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Thursday 2 February 2023

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

The **Corporate Governance and Audit Committee** will meet in the **Meeting Room 1 - Town Hall, Huddersfield** at **10.00 am** on **Friday 10 February 2023.**

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

Julie Muscroft

Service Director – Legal, Governance and Commissioning

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

The Corporate Governance and Audit Committee members are:-

Member

Councillor Yusra Hussain (Chair)
Councillor Ammar Anwar
Councillor Kath Pinnock
Councillor Harry McCarthy
Councillor Elizabeth Reynolds
Councillor Joshua Sheard
Councillor John Taylor

When a Member of the Corporate Governance and Audit Committee cannot attend the meeting, a member of the Substitutes Panel (below) may attend in their place in accordance with the provision of Council Procedure Rule 35(7).

Substitutes Panel

Conservative	**Green**	**Independent**	**Labour**	**Liberal Democrat**
B Armer	K Allison	C Greaves	S Hall	A Munro
A Gregg	S Lee-Richards	A Lukic	M Kaushik	PA Davies
D Hall			F Perry	J Lawson
V Lees-Hamilton			M Sokhal E Firth	A Marchington
R Smith			T Hawkins	A Pinnock
M Thompson				

Ex Officio Members

Councillor Paul Davies - Cabinet Member (Corporate Services)
Councillor Elizabeth Smaje - Chair of Overview and Scrutiny Committee
Councillor Jo Lawson – Chair of Standards Committee

Agenda
Reports or Explanatory Notes Attached

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

6: Public Question Time

The Committee will hear any questions from the general public.

7: Public Sector Internal Audit Standards Five Yearly External Review — 13 - 30

To consider the External Assessment of Internal Audit Standards

Contact: Martin Dearnley, Head of Risk

8: Treasury Management Strategy and Investment Strategy 2023/24 — 31 - 56

To consider the report.

Contact: James Anderson, Head of Accountancy

9: Annual Governance Statement 2021/22 — 57 - 78

To consider the Annual Governance Statement 2021/22.

Contact: Simon Straker, Audit Manager

10: Audit Findings — 79 - 136

To consider the report.

Contact: Grant Thornton, External Auditor

11: Approval of the Council's final accounts for 2021/22 — 137 - 296

To consider the report.

Contact: James Anderson, Head of Accountancy

12: Dates of Council Meetings - 2023 to 2024 Municipal Year (Reference to Council) 297 - 300

To consider the dates and times for meetings of Council for the 2023-2024 municipal year.

Contact: Samantha Lawton, Head of Governance

13: Risk Management Update 301 - 328

To consider the report.

Contact: Martin Dearnley, Head of Risk

14: IT Audit Controls Update 329 - 332

To receive an IT Audit Controls Update.

Contact: Terence Hudson, Head of Technology

15: Exclusion of the Public

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

16: Risk Management Update 333 - 342

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

Exempt appendix in relation to Agenda Item 13.

17: IT Audit Controls Update

343 - 354

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

Exempt appendix in relation to Agenda Item 14.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 25th November 2022

Present:	Councillor Yusra Hussain (Chair) Councillor Harry McCarthy Councillor Elizabeth Reynolds Councillor John Taylor Councillor Paolo Davies
In attendance:	Julie Muscroft – Service Director, Legal, Governance and Commissioning David Stickley – Senior Legal Officer Martin Dearnley – Head of Internal Audit James Anderson – Head of Accountancy Rachel Firth – Finance Manager Stephen Nixon – Grant Thornton Aaron Gouldman – Grant Thornton Peter Jackson – Head of Internal Audit, Doncaster Council Councillor Paul Davies (Ex-Officio) Councillor Elizabeth Smaje (Ex-Officio) Councillor Jo Lawson (Ex-Officio)
Apologies:	Councillor Ammar Anwar Councillor Joshua Sheard

1 **Membership of the Committee**
Apologies for absence were received on behalf of Councillor Ammar Anwar and Councillor Joshua Sheard. Councillor Paolo Davies substituted for Councillor Kath Pinnock.

2 **Minutes of Previous Meeting**
RESOLVED – That the Minutes of the meeting held on 30th September 2022 be approved as a correct record.

3 **Declarations of Interest**
No interests were declared.

4 **Admission of the Public**
It was noted that Agenda Item 12 would be considered in private session.

5 **Deputations/Petitions**
There were no deputations or petitions received.

6 Public Question Time

No questions were asked.

7 Half Yearly Monitoring Report on Treasury Management Activities 2022/23

The Committee received a report providing assurance that the Council's treasury management function was being managed prudently and pro-actively. External investments, including £10.0 million invested in the Local Authorities Pooled Investment Fund (LAPF), averaged £69.7 million during the period at an average rate of 0.66%. Investments had ranged from a peak of £111.1 million in August and a low of £34.7 million in June. The high investment balance was due to receiving a Council Tax Energy Rebate grant of £25.6 million at the end of March which was paid out over a few months, along with taking advantage of medium-term Local Authority loans and arranging a £20.0 million Public Works Loan Board in August from HM Treasury.

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

The treasury management revenue budget was £26.7 million. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £9.1 million MRP budget over-provision in 2022/23. The budget strategy update report 2023/24 re-affirmed the decision taken in the annual budget report in February 2022 to forward profile the release of the MRP over-provision with an additional £4.6 million, in light of the estimated medium term COVID impacted pressures on the Council finances. The MRP policy was to provide for MRP based on the asset life to which external borrowing was incurred. The MRP calculation was used to determine the amount of revenue resources that needed to be set aside annual by the Council to meet its debt obligations.

