is facing and builds these into its plans

The Council produces a comprehensive Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was presented and approved at Cabinet on 1 February 2022 covering the 2022/23 budget and set out the resources to deliver the MTFS to 2026/27. The budget agreement process is transparent with Cabinet debate webcast to the public and stored on the Council website which is good practice.

The MTFS highlights the budget issues that need to be addressed by the Council across each year covered. It reflects assumptions made to allow forecasting of available resources from various sources together with the budget pressures relating to capital and revenue spend. It also assesses the adequacy of reserves held which may impact on the Council's resources. The Council's budget setting process, which begins in the summer, is a detailed and comprehensive process. There is detailed consultation and discussion with Council officers.

As part of the budget setting process, the Council clearly identifies budget gaps following a process of assessing both cost increases and income reduction for the following years and applies sensitivity analysis to assess pressure points. Government Spending Review, Dedicated Schools Grant (DSG) allocations, inflation uplifts and business rates pooling are amongst the range of factors considered. A detailed analysis of planned reserve movements and pressures is included in the budget. Budget proposals are subject to consultation with stakeholders including Council officers and Members and are presented to Executive Team and Overview & Scrutiny before submission and approval at Cabinet.

In undertaking our work we have reviewed a range of the budget documents and minutes from meetings which provides assurance that the budget process properly identifies the financial pressures faced by the Council.

The Council's budget for 2020/21 and accompanying MTFS for the period to 2023 was approved at Cabinet on 28 January 2020. Budget risks included further pressures on High Needs pupils, Social Care pressures, current lack of national funding certainty from Government post-2021, and potential impacts of Brexit. These factors were consistent with the Councils risk register reporting. At the time a balanced budget was proposed for 2020/21 but budget gaps existed of £12m in 2021/22 and £22m in 2022/23. Efficiency savings of £0.5m, £1.0m and £1.5m were identified for each of the three years, representing a relatively small percentage of overall spend to the Council. The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term.

The 2020/21 net budget was £304.5m. This required an increase in Council Tax of 3.99% (including 2% Adult Care precept). Throughout the year the Council regularly updated its budget forecast, enabling budgets to remain up to-date in the face of the uncertain environment of the pandemic. The final net budget reported for the year was £274.7m following a transfer to reserves of £27.6m which was achieved at break-even.

Quarterly budget reports are presented to Cabinet throughout the year, although there was some disruption during 2020/21 due to COVID-19. We have reviewed a sample of the reports presented for 2020/21. These reports are comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures. The Council follows an established timetable for reporting to Cabinet.

This reflects sound overall financial management of the budget for 2020/21 and beyond, notwithstanding the financial pressures faced by the Council.

# Financial sustainability (continued)

## How the Council plans to bridge its funding gaps and identify achievable savings

As stated above, the Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The MTFS sets out the resources available to provide and deliver services to the residents of Kirklees.

A key part of the MTFS is to highlight the budget pressures that need to be addressed by the Council in each of the years covered. It reflects assumptions made to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves held which may impact on the Council's resources.

As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. We reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. Our review confirmed that the documents were comprehensive and detailed.

The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term. The savings are however a small percentage of the overall Council spend. Further details are shown in the table below:

	2020/21 original (£m)	2021/22 original (£m)	2022/23 original (£m)
Net budget	304.5	320.5	335.9
Efficiency savings	0.5	1.0	1.5
Net transfer to reserves	2.2	5.5	6.0
Budget gap	0	12.0	22.0

Following successive budget refreshes, the Cabinet approved the Budget for 2022/23 on 1 February 2022 including the MTFP to 2026/27. The 2022/23 budget is balanced following a planned transfer of £5.5m from reserves. Updated budget forecasts for the following 4 years indicate a forecast budget gap of £16.4m in 2023/24 increasing to £31.4m in 2024/25, £33.5m in 2025/26 and £38.2m in 2026/27. Key factors here are the future for the DSG High Needs overspend and the expiry of the Council's MRP "prepayment".

## Dedicated Schools Grant (DSG) financial pressure

As mentioned previously, Kirklees has a significant DSG deficit and joins a small but expanding cohort of authorities requiring Education and Skills Funding Agency (ESFA) intervention. Under a temporary statutory override for all councils, DSG deficits were transferred to a negative Dedicated Schools Grant Adjustment Account as an unusable reserve at 31 March 2021, and for 2021/22. However, when this two year temporary arrangement expires in 2022/23 the future is less certain. At the end of 2020/21 the Kirklees DSG deficit was £25.1m primarily due to pressures in the Special Educational Needs (SEN) Block. The deficit is forecast to increase to at least £35m at the end of 2021/22 and the Council recognises that a sustainable solution is urgently required.

A significant number of young people requiring SEN services do not have their needs met in Kirklees and must travel out of area and this requires system transformation whereby the funding would be redirected to support young people needing help at the earliest opportunity. There is also very limited capital investment available from the government.

We have explored the reasons for the high level of deficit at Kirklees. This is not entirely due to SEN pupil numbers. As part of our work we have benchmarked the Council's SEN pupil numbers and compared against geographical neighbours and other Councils in the ESFA Safety Valve cohort. Kirklees falls in the lower quartile of those Councils for percentage of total pupils with special educational needs suggesting that pupil volume is not the sole cause of budget pressure.

In 2017/18 a funding cap was applied to the DSG which Kirklees receives. As a result, Kirklees has faced significant pressure especially regarding SEN funding. It is clear that if the cap had not been applied and the previous formulae applied then the Council would not be in such a challenging situation. Management believe that because of this cap the Council has been underfunded by £7m per annum for the service, whereas it has been provided £1m per year since the cap was introduced.

Operational factors have also contributed to the deficit. More generally benchmarking shows Kirklees to be a higher cost and lower output SEND service based upon IMPOWER benchmarking data provided to support the Council. There is also scope to further improve financial literacy so as to produce more detailed management reporting in order to pinpoint and control cost pressures and provide real time updates on the position. There should also be clearer alignment between the target financial position and delivery trajectories within the service.



# Financial sustainability (continued)

The average cost per special needs placement is £56,000 outside of the local authority area. The Council understands that it can provide better value for money and therefore achieve better outcomes and relationships. This would be achieved by building two special schools, which is set to cost over £36m which is not currently possible given the capital and revenue resources available to the Council. The capacity and physical condition of some of the special needs accommodation within Kirklees is inadequate which hinders progress. This results in parents sending their children to schools out of Kirklees.

The Council has developed a SEND Transformation Plan which details the outcomes Kirklees wish to achieve through a range of projects. It has been proactive and contacted ESFA to submit plans, make informal submissions and participate in the five year programme, which will cover five workstreams. The initial conversation has taken place, and officers are currently in the process of negotiating their five year plan through membership of the Department for Education's "Safety Valve" intervention programme to become eligible for additional funding, depending on whether the Transformation Plan is accepted by ESFA. This will be officially submitted between the 10th and 24th February 2022 after workstream leads have resubmitted and refined their project plans. The plan forecasts break even in 2026/27. The DfE have praised Kirklees and recognised the Transformation Plan as one of the best seen nationally, which further supports the positive outcomes of the Plan. If Kirklees Council is accepted for the funding programme there is also access to the capital funding.

It can be concluded that the lack of funding, historic operational issues and the need for service transformation are the root causes of the deficit. Management recognise that the Council will be under extreme financial pressure in the medium term if the Transformation Plan is not accepted by the Safety Valve group and, given the scale of the deficit.

## Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the method by which local authorities charge their revenue accounts over time with the cost of their capital expenditure which is funded by borrowing.

The Council has an obligation to make a 'prudent provision' for the repayment of its external debt, known as the Minimum Revenue Provision (MRP). This is the method by which local authorities charge their revenue accounts over time with the cost of their capital expenditure which is funded by borrowing.