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

During discussion, the Committee highlighted Revenue Budget Monitoring and sought clarification of the title for this item. It was noted that the Revenue Budget Monitoring included interest from set loans and that the heading would be amended accordingly.

RESOLVED –

(i) That the Committee noted the half-year treasury management performance in 2022/23 as set out in the report,
(ii) That the Revenue Budget Monitoring title be amended in future reports.

8 Audit Findings

The Committee received the draft External Audit Finding Report, for year end 31 March 2022, as submitted by Grant Thornton.

It was reported that Grant Thornton's audit work was completed both onsite and remotely July to November and the findings were summarised within the report.

The Committee was advised that the report was a draft, and the final report would be shared with the Committee at a later meeting. At this stage Grant Thornton had not identified any adjustments to the financial statements that resulted in amending the draft outturn in the Council's Comprehensive Income and Expenditure Statement. Grant Thorntons work was substantially complete and there were no matters that required modification to their audit opinion or financial statement shown in the report.

It was anticipated that the audit report opinion would be unqualified.

During discussion the Committee raised concerns around SAP controls and thanked the finance team for all their hard work that had been undertaken.

RESOLVED –
(i) That the External Audit Findings Report be received and noted,
(ii) That the finance team are thanked for the hard work they undertake,
(iii) That the Committee considers a report on proposals of improvement and an action plan regarding SAP control concerns in January 2023.

9 Update on Representation on Outside Bodies

The Committee received a report seeking the approval of King James's Foundation Charity be added to the schedule of outside bodies.

The Committee was advised that the Council had a right to nominate one of eight trustees to the King James's School Foundation Charity. A Trustee was nominated for 4 years.

Whilst the Council was corporate trustee in the past, it was currently governed by independent trustees, under a scheme approved by the Charity Commission in 2001, which established the objectives as:

- The ownership of the King James's School site, in Almondbury,
- Assistance with the provision of facilities for the school,
- Assistance to pupils at the school and assistance to education for anyone under 25 who were residents in the ancient parish of Almondbury.

It was noted that the ancient parish of Almondbury was an extensive area and included large parts of the Colne Valley, Holme Valley and Meltham.

RESOLVED –
(i) That the King James's Foundation Charity be added to the schedule of outside bodies,
(ii) That Group Business Managers were asked to nominate a member to take up the council's position on the King James's Foundation Charity.

10 Quarterly Report of Internal Audit Q2 2022/23 - July 2022 to September 2022

The Committee received a report which set out the activities of the Internal Audit in quarter 2 of 2022/23.

The report provided information regarding eleven audits completed during the period. The routine audits were for four schools, five other financial systems and two follow up audits. Internal Audit continued to support several governance areas and had reviewed certain grants and payment regimes, as well as data submissions related to the national fraud initiative and government data collection (Covid related) business grant funds. Internal Audit now looked after the Council's Fraud Investigation Team where three right to buy applications had been denied during the quarter with one property recovered. A further twelve investigations were ongoing. Progress with routine audit work had been below expectations, the plan for 2022/23 was that 85 audits should be completed with work still progressing on determining an appropriate work plan for the Fraud Team.

The Committee acknowledged that there had been no Regulation of Investigatory Powers Act activity during the period quarter 2 2022/23.

RESOLVED – That the Q2 Internal Audit Report 2022/23 be noted.

11 Exclusion of the Public

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

12 Quarterly Report of Internal Audit Q2 2022/23 - July 2022 to September 2022

Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information (Variation) Order 2006, namely Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Committee noted the exempt information, which was an appendix to Agenda Item 10.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 2nd December 2022

Present:	Councillor Yusra Hussain (Chair) Councillor Ammar Anwar Councillor Kath Pinnock Councillor Harry McCarthy Councillor Elizabeth Reynolds Councillor Joshua Sheard Councillor John Taylor
In attendance:	Julie Muscroft – Service Director, Legal, Governance and Commissioning Martin Dearnley- Head of Internal Audit Samantha Lawton – Head of Governance Chris Read – Corporate Customer Standards Officer Councillor Paul Davies (Ex-Officio) Councillor Jo Lawson (Ex-Officio) Councillor Elizabeth Smaje (Ex-Officio) Councillor Cathy Scott Councillor Mohan Sokhal

1 **Membership of the Committee**
No apologies for absence were received.

2 **Declarations of Interest**
There were no declarations of interest from any members of the Committee.

3 **Admission of the Public**
All agenda items were to be considered in public.

4 **Deputations/Petitions**
There were no deputations or petitions.

5 **Public Question Time**
There were no questions from members of the public.

6 **Corporate Customer Standards Annual Report 2021-22**
The Committee received a report on Corporate Customer Standards 2021-22. The report updated the Committee on complaint issues and performance during the previous year.

The report was informed by the Local Government Ombudsman Annual Report which was published in July 2022. The report incorporated information about third stage complaint handling during 2021/22, and a summary of the Whistleblowing concerns that had been received. The report also contained reports on Children's Services, and Housing Services complaints which were handled though a different process.

The ultimate sanction that the Local Government Ombudsman could apply was to issue a formal report against a Council. Those were usually issued where a matter was very serious and had a number of process issues to consider and resolve. In 2021-22 there were no formal reports issues against Kirklees Council.

The Local Government Ombudsman published details of every complaint six weeks after they were formally made which enabled Kirklees to compare performance against other West Yorkshire Councils. Kirklees Council was approximately 20.3% of the West Yorkshire total which was around the number anticipated.