The Council's Treasury Management policy relating to MRP was revised from 2017/18 onwards. This resulted in a reduced ongoing MRP requirement over the 2017 to 2027 period, effectively 'releasing' £9.1m MRP "prepayment" to the base budget each year, intended to support organisational flexibility and financial resilience over the medium to longer term. The unwinding of the previous overprovision of MRP dates back to a reprofiling and subsequent release of a £91m MRP overpayment in 2017/18, which was originally planned to offset budget gaps over a 10 year period. The planned offset for 2020/21 was increased from £9.1m to £13.7m to meet budget pressures.

Predecessor auditors and ourselves have agreed that this complied with the MRP regulations during our respective financial statements audits.

A further revision to this re-profiling was approved at Budget Council on 10 February 2021 (following a previous revision covering the years 2018/19 and 2019/20) that increased the unwinding to the maximum allowable level of £13.7m in 2020/21, 2021/22 and 2022/23, and £13.6m in 2023/24. Updated budget plans continue to reflect the above unwind.

Subsequently the Treasury Management Strategy for 2022/23 details a change in policy for the calculation of MRP, implemented from 1 April 2022 which now stipulates that the Council will only charge MRP once an asset is operational i.e. new assets (previously MRP was chargeable based on the date of the associated borrowing). This ensures that there is a clear link between the charge for MRP and the life of the asset created.

The impact of the reprofiling of the increased MRP "unwinding" until its accelerated expiry in 2023/24 is shown in the table below, after which there is a sharp increase in the MRP charge to revenue and consequent budget pressure:

	2021/22 forecast £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m
Revenue resource MRP (underlying cost)	15.6	16.6	18.4	19.9
Revenue resources MRP (unwind of over-provision)	(13.7)	(13.7)	(13.6)	(0.0)
<b>TOTAL</b>	<b>1.9</b>	<b>2.9</b>	<b>4.8</b>	<b>19.9</b>

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 requires authorities to make an amount of MRP which the authority considers "prudent". The regulation does not itself define "prudent provision".

We have discussed Management's use of MRP flexibilities with senior officers at the Council and agree that the treatment is consistent with the regulations and not imprudent. It is however clear that the MRP pressures are significant to the Council's budget pressures in the MTFS. Delaying the introduction of future MRP charges from 1 April 2022 to the point that an asset will become operational is significant given the extent of borrowing required for the Council's planned capital programme and "Cultural Heart" project.

We have made an improvement recommendation to ensure that the scale of future MRP charges to the Council's revenue account continue to be made clear in the medium term financial strategy and annual budget.

# Financial sustainability (continued)

## How the Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget and MTFs are prepared under an agreed framework and are aligned to wider plans, namely the Council Plan 2021-23 but also supporting strategies in relation to investment and treasury management, capital strategy and the reserves strategy. These considerations are the starting point of the budget development process.

The Council's priority transformation programmes, to which transformation resources are allocated, have been updated to reflect known areas of need and are adjusted where necessary year by year. These key areas are:

1. Waste Transformation
2. Climate Change
3. Asset Transformation
4. Special Education Needs (SEND) Transformation
5. The ongoing development of a Modern Organisation (i.e. ensuring all services reflect the priorities of the organisation and are 'fit for purpose' during the long-term recovery of the district beyond COVID-19, supported by effective enabling functions)
6. Tackling Inequalities
7. Place Based Working
8. Health and Social Care Integration
9. Residential Care Market
10. Access to Services

The focus for the Council now is on ensuring these priorities are further shaped and delivered over the coming years, including taking on board learning from the Coronavirus pandemic.

Organisational intelligence is used in informing budget plans includes consideration of current year financial performance and service demand to determine spending allocations.

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services across Kirklees. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators. The Council's Capital Strategy for 2020/21 was a budgeted spend of £183m.

## Waste Management

Waste management at the Council is provided under a 25 year PFI agreement. This contract was due to expire on 31 March 2023 but has since been extended to 31 March 2025 requiring a revenue investment of £3.1m. The contract was procured on a design, build, finance, operate and maintain contract and initially set up to deliver maximum diversion from landfill with waste management facilities operated and maintained by the contractor, Suez Kirklees R&R Ltd. Ownership of fully operational and maintained assets were scheduled to be handed back to the Council at expiry of the contract.

Much consideration has been given to the future of waste provision after the PFI contract expires. Detailed option appraisal has taken place on a cost / benefit basis for the procurement of future waste services and on 14 December 2021 Cabinet approved Option 3, being to 3 re-procure only the Energy from waste (EFW) at contract end in 2023 and bring Material Recovery Facilities (MRF), Household Waste Recycling Centres (HWRCs), & Closed Landfills in-house. This provides several benefits including:

- flexibility of service provision and future efficiency
- the Council will have complete control over the HWRC service to increase recycling rates
- supporting local employment including apprenticeships

In the budget approved by Cabinet on 1 February 2022 waste services activity for the Council has a budgeted cost of £26.27m per annum from 2023/24 onwards.

Aligned to the provision of services the Kirklees Resources and Waste Strategy was approved by Full Council on 8th September 2021 setting out the future ambition of the Council up 2021-2030. The Waste Strategy ambition is to achieve a carbon neutral Kirklees by 2038.

The Council has followed a transparent process for re-procurement of waste services as the PFI contract approaches its end.

There is however still a great deal of uncertainty for the future of waste services due to the emerging national policy and legislation (National Resource and Waste Strategy and Environment Act 2021) that will bring long term waste treatment challenges. Local recycling targets are yet to be determined by national government which will require the future service delivery models to be flexible enough to adapt to changes in waste composition, fluctuating markets and citizen behaviour.

# Financial sustainability (continued)

## How the Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's financial plans are developed to be consistent with underlying key strategies, headed by the "Our Council Plan". Kirklees took the decision to call its Corporate Plan 'Our Council Plan' for the last two versions of the plan approved in order to publish something that is more accessible to the public, albeit recognising that readership beyond council staff and other councils, plus partners is limited. The 2020/21 Plan was approved at full Council on 21 October 2020 and included a progress update upon the actions in the predecessor plan for 2018-20. The current "Our Council Plan" covers 2021-23 and was approved by full Council on 13 October 2021.

The "Our Council Plan" informs current and emerging Council spending plans. The Corporate Plan for 2020/21 continued with a focus on the Council's contribution to the seven shared Kirklees Outcomes, articulating a vision for Kirklees as a district which combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives. Inequalities are overseen through the creation of an Inclusion Commission.

The Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was presented and approved at Cabinet on 1 February 2022 covering the 2022/23 budget and set out the resources to deliver the MTFS to 2026/27.

Both the MTFP 2020-23 Revenue and Capital Plan 2020-25 were aligned to Corporate Plan ambition and priorities. The Council however recognises that there is scope to improve linkages from the Corporate Plan to reflect the impact that COVID-19 has had upon the future financial and performance measures. This is reflected as a gap in the latest Annual Governance Statements since 2019/20. This point is revisited and an Improvement Recommendation within the Governance section of this report. Looking forward the Council recognise that the corporate planning process will require a refresh to learn from and adapt to the pressures brought about by COVID-19. This includes developing a more robust, intelligence-led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery. The performance monitoring system also needs embedding for both business-critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts. Consideration is also being given to how service planning can be more closely aligned with this mechanism. The next Corporate Plan also needs to take account of developmental issues included in the Peer Review Action Plan from 2019/20 with an aligned Communications Strategy and engagement of all members, the development of both of which has been impacted by other organisation priorities in responding to the pandemic.

## How the Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated in the budget and MTFS which is presented and agreed annually by the Cabinet. The corporate risk register summarises the key strategic risks or barriers to achieving the corporate objectives, many of which are financial, and these are referenced within the 2020/21 budget setting report. The corporate risk register also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Risks are further considered at each of the quarterly budget monitoring reports to Cabinet for reassessment.