Learning from complaints was noted, the Committee was informed that the complaints process appeared robust given that 47% of the Kirklees cases formally investigated were upheld.

It was noted that the in 2020/21 the Ombudsman was closed for new enquiries for approximately 3 months of the year, and the period 2021/22 featured "catch up" from the Ombudsman.

There was a total of 1045 third stage complaints passed through Corporate Customer Standards Section in 2012/22, compared to 857 cases is 2020/21. 2022/23 figures indicated that the Customer Standards Section could receive 10% fewer contacts this year.

During discussion the Committee asked how Kirklees compared with other Local Authorities regarding their Children's Services complaints. It was noted that children's complaints were dealt with via the children's complaints process and not the corporate complaints process.

RESOLVED – That the report be noted.

7 Proposed Change to Council Budget Meeting Date 2023

The Committee received a report which proposed a change to the date of the Council Budget Meeting 2023.

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

The Corporate Governance and Audit Committee considered a report setting out dates for 2022-23 at it's meeting on 11 March 2022 and recommended the proposed schedule of meeting be approved by council. The dates were subsequently approved by Council.

As a result of the economic circumstances this financial year, and the lateness of receiving the finance settlement, it was helpful for Officers and Members to have more time to consider the impact of the current challenging conditions to prepare and/or consider the draft budget. As a result of that and following discussions with Group Leaders it was proposed to change the date of the Council's Budget Meeting from 22 February to 8 March 2023.

RESOLVED- That the report be considered at the meeting of Council on 7 December 2022 with a recommendation to change the date of the Council's Budget Meeting from 22 February to 8 March 2023, along with the consequential changes in respect of the schedule of outstanding Council meetings, as set out in the report.

8 Committee System Proposal - Democracy Commission Report

The Committee received a report on the Committee System Proposal from the Democracy Commission.

On 24th September 2021, Council approved the appointment of the Local Government Advisor (LGA) Mark Edgell who advised and worked with Councillors on the governance review process. Council further approved that the Corporate Governance and Audit Committee be tasked with determining the next steps of the proposal for a committee system arrangement.

An information session was arranged on 13th October 2021 with Corporate Governance and Audit to receive further advice from the LGA and discuss the approach to the review of different governance models.

On 4th November 2021 an all-Councillor committee system session was held to discuss the issues together, in a balanced, neutral way and to capture the views of all members.

On 26th November 2021 Corporate Governance and Audit resolved that the Democracy Commission be convened to undertake this work. The Terms of Reference for the review were set and agreed by Corporate Governance and Audit on 21st January 2022 which were:

1) To review the advice, conclusions, and recommendations of the LGA Independent Advisor.

2) To consider evidence from other Local Authorities operating under alternative models of governance such as those who had changed from:
   - Leader and Cabinet model to a Committee System.
   - Committee System to Leader and Cabinet model.
   - Leader and Cabinet and changed to Committee system and back to a Leader and Cabinet model

3) To review the current model in light of evidence from other Councils/Models and consider whether more inclusive decision making could be achieved through:
   - Strengthening the impact of scrutiny – Increased member involvement and focus on pre-decision scrutiny
   - Increased understanding of evidence, openness, and transparency in relation to Cabinet Decision Making

- Improved flow of information and processes in place

4) To submit a report to Corporate Governance and Audit Committee setting out findings and recommendations arising from the review.

5) The Commission to report back to Corporate Governance & Audit committee at every meeting.

During discussion the Committee suggested that the Democracy Commission undertake a review of the implementation of the recommendations and report back to the Corporate Governance an Audit Committee by March 2024. The Committee also noted the wording on point 4 of the recommendations and requested that Cabinet increased dialogue on key strategic issues with Members to increase transparency and develop both formal and informal engagement with Members.

RESOLVED- That the Committee recommends that:

1. The Council supports the retention of the current model of governance (Cabinet Strong Leader Model) with the suggested improvements set out below: -

2. The Council recognises the key role of the scrutiny function, including key strategy formation in engaging non cabinet members in the decision-making process, which can be further developed through the following suggested enhancements:

   (i) Improvements to enhance and improve pre-decision scrutiny to include reviewing the current scrutiny panels
   (ii) Clear guidance as far as reasonably practicable in defining pre-decision scrutiny and associated timelines
   (iii) Annual training and work programme briefings provided to all Members of the Council's Scrutiny Panels.
   (iv) Providing clear information to Members and officers on the benefits of pre decision scrutiny and to ensure there is an understanding of the requirements to engage in early pre-decision scrutiny to enhance good decision making

3. The Council recognises that good scrutiny and decision making relies on the provision of transparent, accessible information in a timely manner and supports the development of sharing information to raise awareness, increase understanding of and ensure clarity for Members and Officers around scrutiny, Access to Information Rules and the sharing of information.

4. That Cabinet be requested to increase dialogue on key strategic issues with Members to increase transparency and develop both formal and informal engagement with Members.

5. That consultation be undertaken with Group Business Managers and Members, to identify any potential barriers preventing some Members being appointed to Committees/Panels such as timing, frequency, location, format of meetings and any actions appropriately co-ordinated.

6. That information be communicated to all Members (across different roles) in relation to engagement with the decision-making process, including access to information rules, scrutiny, raising a notice of concern, speaking and questioning rights at committees.

7. That work is considered to explore enhancing training and development for Councillors to help understand and carry out their roles.

8. To note and thank Mark Edgell and the Local Government Association for the advice, report and recommendations which has provided the panel with an independent starting point for the review by the Commission.

9. To note and thank the Local Authorities and stakeholders who gave their time and shared their experiences with the Commission.