Effective sensitivity analysis undertaken as part of the budget report section. This illustrates a range of potential sensitivities on baseline budget assumptions. While these sensitivities are illustrative, and there can be different combinations, in broad terms they represent relatively minor changes to a number of key baseline budget forecast assumptions, and the cumulative impact of these over time. Eg the forecast budget gap by 2022/23 could be in the actual range £8.6m to £27.6m, and to a large extent this reflects the extent of both Council funding uncertainty post-2020, and the potential impact of the highlighted headline corporate risks, compared to baseline budget forecast assumptions.

There is a clear pressure on the Council's reserves in the medium term. Reserves are refreshed annually to reflect organisational priorities and the financial risks and pressures are clearly explained by the Service Director Finance.

In recognition of the unprecedented level of uncertainty however, a 'best case' and 'worst case' have also been modelled. As noted previously, the medium term financial strategy is a rolling document and is therefore refreshed annually as part of the budget setting process. This ensures the strategy takes into account changes brought about by funding, policy, demand for services, and one off events such as COVID-19.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified two opportunities for improvement which are set out at page 23.

# Governance



## We considered how Kirklees Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a well established risk management system in place and embedded in the governance structure of the organisation. The risk management arrangements incorporate service and directorate risk registers informed by detailed assessments of the key risks impacting each area. These detailed registers inform the Council's corporate risk register which sets out the key strategic and corporate risks. The risk registers apply a risk score both before and after mitigation measures and enable the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy along with examples of service risks on the corporate risk register. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and Members.

The Council reports its risk registers through its governance framework, culminating in regular reports to the Corporate Governance and Audit Committee (CGAC). Our attendance at the CGAC meetings has confirmed that the Committee understands its role in the risk management framework. It provides challenge to management on the risk registers and matching risks and mitigating actions.

The Council has a team of internal auditors, led by the Head of Risk and Internal Audit, who provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is ordinarily agreed with management at the start of the financial year and is reviewed by the CGAC prior to final approval. In 2020/21, the COVID-19 pandemic impacted significantly on Internal Audit's plans and updates were provided at each CGAC meeting. This arose due to remote working and re-deployment of internal auditors to other tasks such as audit of COVID-19 related grant claims. The audit plan is based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach. The Council has comprehensive anti-fraud and corruption policies which are updated as required and during 2020/21 the whistleblowing policy was updated. In 2020/21 a significant focus of the Council's anti-fraud work was in implementing processes to minimise any loss on business grants by putting in place checks to minimise fraud/ loss before payments were made to businesses.

Internal Audit progress reports are presented to each CGAC meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Risk and Internal Audit provides an opinion based on the work completed during the year. For 2020/21 the Head of Risk and Internal Audit concluded that the Council has an adequate and effective control environment. The proportion of audit work which resulted in an assessment providing at least adequate assurance was 71% with the remaining 29% consisting entirely of limited assurance. Whilst this reflected the significant impact of the pandemic, the annual report highlighted that although there are some weaknesses in some systems of control, which may have worsened somewhat during the difficult year caused by COVID-19, the overall framework of the Council's governance, risk, business and financial systems, processes, controls, and its management of assets, remains sound.

We have attended all Corporate Governance and Audit Committee meetings throughout the year. These meetings have received regular updates on both internal audit progress and risk management. Audit Committee members engage with the reports and challenge the papers and reports which they receive from management, internal audit and external audit.

# Governance (continued)

## How the Council approaches and carries out its annual budget setting process

The Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was presented and approved at Cabinet on 1 February 2022 covering the 2022/23 budget and set out the resources to deliver the MTFS to 2026/27. The Council's budget for 2020/21 and accompanying MTFS for the period to 2023 was approved at Cabinet on 28 January 2020.

During 2020/21, the annual budget was updated regularly and the likely financial position for 2021/22 was reported to Cabinet. The forecasts proved reliable giving assurance that the financial position is properly understood and the budget process works correctly. The accompanying reports and information supporting the budget identify issues as they arise which will impact the expected outturn. The outturn report also identifies reasons for variances.

There is a good analysis of risks posed to the achievement of the budget within these reports. Forecasts are subject to a high level of challenge and scrutiny, from Cabinet. Monthly financial monitoring reports were prepared for 2020/21 which highlighted key issues which may impact on 2021/22, with the financial monitoring reports presented to senior managers, Members and then to Cabinet for approval. There is consistency between these reports and the detailed narrative supports the key risks and messages to the reader.

Finance Managers engage with directorate Leadership Teams as part of the budget process. The Service Director – Finance (s151 Officer) engages with the Executive Team at numerous staging posts during the budget process. Leadership Management Team (LMT) are also engaged by s151 officer at various points during the process along with discreet Scrutiny sessions.

External stakeholder engagement is also undertaken as detailed in the budget setting report including: general public, tenants associations and business rates payers etc. A recent example shows the Council reaching out to residents to engage on spending of town regeneration budgets (£10m in 2021/22 allocation), albeit a disappointingly low response rate was received.

Our review assesses the linkages between the financial plans and corporate planning of the Council. Both the MTFP 2020-23 Revenue and Capital Plan 2020-25 were aligned to Corporate Plan ambition and priorities. The Council however recognises that there is scope to improve linkages from the Corporate Plan to reflect the impact that COVID-19 has had upon the future financial and performance measures. This is reflected as a gap in the latest Annual Governance Statements since 2019/20. We agree with the Council's view and have raised an improvement recommendation at page 24 to ensure that the next iteration of the "Our Council Plan" clearly reflects the impact of COVID-19 upon financial and performance measures.

## How the Council ensures effectiveness processes and systems are in place to ensure budgetary control

The Council has well established budget monitoring arrangements in place. The Finance team is headed by the Service Director role which is aligned into the Council's management portfolio structure although not a strategic director. Members of the Finance Team are assigned to specific service areas and work closely with cost centre managers to review, discuss and agree the financial pressures/issues impacting on specific service areas.

Budget monitoring takes place with quarterly performance reports presented to Cabinet. These reports are shared with Executive Team (ET) and Leadership Management Team (LMT) in advance of presentation to Council. Our review of the Q3 monitoring reports give assurance that there is sufficient granular detail for Members and officers at Cabinet to understand the financial position including the reasons for budget variances. Due to the pressures brought by COVID-19 there was some acknowledged slippage in preparing the quarterly monitoring reports.

General Fund Revenue Monitoring Reports are prepared produced monthly for Executive Team and Portfolio Holders, although some months were omitted during 2020/21 to ease capacity pressures resulting from COVID-19 and to support wider organisational issues. For example the accountancy team supported the process for grants to local businesses. Where months were skipped, monitoring did take place to support service Senior Leadership Teams (SLT) for example Adults demand management monitoring continued irrespective of a formal monthly report. Our review of the month 7 report to Executive Team gives assurance on the extent of detail required to monitor the budget.

We have reviewed the Revenue and Capital Monitoring timetable for 2020/21 which contains sufficient detail for meaningful reporting to be produced, although we recognise that there was some slippage caused by COVID-19. This timetable ensures that reporting is generally timely. Overall financial monitoring reports are prepared encompassing the whole Council position for both Capital and Revenue.

# Governance (continued)

## How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council's decision making arrangements are established in the Council Constitution. The Constitution is transparent on the Council's public website. Decisions are either made by members (Council, Cabinet, or other decision making committees) or delegated to Cabinet portfolio leads, or officers.

All Key Decision reports require sign off by the relevant Strategic Director and Service Director and reference to GDPR and impact assessments. All key decisions are publicly available on the Council's website. Prior to decision making the Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

Directors commission Heads of service and their teams to produce reports related to major decisions. These are supported by professional experts such as property, accountancy and Internal Audit where appropriate. Draft proposals are reviewed by Directorate SLTs and usually Executive Team. All investment decisions are assessed and approved internally prior to revenue/capital allocations within the annual budget and subsequent Cabinet sign-off. Example is regarding Cultural Heart major capital regeneration scheme which has been reviewed by Cabinet right from initial consultation stage.

Residents and stakeholders are invited to comment as part of the annual budget process and this is clearly explained in the Council and Democracy section of the Council's public website. An annual survey of stakeholders also takes place. Stakeholder comments are captured as part of budget setting and approval.

Both the Medium-Term Financial Strategy 2020-23 (revenue) and Capital Plan (2020-25) are well aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements for 2019/20 and beyond regarding outcome-based budgeting was acknowledged to be a work in progress as regards the most recent budget round as recorded in the latest Annual Governance Statement.

Active budget monitoring takes place, with an expectation that services will achieve activity within the allocated resources. Virements within an authorisation framework (for officers, then Cabinet, then Council) can take place in accordance with the rules set out in FPRs. There are contingencies in capital projects, and arrangements for use of corporate contingencies in certain circumstances.

The Service Director – Finance (the statutory s151 officer) is not a Strategic Director but is invited to attend most Executive Team Meetings and is a regular attendee at Corporate Governance and Audit Committee. Not being a strategic director does not have a detrimental impact upon the decision making process.

During 2020/21 the Council adapted its decision making arrangements to respond to the challenges of COVID-19, adopting a 'Gold', 'Silver' and 'Bronze' meeting structure to ensure decisions were made at an appropriate level. This structure included the Council and its relevant partners. The structure enabled the Council to proactively manage its emerging risks and to take properly informed decisions in an appropriate timescale.

The Council operates a Corporate Governance and Audit Committee (CGAC) which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has an agreed workplan and where necessary asks management to report on specific internal control issues. The CGAC met regularly throughout 2020/21 and routinely considered key reports on internal controls.

The Council is currently considering a move from the Leader and Cabinet model of governance to a Committee system with a view to provide a more inclusive decision making framework. This follows a study by the Council's Local Government Association (LGA) independent advisor, the conclusions of which are being reviewed by the Democracy Commission (DC) under an agreed Terms of Reference. Both LGA and DC have regularly updated the CGAC. The Council needs to carefully weigh up the advantages and disadvantages of each model of governance before embarking upon a course of action.

The Council is still considering its governance structure options going forward and must consider what it is seeking to correct in the existing arrangements before making a decision. It is important that any decision is made with due consideration of the advantages and disadvantages of each structure as any change of this scale will involve much time and resource therefore the reasons behind such a change must be clear.

# Governance (continued)

## How the Council monitors and ensures appropriate standards.

The Council's arrangements to monitor compliance with legislation and regulatory standards are clearly set out in the Constitution. The Monitoring Officer has overall responsibility for compliance with both legislation and standards and is observed at Corporate Governance and Audit Committee to carry out this role with diligence.

Senior officers and Members at the Council demonstrate the leadership and meet the standards of behaviour expected. The Executive Team has debated matters such as maintaining strong standards of behaviour and ensuring compliance/ avoiding occurrence of failures in standards that have occurred in other councils.

The Council has its own high level but adequate local Code of Corporate Governance setting out expectations from Members and officers regarding conduct and behaviour etc. Members and officers must adhere to the Code. Beneath this sits Codes of Conduct and the Employee Handbook which clearly set out expectations of behaviour by Members and officers. Reminders are issued annually for declaration of interest/gifts and hospitality from Members and officers and these operate adequately. The Legal Services team and Monitoring Officer monitor statutory compliance.

A satisfactory Gifts and Hospitality policy is in place and we have not noted any significant breaches during 2020/21. The policy covers the key areas expected as set out in the Constitution. The Monitoring Officer is responsible for compliance with assurance provided by Internal Audit which completes routine checking of compliance.

Satisfactory arrangements are also in place for officers and Members to make declarations of interest, under the control of the Monitoring Officer. The completeness and integrity of Member interests for 2020/21 was assured during the financial statements audit under Related Party testing. This is supported by the Codes of Conduct which include a table setting out for Members what would be disclosable interests. The Monitoring Officer is responsible for compliance supported by Internal Audit who complete routine checking of compliance.

Although available on the Council website, the transparency of the registers of interests, gifts and hospitality for Members would be improved if they were more clearly signposted for the public to view on the website. Registers of interests, gifts and hospitality for senior officers are not available on the Council website. Management should consider the merits of also publishing these items. We have highlighted this area as an improvement recommendation on page 24.

Internal Audit effectively monitors statutory record keeping and ethical matters such as gifts and hospitality recording. The Council has a Standards Committee which oversees Member issues. For officers there is an established disciplinary process should matters arise.

Internal Audit operates within the Public Sector Internal Audit Standards (PSIAS), which is a derived form of the international internal auditing standards. Internal compliance testing indicates that the operation was in accordance with PSIAS standard during 2020/21. The function was subject to an external assessment at the end of the financial year 2017/18. The assessment concluded that the activity operated at the highest standard – “generally conforms” to the PSIAS and Code of Ethics. Issues raised related to the time devoted by the Head of Internal Audit, the post holder's role in relation to risk management, training and skills, and performance indicators, including customer feedback. A further external assessment will be required during 2022/23.

## Conclusion

Overall, we are satisfied that there are no significant weaknesses in the Council's governance arrangements and we have not identified any risks of serious weaknesses. We have identified three opportunities for improvement which are set out at page 24.

# Improving economy, efficiency and effectiveness



## We considered how the council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Overview of Arrangements for Ensuring Economy Efficiency and Effectiveness

Kirklees Council have in place established arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness in this area. We have identified some areas of best practice, in particular in the Procurement function whereby stakeholder feedback is obtained on a regular basis to ensure services are meeting their expected outcomes. Proactive work is also being carried out to monitor and improve performance. We have however made some recommendations to further strengthen economy, efficiency and effectiveness in the Council's arrangements.

## Use of Financial and Performance Information to identify areas for improvement

Historically, a quarterly Corporate Performance Report was submitted to the cabinet. This included key performance indicators, and assessed how the council were performing against the objectives set out in the Council Plan. However, due to the pandemic they have struggled with capacity and resources therefore have not submitted the Corporate Performance Report since 2019/20. However, the council do now produce the mid-year report which highlights the key performance indicators. The performance indicators are discussed by cabinet, which shows that performance is monitored. It can also be seen that the areas for improvement are identified. The accuracy of the financial and performance data reported to the cabinet is crucial and work is being undertaken to improve the quality of data in order to ensure the accuracy of financial and performance data. There is a risk of teams across the Council not understanding the significance of reporting their data, as they may be under the impression that it is merely part of their tasks. Therefore work is being undertaken to educate staff on the importance of good quality data. This is as part of the Data Literacy Development Programme. Social Value education is also crucial to help the teams to better understand the impact of quality data reporting. Most service lines are also using Tableau or Liquid Logic to provide better quality data. Work is also being undertaken to increase data sharing with other organisations, as well as looking to categorise the data in order to deliver efficiencies, gain a grip on, and recognise high value data, and prevent data silos. Six workstreams have been introduced by the Council:

1. Improve the data we collect, how we handle data and the use of data
2. Build a technology landscape that supports effective use of data
3. Identify and focus on high value data
4. Build our capabilities and improve our data literacy
5. Create the conditions to deliver iteratively and test out new ways of doing things
6. Be more transparent and open with our data

The Council has focused upon benchmarking and comparing their performance in order to identify areas for improvement. For example, reserves were assessed and benchmarked against 36 metropolitan councils. Kirklees useable reserves were forecast to be equivalent to 37.7% of the net revenue budget, and the median percentage across the 36 metropolitan councils was 37%, suggesting that Kirklees were in a good position when benchmarked with other metropolitan councils, however there is a clear trend of reducing the Council's reserves in the medium term, as mentioned in the Financial Sustainability section.