10. That the Democracy Commission undertake a review of the implementation of the recommendations and report back to the Corporate Governance an Audit Committee by March 2024.

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

Signed: ………………………………………… **Dated:** ……………………………………..

NOTES

Disclosable Pecuniary Interests

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

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

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

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

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

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

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

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

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
(a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

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

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

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 10 FEBRUARY 2023
Title of report: PUBLIC SECTOR INTERNAL AUDIT STANDARDS FIVE YEARLY EXTERNAL REVIEW

Purpose of report.
To provide summary background information, and the assessors report

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**not applicable** .
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**not applicable**
The Decision - Is it eligible for call in by Scrutiny?	**not applicable**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance IT and Transactional Services?** **Is it also signed off by the Service Director for Legal Governance and Commissioning Support?**	**not applicable** **not applicable**
Cabinet member portfolio	**not applicable**

Electoral wards affected: **All**

Ward councillors consulted: **None**

Public or private: **Public**

Have you considered GDPR? Yes

1. **Summary**

1.1 Local authority internal audit is required to be provided in accordance with a set of arrangements called the Public Sector Internal Audit Standards (PSIAS). These are a local authority interpretation, by CIPFA, of the international internal audit standards promoted by the Institute of Internal Auditors.

1.2 An obligation of these standards is that every 5 years an external review of the operation takes place to determine if the requirements of the standard are being met. There are 3 standards; the lowest is not compliant, the middle partially compliant, and the third (highest standard) is generally compliant.

1.3 The review must be carried out by an appropriately skilled, experienced and competent person. There are two general approaches- the use of a contractor, and the use of peer review. It was agreed previously that Kirklees would join peer review arrangements, and through a group of peers, the Head of Internal Audit at Doncaster City Council, Mr Peter Jackson, was appointed to carry out the review.

1.4 Mr Jackson and one of his colleagues have carried out interviews of various council role holders and members of the audit team and reviewed work against the standards during the autumn of 2022.

1.5 He has now completed his report, which is attached.

1.6 Officers consider that the report is thorough and helpful and identifies areas for improvement. A (draft) action plan has been completed

1.7 He will attend the meeting to describe his findings to the Committee.

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

2.1 The assessors report is attached as an appendix.

3. **Implications for the Council**

3.1 **Working with People –** None directly

3.2 **Working with Partners –** None directly

3.3 **Place Based Working –** None directly

3.4 **Improving outcomes for children–** None directly

3.5 **Climate change and air quality-** None directly

3.6 **Impact on the finances of local residents-** None directly

3.7 **Other (e.g., Legal/Financial or Human Resources)-** Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations,

4. Consultees and their opinions

4.1 There are no formal consultees to this report although the assessor consulted directors, heads of service and others as a part of his review.

5. Next steps and timelines

5.1 None directly (subject to the action plan)

6. **Officer recommendations and reasons**

6.1 Members are asked to note the Assessors report.

6.2 Members are asked to consider, and if they consider appropriate, approve the Action Plan.

7. **Contact officer**

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

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

None

10. **Service Director responsible**

Not applicable

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Kirklees Council

December 2022

Peter Jackson

Head of Internal Audit

Julie Lyon

Principal Auditor

City of Doncaster Council

CONTENTS

1. Introduction

1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013, (revised in 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

1.2 **Kirklees's self assessment concluded that the service "Generally Conforms" which is the highest level of assessments. This external review validates this assessment.**

1.3 The Heads of Internal Audit from four councils within South and West Yorkshire established a 'peer-review' process that is managed and operated by the constituent councils. The peer review process addresses the requirement of an external quality assessment by 'self-assessment with independent external validation', and this report presents the summary findings of the review carried out on Kirklees Council' Internal Audit by the Head of Internal Audit of Doncaster Council.

1.4 The assessor, Peter Jackson is a qualified FCCA (Fellow of the Chartered Certified Accountants) and has over thirty years' experience within internal and external audit including performing the role of Chief Audit Executive (Head of Internal Audit) within local government for five years. He has been supported by Julie Lyon, Principal Auditor at Doncaster Council who also has previous experience of external quality assessments.

1.5 Kirklees Internal Audit has been operating under PSIAS since its launch in 2013 and this is the second external quality assessment that they have commissioned, the previous one being in 2018, which similarly concluded with a *Generally Conforms* opinion

2. Background

2.1 Kirklees Internal Audit provides audit services to Kirklees Council, West Yorkshire Fire & Rescue Service (WYFRS) and Kirklees Active Leisure (KAL). It is noted that KAL is not part of PSIAS and therefore has not been reviewed as part of this work. Although presented to Kirklees Council's Corporate Governance and Audit Committee (CGAC), this report also provides assurance to the WYFRS Management Board and Audit

Committee that Kirklees Council Internal Audit is professionally capable and competent to meet their internal audit needs.

2.2 The service is managed by Martin Dearnley, Head of Internal Audit (Head of Risk) who has 2 Internal Audit Managers, Simon Straker and Phil Taylor. All have extensive knowledge and experience around Internal Audit within Kirklees Council. There are a further 8 employees (6 fte) members of the team, most of whom are highly experienced within internal audit. Whilst there have been some staff moving out of the team, their replacements are settling in well and are well supported in their new roles. Since April 2022, the Corporate Counter Fraud Team of 4 employees (3 fte) are now part of the Internal Audit Service and their role continues to develop.