It is important for councils to utilise reports from regulators such as Ofsted in order to identify areas for improvement. Having assessed the budget report, we found evidence of incorporation of the improvements suggested by Ofsted. The areas for improvement are highlighted. Aims and actions based on the recommendations are then listed in detail too. For example, one area for improvement was the quality-of-care planning- an aim that came as a result of this was to "Improve the range, quality and cost-effectiveness of placements for Children Looked After." Actions to help with this were to " Redesign a wider placement support offer which aims to increase placement stability and reduce potential placement breakdowns."

We have carried out LG VfM benchmarking for the Council. The benchmarking outlines information on reserves, borrowing and unit cost comparisons against other Metropolitan Councils and Near Neighbours. CFOi has been used as well as GTVfM tools such as Foresight. The analytics showed us that Kirklees has a lower than average long-term borrowing and ranks quite low as compared to the other metropolitan councils. Total borrowing is continuing to gradually decline, whilst earmarked reserves remain relatively low and steady. In terms of reserves, Kirklees has a lower than average ratio of reserves as a proportion of net cost of services (71.2%). They are ranked 24 out of 33 Metropolitan Districts. (See slide 17).

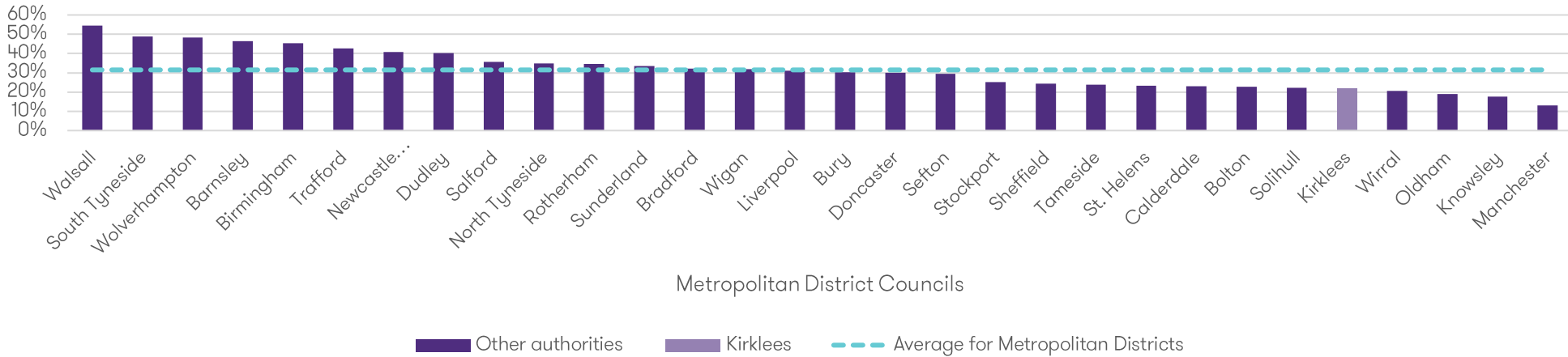
The following slide contains the LG VfM benchmarking used to assess the borrowings and reserves position of Kirklees compared to its near neighbours.

The Council also carry out internal benchmarking on a service level, as opposed to corporate level with a focus on outcomes.

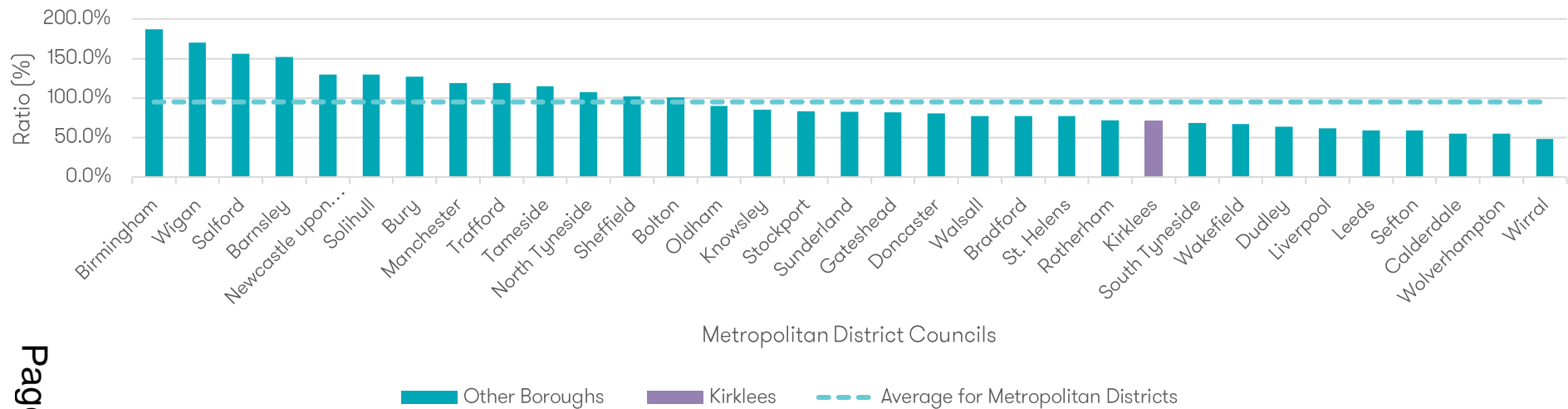


# Improving economy, efficiency and effectiveness

Long-term borrowing as a proportion of Long-term assets 2020/21 (%)



Reserves as a proportion of Net cost of services (%) 2020/21



# Improving economy, efficiency and effectiveness

## Evaluation of services provided to assess performance and identify areas for improvement

We have explored how the council assesses performance to identify areas for improvement. The council has not failed to meet minimum service standards, however the Council was served an Improvement Notice in January 2021 regarding Children's Services. This improvement notice was issued to the council in relation to the work being carried out regarding the inadequate Ofsted rating in 2016/17. The council was found to be inadequate with approximately 30 recommendations provided. This resulted in the commissioner being introduced who decided it would be sensible to form a partnership with Leeds City Council, with Leeds as improvement partner in 2017/18. Kirklees was then able to regain control of children's services albeit the director of children's services in Leeds became the director of children's services in Kirklees. Following this the Ofsted inspection in 2019 assessed that Kirklees children's services were no longer inadequate. Kirklees sought clarification from the DfE (Department for Education) who provided the council with 6 criteria to meet in order to lift the formal intervention. One of the key actions taken during this time included minimising the number of agency social workers. There are currently no agency social workers in Kirklees, this has provided significant savings. In addition, it has resulted in a sustainable resilient workforce as the council have invested in additional posts for permanent members of staff such as a cohort of advanced practitioners. This led to the council spending below budget in Children's Social Care (Not including SEND). This resilient workforce has meant that the council have adapted well to continuing to provide social care throughout the pandemic. The management and monitoring of the outcomes and performance is done on a monthly basis, to emphasise to Ofsted that data is monitored. Liquid Logic and Tableau are used for this to report and process the data. The next Ofsted inspection is due in 2022 and the council's ambition is to be outstanding.

Having assessed the Corporate Governance and Audit Committee meeting minutes we can confirm that the council reviews and challenges strategic priorities and cost-effectiveness of activities where sufficient value isn't added. For example, the expenditure on PPE was significant, and action was taken in order to monitor this and as a result significant savings were made. Historically the council had faced a challenge whereby there was excessive expenditure on PPE and branded goods. A revamp then took place through which unions were consulted, a new contract was formed which led to increased savings, and a take-up of non-branded goods. The teams all seem highly proactive in identifying areas for improvement and implementing relevant measures. There are however some areas of improvement, where targets are not being met, for example of the 188 organisations providing social care across Kirklees- 71% are Good or Outstanding. But 28% require improvement and there are 2 rated inadequate, however there are action plans and inherent improvement plans in place.

Having assessed the Audited Statement of Accounts, and meeting minutes, we are satisfied that the council have not failed to implement or achieve progress on recommendations raised by the external audit team. The review of effectiveness section and progress with the issues in last year's statement provide evidence of the implementation of recommendations as well as action plans for the implementation. Recommendations are from both external and internal auditors as well as Ofsted. The progress report within the statement of accounts highlights the recommendations, any progress made in 2020/21 and whether further action is required in 2021/22 - there are recommendations regarding addressing the health and safety issues of housing. The implementation of these recommendations began in 2020/21, which are monitored by the Service Director and Cabinet. In 2021/22 the implementations are due to continue.

# Improving economy, efficiency and effectiveness

## Delivering the role within significant partnerships, engagement with stakeholders and monitoring performance against expectations

The Council is involved in many public sector partnerships including a partnership with the NHS to enhance the Testing and Vaccination programmes in response to COVID-19. Kirklees was one of the first places in the country in Autumn 2020 to move to Tier 3 restrictions and followed Liverpool's example to set up local testing arrangements.

The Council invests in selected local businesses to support public services and encourage local economic growth. The largest investment (£0.9 million) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on the Council's behalf through a 32-year PFI contract. The Council also has a 40% shareholding in Kirklees Stadium Development Ltd, a 14% holding in QED KMC Holdings Ltd (£0.2 million) and a 50% shareholding in Kirklees Henry Boot Partnership Ltd (£0.1 million). The purpose of this was to take part in the governance and control of organisations which they deemed to be beneficial and adding economic benefits to Kirklees.

As part of our work we have considered the overarching governance arrangements of the Council's group companies and investments. We found that while these are managed at operational level within the services, there is limited corporate and member level governance to provide an overview of performance from the point of view of the Council as shareholders, and there is not an overarching investment strategy to set core principles and standard criteria for investment decisions. We recognise that the Council's group entities have grown organically (eg Kirklees Active Leisure and Kirklees Neighbourhood Housing) rather than the Council undertaking adventurous investment opportunities for financial gain. We note that the Council is currently managing a number of cases where companies in the current portfolio are heading towards, or are already in, financial difficulty in part due to the conditions of the pandemic. Whilst we recognise that the Council is aware of these issues and the portfolio currently reflects limited material financial risk, the lack of group governance arrangements could also open the Council to operational or reputational risks. We also note that a number of high profile governance failures at other councils over the past few years have been directly linked to weak group governance. We have recommended that the Council reviews its company and investment governance arrangements to protect its interests as shareholder, and develop a corporate investment strategy to set key principles and criteria for future investment and disinvestment decisions.

Kirklees Council is part of the Safer Kirklees partnership, which includes the Police, Fire and Rescue Authority, Housing, Clinical Commissioning Groups and Probation Services. They have in place a Partnership Plan for 2018-2021. This identifies and states the strategic priorities, which consider the socio-economic and demographic profile of Kirklees in order to improve and make Kirklees safer. The Safer Kirklees Partnership Plan provides in depth aims, objectives and plans in order to work with the partners on making Kirklees safer. The governance and delivery arrangements are also included within this document, and they

ensure transparency with both the partners and the public. Measures used to assess performance are also documented and outlined. This shows clear collaboration of the council with its partners. The Social Value Policy and Procurement Strategy shed some light on working with partners.

The budget consultation within the Budget Report evidences engagement with the stakeholders. This consultation was an online survey in order to find out the priorities residents had in mind for a number of key areas such as jobs for local people, increased opportunities for local businesses and investment from partners in town centres and climate change. Climate change appeared to be a high priority, and the January 2020 meeting minutes provide evidence of consideration of this, and Climate Emergency and Air Quality next steps were discussed. Cabinet supported the prioritisation of a step-change for travel which would facilitate a shift to a low carbon, low emissions future.

The Council has faced a £2m overspend in relation to one of its capital projects-the leisure centre. The leisure centre had been an aspiration for a few years and that is when the budget was created. It has only recently seen completion this year. Due to the time taken, suppliers charging more and COVID-19, £2m had to be added into the capital plan. There is evidence of the paper going to the governance board, the unforeseen expenditure being incorporated into the financial outturn report. This was approved in June/July 2021 by the Cabinet.

There have been a number of reasons for this overspend which include the number of years taken to complete the project, as well as the rise in prices of suppliers due to the pandemic. The COVID-19 pandemic and subsequent national restrictions applied at various times through 2020/21 have impacted significantly on KAL's operating position and consequential COVID-19 impacted financial sustainability. The original report to Cabinet on 28 July 2020 noted at the time that failure to support KAL through the challenge of COVID-19 would have left them vulnerable and with the likelihood that some sites may have had to close anyway, and possibly lead to the demise of KAL. The Council has had to pick up a number of liabilities, and for the public, with the loss of the major operator of leisure facilities, and the health and social consequences therein. In particular, KAL is the main provider of swimming pools in Kirklees, and the prolonged closure of these would have a knock-on impact on the ability for schools to meet statutory school swimming obligations as well as meeting the swimming needs of the wider population.

## Consultations

There is a consultation team consisting of 2 team members, who consult on priorities for the council, as well as finances and budgets which we recognise as a very positive feature as it demonstrates a strategic lead. A system called Involve is used in order to log all consultations. On this system, outcomes of each consultation can also be seen, which can be beneficial for other service areas looking to go through a consultation. It can be seen that some service areas utilise this team more than others. Following conversations with the Consultations department, we feel that it would be beneficial for the council to look into implementing consultation champions for each service area. The champions would be experts from each of the service areas. This would support the consultation team as the basics would've been carried out. This would save time and resource and avoid money being spent on unnecessary consultations.

# Improving economy, efficiency and effectiveness

## Procurement

Kirklees has Contract and Finance Procedure Rules in place which are routinely subject to consultation and approval by Full Council. A procurement strategy is in place, however it is dated 2013-2017. The strategy covers the vision, objectives, actions and the strategic context (European, National, Regional and Local). This is out of date and we are advised that the strategy has not been updated due to a significant transformation starting in 2018 which the Council wanted to focus upon, as opposed to updating the strategy. The transformation has now been successfully implemented.

It is important to consider the risks and rewards when undertaking significant commercial ventures as part of the procurement process for regeneration and large capital projects. Our assessment has found that risks and rewards are considered project by project and documented on the risk register. The risk team establish the market type risks as well as considering supplier failures. The risks on a project are considered as part of decision making. For example, the biggest regeneration scheme (Cultural Heart) had external project management expertise brought in from Turner & Townsend. Furthermore, rigorous benchmarking and options are considered as part of the risk framework, offering VfM assurance. Rewards are also considered on a project by project basis with consideration of service credits and KPIs.

We also considered repeated commissioning and whether there was sufficient regard to the market position and extensive use of agency staff. We found that historically there has been repeated commissioning, such as the Waste/PFI, a service which has been extended and will be reproced in 2025, however this has been done after having considered the market position, and careful consideration of risk and reward. More detail on the waste strategy is provided under the financial sustainability section of this report at page 10.

The Council have previously extensively used agency/temporary staff which has incurred high costs. They have however carried out a significant piece of work and reproced a new temporary staff contract with Reed. This has helped to improve procurement functions and costs/budgets, and therefore contained cost increases.

There are arrangements in place to monitor the performance of key service providers/sub-contractors. There are category managers, commercial advisors and legal colleagues. Liaison takes place in order to identify and discuss any issues which may arise. The category managers also report back centrally and amongst each other should any issues arise. Contract management could be enhanced with a clearer line of support in place. No formal process or key point of call is in place if contract managers face an issue. Whilst there is a myriad of support available for contract managers if they had an issue, it can be confusing for contract managers to identify who can help.