The service delivers around 1,800 productive days, These are deployed as follows

KMC planned work	1020
KMC other audit activity (queries etc)	120
KMC Fraud	450
West Yorkshire Fire	160
Other clients	50

2.3 From an operational perspective the Head of Internal Audit (Head of Risk) is line managed by the Service Director of Legal, Governance and Commissioning who holds the statutory role of the Monitoring Officer. He also reports to the Chief Executive and the Service Director for Finance (Chief Financial & S151 Officer) and to the Executive Leadership Team and Corporate Governance and Audit Committee. These two bodies fulfil the roles of ‘senior management’ and ‘the board’ as defined by the PSIAS. He also has direct access to the Council’s Chief Executive and the Section 151 Officer and the Chair of the Corporate Governance & Audit Committee. For West Yorkshire Fire and Rescue Service, the reporting lines are to the Audit Committee and the Chief Finance & Procurement (S151) Officer.

2.4 The Head of Risk also undertakes other roles covering line management of Risk Management, Insurance and Corporate Standards (Complaints) and provides input into certain procurement functions and corporate projects across the Authority. His independence is maintained through arrangements clearly set out in the Internal Audit Charter and Strategy. These are essentially for Internal Audit Managers to report directly to the Service Director Legal, Governance & Commissioning. This arrangement helps maintain independence and avoids any conflicts of interest but there are further considerations associated with these arrangements around capacity and succession planning and further commentary is detailed within the report.

2.5 The service uses an in-house package of electronic working papers to document audit assignments and for the management of the section which are considered fit for purpose and work well for the team.

3 Validation Process

3.1 The self-assessment validation comprised a combination of a review of evidence provided by the service; a review of a sample of five completed internal audits, attendance at the November meeting of the Corporate Governance and Audit Committee and a series of interviews with key stakeholders from the Council and WYFRS using MS Teams.

3.2 Kirklees Council's Internal Audit provided a comprehensive range of documents that they used as evidence to support the validation of their self-assessment, including the:

- Self-assessment against the standards
- 2021/22 Annual Report of the HIA
- Internal Audit Annual Plan 2022/23
- Internal Audit Strategy and Charter 2021/22
- Progress and other reports to the Audit Committee
- Audit procedures
- Quality Assurance and Improvement Plan
- A range of documents relating to the team structure and team members
- Fraud Strategy – and Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy enabling the Council to respond to the risks of fraud, corruption and Bribery
- Scopes and reports for five completed audits (4 for the Council and 1 for WYFRS)

3.3 In addition, key documentation for the five audits were shared online, as were the processes for planning, risk assessment and other areas including for WYFRS.

3.4 The validation process was carried out during October – December 2022. The feedback from all interviewees was positive.

3.5 The guidance gives a scale of three ratings, 'generally conforms,' 'partially conforms' and 'does not conform'. 'Generally Conforms' is the top rating and means that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the Standards in all material respects. 'Partially Conforms' means that the activity is making good-faith efforts to comply with the requirements but falls short of achieving some major objectives. This will represent significant opportunities for improvement. ‘Does Not Conform’ means that the activity is not aware of or is not making good-faith efforts to comply with the Standards, or is failing to achieve many of them. This will have a significant impact on the activity’s effectiveness and represent significant opportunities for improvement.

3.6 The opinion from this review is that the Kirklees Internal Audit Service’s self-assessment is accurate and they Generally Conform to the PSIAS which is the highest level of assessment under the Standards.

3.7 This opinion provides assurance to Senior Management and those responsible for governance (the Corporate Governance and Audit Committee) at both Kirklees Metropolitan Borough Council and West Yorkshire Fire and Rescue Service and enables them to have confidence in the standard of internal audit provided by the service.

3.8 A small number of improvement opportunities and areas for development have been identified through our review and are raised at Appendix A for consideration.

4 Summary Feedback

The Team

4.1 The Head of Internal Audit, Martin Dearnley is highly regarded across the council for his wealth of knowledge and experience accumulated over his lifetimes work to the council. There are no concerns over his independence as noted above. His capacity in delivering the wider roles is managed and sufficient internal audit management capacity is well delivered and supported by the two Internal Audit Managers. Other members of the team are either very experienced in their roles or are developing well. Their job titles should be reviewed to ensure they convey the nature of the work they deliver. These newer members of the team need to maintain their development and the service needs to maintain sufficient capacity to discharge its responsibilities and add value to the organisation. It also needs to be able to evolve for the future delivery of Internal Audit and the skill sets this will require.

Customer / Stakeholder Feedback

4.2 All feedback was positive and the team clearly deliver a valued service to its customers. All key stakeholders were happy with the responsiveness of the service and specifically the wider support and advice provided by the Head of Audit (Risk). This positive feedback was also echoed by the West Yorkshire Fire and Rescue Service.

Corporate Governance and Audit Committee

4.3 This committee functions well and discharges its responsibilities as set out in its terms of reference. The Chair whilst relatively new to the role chairs the meetings well and is developing in the role. She understands the importance of the committee operating in an apolitical manner. The committee recently approved the recruitment of an Independent Member and this appointment should strengthen the committee and help it develop. It was noted that the majority of information around the work of the Internal Audit team in its quarterly Progress Report was held in the private session of the meeting which the public are not allowed to attend. It is felt that this position should be reviewed to strike an accepted balance between openness and transparency and need to maintain confidentiality and not expose the council to abuse of systems and controls through putting inappropriate information into the public domain.

5 Findings

Public Sector Internal Audit Standards are broken down into the following areas and this assessment has reviewed Kirklees Internal Audit Service against each.