There are arrangements in place to monitor, control and report on costs. Each programme/project has it's own project/programme officer (PM). The PMs conduct forecasting, as well as report performance on a quarterly basis through SAP. The SAP system shows the budget overall, variances and forecasts. There is a reprofiling of the capital plan if the variances are significant. Performance is centrally monitored on a quarterly basis, as the reports go to Cabinet, however some directorates monitor on a monthly basis. Where there is an impact on current performance, virements are looked into and these are discussed in the quarterly Cabinet report. There is no evidence of the Council failing to adhere to significant grant conditions, however the recent leisure centre project did see cost overruns. The leisure centre had been an aspiration for a few years and that is when the budget was created. It has only recently seen completion this year. Due to the time taken, suppliers charging more and COVID-19, £2m had to be added into the capital plan. There is evidence of the paper going to the governance board, the unforeseen expenditure being incorporated into the financial outturn report. This was approved in June/July 2021 by the Cabinet.

## Conclusion

Overall, we are satisfied that there are no significant weaknesses in the Council's arrangements to achieve economy, efficiency and effectiveness. We have identified three opportunities for improvement which are set out at pages 25 and 26.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of housing rents, Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on adult social care.

The COVID-19 related overspend by the Council was £63.9m comprising of £48.7m of additional expenditure and £15.2m of income losses to services.

This overspend has been offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and corresponding COVID-19 related underspends in the General Fund. The Council has played a pivotal role across Kirklees district by administering over £140m in Government grant funding to eligible businesses, £50m in COVID-19 related Business Rates reliefs and £4.5m of hardship relief to Council Tax Reduction recipients. The Council has also managed almost £33m of other COVID-19 specific grants and £36m of general un-ringfenced grants (£12m of which was received in March 2020).

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The MTFs was reviewed and updated during the year, and detailed quarterly reporting against the budget to Cabinet was maintained throughout the year.

The Revenue Grants reserve increased by £10.3m largely due to the impact of COVID-19 grants being held in reserve at year end, arising from timing issues on additional COVID-19 spend rolling over financial years. It is intended that most of this increase will be fully applied in 2021/22.

£17.6m of un-ringfenced Government COVID-19 support grant received in 2020/21 was transferred to an existing £2.4m reserve at year end giving a total of £20m COVID-19 Response Reserve to cover a range of ongoing COVID-19 related costs. It is anticipated that the reserve will be fully applied in 2021/22 to help offset significant and unbudgeted COVID-19 pressures in-year.

Despite this 'cushion', the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, with savings and efficiencies built in, the Council will undoubtedly need to maintain its high level of monitoring and scrutiny over its finances in order to achieve this budget.

## Governance

As a result of the lockdown restrictions announced on the 16 March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually, so long as they meet certain criteria specified in the Regulations. The first virtual meeting of the Cabinet took place on 1 May 2020 at which the Chief Executive reported back on the decisions she had taken in the interim as required by the Constitution.

The response of Internal Audit to meet the COVID-19 emergency in 2020/21 meant that a substantial amount of normal audit time was spent on assisting with oversight and control of the governments business rates-based grant schemes. Time was also spent on other administrative tasks, which were an organisational priority. Internal audit has demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances.

There has been an acceptance and implementation of prior year internal audit recommendations based on the follow up reviews carried out and reported to the Corporate Governance and Audit Committee. Internal audit did not identify any serious weaknesses in internal controls over the course of the year.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

# COVID-19 arrangements (continued)

## Improving economy, efficiency and effectiveness

The Council's response to COVID-19 focussed on a number of key priorities – promoting public safety and saving lives, managing business continuity, maintaining support and safeguarding the most vulnerable and providing a resilient response within the region. A COVID-19 Recovery Framework using the foundations established during lockdown to help the Council come back stronger across the themed recovery programme supported by an Outbreak Control Plan has been approved by the local Health Protection Board.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

The Council has maintained its quarterly reporting of performance against the targets throughout the year. This has enabled those charged with governance to understand which of the Council's activities have been most impacted and the extent of this impact.

Partnership working is a key theme of the Council's plan, and work with community partners increased during the pandemic. This is set out in the reporting to those charged with governance.

## Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.



# Improvement recommendations



## Financial sustainability

<b>Recommendation 1</b>	Optimise the outcomes for the Council in the current round of Department for Education Safety Valve Group discussions, including approval for the Special Educational Needs (SEND) Transformation Plan in order to seek a long term solution to the Dedicated Schools Grant (DSG) overspend.
<b>Why/impact</b>	The current and forecast DSG overspend attributable to the SEND service is not sustainable for the Council.
<b>Auditor judgement</b>	Whilst DSG deficit positions can be carried forward against the grant for future years, the Council is required to have a multi-year deficit recovery plan in place.
<b>Summary findings</b>	The SEND service overspend has arisen for a various reasons including changes to the funding formulae plus operational factors which have contributed to the service being high cost and lower output than some other Councils. The Council is aware of the budget pressure and has a number of action plans in place to address the overspend, but this is not yet accepted by the government's Safety Valve intervention programme.
<b>Management comment</b>	Agreed
<b>Recommendation 2</b>	Ensure that the scale of future years Minimum Revenue Provision (MRP) continues to be transparent in future years budgets and medium term financial strategies (MTFS).
<b>Why/impact</b>	MRP charges are a significant budget pressure in the Council's MTFS.
<b>Auditor judgement</b>	The Council has made use of the flexibilities available in reprofiling and recalculating MRP charges to future revenue however these charges are increasing and present a budget pressure for future years.
<b>Summary findings</b>	The Council's recent budget reports and MTFS makes clear the policy on calculating MRP including the revision from 2022/23 to charge MRP only when an asset comes into use. However it is important that the profile of MRP charge remains transparent in future years reports as this represents a charge to the Council.
<b>Management comment</b>	Agreed

The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

<b>Recommendation 3</b>	Update the Council Plan for the next iteration to clearly reflect the impact that COVID-19 will have on financial and performance measures.
<b>Why/impact</b>	The Corporate Plan is a key document which summarises the high level priorities of the Council linked to underlying strategies
<b>Auditor judgement</b>	The Council regularly updates the Council Plan but there remains scope for further updates due to the impact of COVID-19.
<b>Summary findings</b>	Management have recognised the need to further strengthen the Corporate Plan with enhanced reference to the impact of COVID-19 including the financial consequences and performance measures.
<b>Management comment</b>	TBC
<b>Recommendation 4</b>	Consider publishing the Member and Senior Officer's registers of interests, gifts and hospitality more clearly on the Council website.
<b>Why/impact</b>	The transparency of the registers of interests, gifts and hospitality would be enhanced if published and updated regularly on the Council website.
<b>Auditor judgement</b>	Member's interests and declarations are available on the website although accessibility could be improved. Senior Officer's interests and declarations are not published on the Council website.
<b>Summary findings</b>	The Member's and Senior Officer's registers are in place and maintained by the Monitoring Officer although not easily available to the public for inspection on the Council website.
<b>Management comment</b>	TBC
<b>Recommendation 5</b>	Ensure that a comprehensive assessment which assesses the advantages and disadvantages of each governance model takes place to support any decision made on the future governance model for the Council.
<b>Why/impact</b>	The Council is currently considering its governance structure going forward and it is important that the decision is made with due consideration of the advantages and disadvantages of each structure. (Leader and Cabinet or Committee Structure). Moving the governance model from Leader and Cabinet to a Committee Structure will be a significant change to the current arrangements.
<b>Auditor judgement</b>	The Council has sought external support from the Local Government Association and Democracy Commission to assist with decision making.
<b>Summary findings</b>	The Council is currently considering its governance structure.
<b>Management comment</b>	Agreed



# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>Recommendation 6</b>	We recommend that the Council creates an updated procurement strategy and a regular review process to ensure this is kept up to date.
<b>Why/impact</b>	It is important to have an up to date procurement strategy in place for best practice and for a valid point of reference.
<b>Auditor judgement</b>	The current procurement strategy is due for refresh.
<b>Summary findings</b>	Kirklees Council have a procurement strategy in place, however it is dated 2013-2017. The strategy covers the vision, objectives, actions and the strategic context (European, National, Regional and Local).
<b>Management comment</b>	Agreed – the updated strategy is currently in draft and due to be presented to the July 2022 Cabinet.

<b>Recommendation 7</b>	We recommend that the Council reviews its group company and investment governance arrangements.
<b>Why/impact</b>	This will allow the Council to protect its interests as a shareholder, and develop a corporate investment strategy to set key principles and criteria for future investment and disinvestment decisions. It should also increase the Council's information on emerging risks within group bodies
<b>Auditor judgement</b>	The Council will benefit from a closer understanding of issues and risks impacting group entities if there is more Council representation within the group entities governance structure meaning that any issues impacting the Council will be flagged earlier.
<b>Summary findings</b>	There is limited corporate and member level governance to provide an overview of performance from the point of view of the Council as shareholders, and there is not a overarching investment strategy to set core principles and standard criteria for investment decisions.
<b>Management comment</b>	TBC

# Improvement recommendations



Improving economy, efficiency and effectiveness

<b>Recommendation 8</b>	We recommend that quarterly performance reporting is reinstated.
<b>Why/impact</b>	Performance Reporting is a key form of feedback for members and provides important information to aid decision-making and understand key areas for improvement. Annual reporting mid-year may not be often enough
<b>Auditor judgement</b>	There has ben slippage in performance reporting during 2020/21 largely brought about by the pressures of COVID-19
<b>Summary findings</b>	Historically, a quarterly Corporate Performance Report was submitted to Cabinet. This included key performance indicators, and assessed how the council were performing against the objectives set out in the Council Plan. However, due to the pandemic the Council have struggled with capacity and resources therefore have not submitted the Corporate Performance Report since 2019/20.
<b>Management comment</b>	TBC

# Opinion on the financial statements



## Audit opinion on the financial statements

We have completed our Financial Statements audit and gave an unqualified audit opinion on 5 November 2021.

## Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Corporate Governance and Audit Committee on 24 September 2021 and is published on the Council's website.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There has been a delay by the National Audit Office in issuing the WGA consolidation packs to Councils. We will complete our work on the Whole of Government Accounts consolidation pack once the information for audit is available.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers in support.

## Issues arising from the accounts:

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 2020/21 Audit Findings Report at Appendix C.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

There are no matters to report regarding these responsibilities.



# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Service Director – Finance :

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

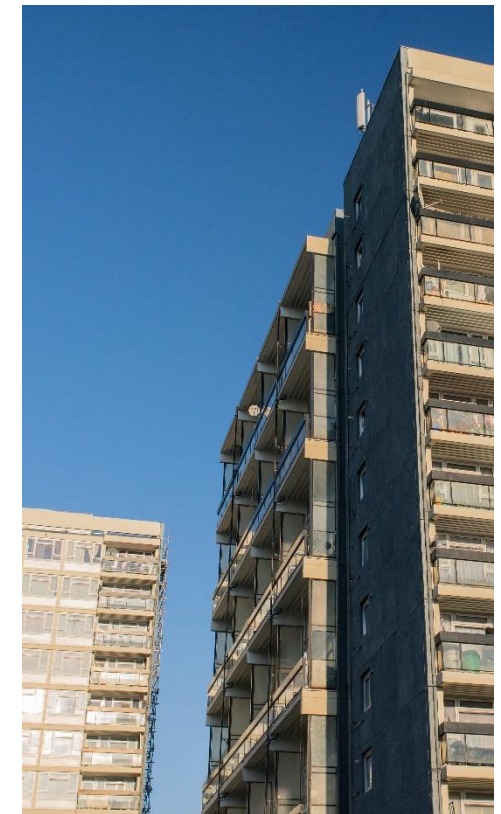
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p><b>Improving Economy, Efficiency and Effectiveness</b> was identified as a potential significant weakness - Dedicated Schools Grant (DSG) overspend.</p> <p>Extract of Audit Plan: The Special Educational Needs (SEND) expenditure within the Dedicated Schools Grant budget was a major contributor to the £14.4m overspent DSG reserve during 2019/20, and the overspend is set to increase during 2020/21</p>	<p>The extent of the financial pressure brought about by the DSG overspend relating to SEND was reviewed as part of the financial sustainability assessment. In doing so we considered the reasons why the overspend had occurred.</p>	<p>Addressed at page 8 of this report within the financial sustainability area.</p>	<p>Appropriate arrangements are in place with an improvement recommendation raised.</p>

# Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	23 onwards

# Appendix D -Use of formal auditor's powers

For information only, we bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any statutory recommendations.

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any applications to the Court.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review.





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

**Date: 11 March 2022**

**Title of report: Dates of Council Meetings – 2022 to 2023 Municipal Year**

**Purpose of report: (Reference to Annual Council)**

**To determine dates and times for meetings of Council for the 2022-2023 municipal year**

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
Signed off by Director	Rachel Spencer-Henshall 1.3.22
Is it also signed off by the Service Director for Financial Management, IT, Risk and Performance?	N/A
Is it also signed off by the Service Director - Legal Governance and Commissioning	Julie Muscroft 24.2.22
Cabinet Member portfolio	Not applicable

**Electoral wards affected: Not applicable**

**Ward councillors consulted: Not applicable**

**Public or Private Status: Public**

**GDPR Implications: Not applicable**

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## 1. Summary

Council Procedure Rule 2 (1) advises that the dates of ordinary Council Meetings in each Municipal Year will be determined by the Council following recommendations made by the Corporate Governance and Audit Committee.

Council Procedure Rule 5(1) states that there shall be two types of Ordinary meeting of the Council, one which focuses on Holding the Executive to Account, and the other for Key Discussions. No less than four ordinary meetings must be designated as Holding the Executive to Account.

The following dates/times are proposed, all meetings to be held at 5.30pm.

The meeting of Annual Council, scheduled for 14 May 2023, will commence (with a civic ceremony) at 12.30pm.

In addition to the meetings as set out below a new Council Procedure Rule 5(6) was added to the constitution last year which requires that there shall be [at least] one meeting of Council convened each Municipal Year at which the Elected Mayor of the West Yorkshire Combined Authority (WYCA) shall attend to discuss and report back on their work programme and outcomes. This meeting or meetings may either be added to the Council's Municipal Calendar of meetings during the 2022-2023 municipal year or before annual council through this committee, or included below depending on items of business.

Date	Council Meeting
2022	
Wednesday 13 <sup>th</sup> July	Holding Executive to Account
Wednesday 7 <sup>th</sup> September	Key Discussion
Wednesday 12 <sup>th</sup> October	Holding Executive to Account
Wednesday 9 <sup>th</sup> November	Key Discussion
Wednesday 7 <sup>th</sup> December	Holding Executive to Account
2023	
Wednesday 11 <sup>th</sup> January	Key Discussion
Wednesday 22 <sup>nd</sup> February	Budget Council
Wednesday 15 <sup>th</sup> March	Holding Executive to Account
Wednesday 24 <sup>th</sup> May	Annual Council

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

Not applicable

**3. Implications for the Council**

**3.1 Working with People**

Not applicable

**3.2 Working with Partners**

Not applicable

**3.3 Place Based Working**

Not applicable

**3.4 Climate Change and Air Quality**

Not applicable

**3.5 Improving Outcomes for Children**

Not applicable

**4. Consultees**

- Group Leaders have been advised of the proposed dates.

**5. Next steps**

That the report be submitted to the Meeting of Annual Council on 25 May 2022 seeking approval of the proposed dates for the 2022/2023 municipal year.

**6. Officer recommendation**

That the schedule of Council meetings for the 2022-2023 municipal year be submitted to the meeting of Annual Council on 25 May 2022 with a recommendation of approval Committee note that a date or dates to comply with CPR 5(6) will follow later and/or will be included as part of one or more of the meetings listed above.

**7. Cabinet portfolio holder recommendation**

Not applicable.

**8. Contact officer**

Samantha Lawton, Head of Governance

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

Not applicable.

**10. Service Director responsible**

Julie Muscroft, Service Director - Legal, Governance and Commissioning