- Overarching Material
- Attribute Standards
- Performance Standards

5.1 **Overarching Material**

5.1.1 **Mission Statement and Definition of Internal Audit**

There is a Charter and Strategy which contains the definition of Internal Audit but it should have the mission statement added to it and there may be benefits in separating which aspects are within the Charter and which sit within the Strategy.

5.1.2 **Core Principles for the Professional Practice of Internal Auditing**

It is clear that the Core Principles are embedded in the practices of Kirklees Internal Audit and that it is a competent and professional service that conforms to all ten elements of the Core Principles and that it is valued by its customers and stakeholders.

5.1.3 **Code of Ethics**

It is clear that Kirklees Internal Audit demonstrates integrity, objectivity, confidentiality and competency and have regard to the seven principles of public life as required by

PSIAS. All employees sign a corporate declaration of interest and gifts and hospitality but these arrangements could be strengthened through a separate ethics declaration.

The requirements of the Standards for Overarching Material are met with minor recommendations made to further strengthen arrangements in this area.

5.2 Attribute Standards

5.2.1 Attribute Standard 1000 – Purpose, Authority and Responsibility

Kirklees Internal Audit has a Charter and Strategy that clearly defines the purpose, authority and responsibility of the service in line with the standard.

5.2.2 Attribute Standard 1100 – Independence and Objectivity

The Service reports in its own name and directly to the Corporate Governance & Audit Committee

The Head of Internal Audit reports directly to the Chief Executive and the Service Director for Finance (Chief Financial & S151 Officer) and to the Executive Leadership Team and Corporate Governance and Audit Committee. From an operational perspective, the Head of Internal Audit (Head of Risk) is line managed by the Director of Legal, Governance and Commissioning who holds the statutory role of the Monitoring Officer.

The Head of Risk also undertakes other roles covering Risk Management, Insurance and Corporate Standards (Complaints) and provides input into certain procurement function and corporate projects across the Authority. His independence is maintained through arrangements clearly set out in the Internal Audit Charter and Strategy.

5.2.3 Attribute Standard 1200 – Proficiency and Due Professional Care

Kirklees Internal Audit has a professional and experienced team and newer members of the team are developing well. The Head of Internal Audit holds a CCAB qualification. Management do need to ensure the team are sufficiently skilled for future needs and have sufficient capacity to deliver the service.

5.2.4 Attribute Standard 1300 – Quality Assurance and Improvement Programme (QAIP)

The standards require that a QAIP is developed which covers all aspects of the activity and enables conformance with the standards to be evaluated. The team is highly experienced, especially at management level. Inherently therefore the service operates to a very proficient standard. A QAIP is in place and this was reported within the Annual Report of the Head of Internal Audit. The service completed a PSIAS Local Government Application Note checklist prior to this review which did not identify any problematic areas.

The requirements for Attribute Standards are met with minor recommendations made to further strengthen arrangements in this area.

5.3 Performance Standards

5.3.1 Performance Standard 2000 – Managing the Internal Audit Activity

A risk based plan is produced which is reviewed and approved by Senior Management and Corporate Governance and Audit Committee and any changes to it are reported to that committee.

Every assignment is reviewed by experienced managers and plan progress and other performance information are also reported to CGAC.

5.3.2 Performance Standard 2100 – Nature of Work

Kirklees Internal Audit has a well-established in-house package of electronic working papers to document audit assignments.

As part of this assessment, five completed audit assignments were selected for review. They all conformed to the standard and the Service's own methodology.

5.3.3 Performance Standard 2200 – Engagement Planning

A performance and control sheet including the scope of work is completed for each audit assignment which is reviewed and agreed with the client. Annual planning ensures that resource allocation matches the nature, complexity and time constraints for each audit. The two managers meet regularly to monitor and review plan progress making any changes as necessary.

5.3.4 Performance Standard 2300 – Performing the Engagement

All audit work is completed using the in-house package of electronic working papers. All work undertaken is suitably reviewed

5.3.5 Performance Standard 2400 – Communicating Results

The communication of the results of audit assignments is via draft and final reports agreed with the customer and these arrangements and the format and content of the reports are in accordance with the standards.

5.3.6 Performance Standard 2500 – Monitoring Progress

There are well established arrangements for monitoring progress with management actions relating to audit findings. There are opportunities to ensure the full value of audit work is attained through considering possible changes to follow up arrangements and to ensure an escalation process for cases where significant agreed actions have not been effectively implemented by management. This escalation process can also involve the Corporate Governance and Audit Committee

5.3.7 **Performance Standard 2600 – Communicating the Acceptance of Risk**

The service has appropriate processes in place to deal with communicating and challenging the acceptance of risks. There have been no instances where management has accepted a level of risk that may be unacceptable to the organisation.

The requirements for Performance Standards are met with minor recommendations made to further strengthen arrangements in this area.

6 Acknowledgement

We would like to thank all involved for their assistance during this review, in particular those in the audit team who provided me with information and explanations, and those listed below as interviewees

7 Interviewees

Councillor Yusra Hussain, Chair of the Corporate Governance and Audit Committee

Jo-Anne Sanders, Service Director Learning & Early Support

Eamonn Croston, Service Director Finance (S151 Officer)

Julie Muscroft, Service Director Governance & Commissioning (Monitoring Officer)

Alison Wood, West Yorkshire Fire & Rescue

Stephen Nixon, Grant Thornton

Improvement Areas / Development Opportunities - Action Plan

Ref	Finding	Recommendation	Management Response / Action	Timescale
1	**Audit Charter and Strategy** The service has an Audit Charter and Strategy that contains the majority of information expected within the standards. It does not, however, contain the Mission of Internal Audit which would help give context to the work of the team including some of the wider support given to the Council. It is also felt that to separate the Charter from the Strategy would help the reader understand both elements a little clearer.	It is recommended that the Charter be separated from the Strategy and that the Mission of Internal Audit be included within the document	Agreed; we will look to redraft the version during the next 3 months, and ask the Corporate Governance & Audit Committee to consider and approve a revised document as a part of the 2023/24 audit planning process	Approval at CGAC April 2023
2	**Audit Team related issues** The Head of Audit (Risk) also undertakes other roles covering Risk Management, Insurance and Corporate Standards (Complaints) and provides input into certain procurement function and corporate projects across the Authority. His independence is maintained through arrangements clearly set out in the Internal Audit Charter and Strategy. These arrangements helps maintain independence and avoid any conflicts of interest	a) Ensure the authority makes plans to cover the wider roles and responsibilities provided by the Head of Audit (Risk)	a) The Directors-Legal Governance & Monitoring and Finance, acknowledge this and are considering arrangements re succession planning	At the appropriate times (which cannot currently be defined)

Ref	Finding	Recommendation	Management Response / Action	Timescale
	but there are further considerations associated with these arrangements around capacity and succession planning. The Head of Audit (Risk) is contracted to work for three and a half days a week and deliver the management of the Audit Team and the wider roles and responsibilities set out in the report. It is clear the current management arrangements within the team work well and these additional roles do not impair upon Internal Audit function or delivery However, succession planning is considered a critical consideration for the service and wider elements of the role delivered by the Head of Audit (Risk). It was confirmed during the audit that this issue was being actively considered and planned for. Discussion was also held over the amount of School audit coverage, which, whilst valued by the Service Director Learning and Early Support, represents a significant amount of resource in this area. The majority of school audit opinions are substantial assurance, suggesting the level of coverage is disproportionate to risk and that best value may not be obtained out of the team's limited resources.	b) Ensure the team maintain sufficient capacity to discharge its responsibilities and add value to the organisation. It also needs to be able to evolve for the future delivery of Internal Audit and the skill sets this will require. c) Consider the strategy for delivering assurance over Kirklees' schools and if there may be different ways of gaining this e.g. through thematic based audits, promoting lessons learned from audits undertaken etc. d) The ongoing development of the newer members of the team should be maintained e) Review the job titles of Audit Staff below Audit Manager level to ensure their role in the authority and the nature of the	b) Agreed; this depends on maintaining a capacity of competent , and appropriately skilled team members, through internal promotion and external recruitment as opportunities arise. c) As a principle accepted, although this depends on both the audit resourcing capacity, and the expectations from those within the wider organisation. Will subject to review discussion. d) Agreed e) Agreed. Whilst there are advantages of maintaining alignment with other finance posts	Ongoing/ from point of any future approved recruitment Discussion by April 2023 March 2023 staff appraisals, and ongoing At time of next recruitment.

Ref	Finding	Recommendation	Management Response / Action	Timescale
	A further observation was the job titles of audit staff below Audit Manager level; they hold job titles of “Senior Finance Officer”, “Finance Officer” and “Assistant Finance Officer”. These are historical job titles helping alignment with Accountancy / Finance staff. However, this does not reflect their role or much wider responsibility for risk, governance and control across the organisation as opposed to the historic internal financial control remit. It also does not reflect their status and rights of access to information and documentation and could result in prospective applicants for vacancies being put off / missing the job adverts. There are no concerns about the independence of the Head of Internal Audit; however, his performance review is not referred to the Chief Executive or Chair of the Audit Committee, in accordance with the public sector interpretation within PSIAS as a measure to help maintain the Head of Audit’s independence. It is not considered that sharing the performance review would be helpful in supporting independence and the current arrangements in place are considered sufficient to do this already.	work they deliver is understood.	for career and grading reasons, the titles will be made more distinct, and the role profiles amended to emphasise the key expectations go beyond those of finance for many post holders. Will do this for new recruits and if possible for existing post holders	

Ref	Finding	Recommendation	Management Response / Action	Timescale
	The Counter Fraud Team The Counter fraud team was transferred into Internal Audit at the start of the 2022/23 year and the work of this team has continued to be assessed. Cabinet is expected to approve a revised counter fraud strategy in early 2023 and this provides the opportunity to further develop the counter fraud team to align with the revised strategy.	Continue further developing the Counter Fraud team to align with the revised counter fraud strategy	Agreed; changes depend on developing skills and capacity	From time of approval of new Strategy, and then ongoing
	Code of Ethics All Audit staff complete the corporate declaration of interests and gifts and hospitality that is done by all employees of Kirklees Council. The standards are very clear on conducts and behaviours of internal auditors which are not fully covered by the corporate declarations.	All audit staff could complete a separate ethics declaration covering all aspects highlighted in the Standards.	Agreed. Can ask staff to update these declarations annually too	April 2023, and annually thereafter
	Corporate Governance and Audit Committee This committee functions well and discharges its responsibilities as set out in its terms of reference. The Chair whilst relatively new to the role chairs the meetings well and is developing in the role. She understands the importance of the committee operating in an apolitical manner. The committee approved the creation of an Independent Member role and this appointment should help the committee develop and enhance the skills,	a) Progress the appointment of the Independent Member - this will provide further support to the operation of the committee, in particular in maintaining its apolitical conduct. The independent member will also likely enhance the skills, knowledge and experience	a) This is to be progressed during January 2023. If a recruitment takes place it is hoped the post holder can take up duties at the end of this financial year.	March 2023

Ref	Finding	Recommendation	Management Response / Action	Timescale
	knowledge and experience collectively held within the committee It was noted that the majority of information around the work of the Internal Audit team in its Progress Report was held in the private session of the meeting which the public are not allowed to attend. This is to not expose the council to abuse of systems and controls thought putting inappropriate information into the public domain. The Annual Report of the Head of Internal Audit provides an opinion over Kirklees risk, governance and control arrangements as does the Annual report for West Yorkshire Fire and Risk Service. Current guidance however states the opinion should have separate explanations over all three areas	collectively held within the committee. b) Review the level of information reported in the private session of the committee around the work of the internal audit team to strike an accepted balance between openness and transparency and need to maintain confidentiality and not expose the council to abuse of systems and controls through putting inappropriate information into the public domain. c) The Annual Report of the Head of Internal Audit for 2022/23 should provide separate opinions over risk, governance and control arrangements in line with CIPFA guidance	b) The CGAC will be asked to consider this alongside some amended reporting formats which might help with achieving a slightly amended balance between openness and the need for confidentiality c) Agreed; this will be changed in the Head of Internal Audit annual report for the year 2022/23 (& thereafter)	April 2023 And July 2023 April 2023

Ref	Finding	Recommendation	Management Response / Action	Timescale
	Action tracking and reporting Follow up audits are routinely undertaken when a "No or limited Assurance" opinion is given for an audit. These are generally between 6-12 months after the agreement of the final report to ensure the agreed actions will have been implemented. There are also further checks occasionally carried out on actions from other audits by asking management to confirm the implementation of these actions. As an overall position regarding overdue management actions is not known, such information cannot be reported and this presents a risk of problems within particular areas not being identified and management not being called to account for their actions / inactions. It also loses the value of the audit work carried out in those areas.	The arrangements for checking the implementation of agreed management actions arising from audit findings should be reviewed to ensure best value is obtained from audit work carried out and that management are held to account when significant actions are not implemented within timescales they provided.	Agreed. We will explore the opportunities for strengthening follow up arrangements for all audit work and ensure that this is systematically reported to the Corporate governance & Audi Committee. (although it is important that this process does not detract too much from delivery of the initial audit work)	July 2023

Kirklees COUNCIL

Name and date of meeting: Corporate Governance and Audit Committee
10 February 2023

Cabinet
21 February 2023

Council
8 March 2023

Title of report: Treasury Management Strategy and Investment Strategy 2023/24

Purpose of report

Under the CIPFA Code of Practice on Treasury Management (2021) and accompanying Prudential Code 2021 the Council must present a Treasury Management Strategy at the start of each financial year. Alongside the Treasury Management Strategy, the Annual Investment Strategy must also be approved by Council.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Yes (for Cabinet)**
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports?)]	**Key Decision: Yes** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**No**
Date signed off by Strategic Director and name **Is it also signed off by Service Director - Finance** **Is it also signed off by the Service Director Legal, Governance and Commissioning**	**N/A** **Eamonn Croston – 30 January 2023** **Julie Muscroft – 30 January 2023**
Cabinet member [portfolio]	**Corporate** **Cllr Paul Davies**

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

1 Summary

1.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy. This is attached at Appendix E.

1.2 Cabinet is responsible for the implementation and monitoring of the treasury management policies. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management. The last training for members of this Committee was provided in January 2023 by the Council's treasury management advisors/consultants, Arlingclose.

1.3 This report will:

(i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2023/24;

(ii) outline the current and estimated future levels of Council borrowing and recommend a borrowing strategy for 2023/24;

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

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

(v) recommend an annual Investment Strategy (Non-Treasury Investments) for the Council in 2023/24

2 Information required to take a decision

The following paragraphs 2.1 to 2.5 have been provided by our Treasury Management external advisors, Arlingclose:

Economic Background

2.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Council's treasury management strategy for 2023/24.

2.2 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3.0% and one for a larger rise of 0.75%. The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10.0% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

2.3 CPI inflation is expected to have peaked at around 11.0% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2.0% target, in two years' time and to 0.0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR. The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

2.4 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

Interest Rate Forecast

2.5 The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2.0% target. While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher. Yields are expected to remain broadly at current levels over the medium-term, with 5, 10 and 20 year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3 year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Borrowing and Investment – General Strategy for 2023/24

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

Table 1 below sets out the forecast CFR position for the Council as at 31 March 2023 and estimated CFR and borrowing requirements over the following 5 years. CIPFA's Prudential Code recommends that the Council's total debt should be lower than its highest forecast CFR. Table 1 shows that the Council expects to comply with this recommendation.

Table 1: Balance Sheet Summary and Forecast

	31.03.22 Actual £m	31.03.23 Forecast £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m	31.03.28 Estimate £m
Capital Financing Requirement	**806.7**	**871.5**	**923.3**	**965.6**	**1,004.2**	**1,012.8**	**1,036.3**
Less: PFI liabilities*	84.6	78.2	74.2	69.3	64.1	58.8	52.3
Less: Other deferred liabilities*	3.6	3.6	3.6	3.5	3.5	3.5	3.5
Loans CFR	**718.5**	**789.7**	**845.5**	**892.8**	**936.6**	**950.5**	**980.5**
Less: External borrowing**	468.9	542.5	476.4	445.3	414.5	409.0	403.5
Internal (over) borrowing	**249.6**	**247.2**	**369.1**	**447.5**	**522.1**	**541.5**	**577.0**
Less: Balance sheet resources	328.5	234.0	215.2	217.6	215.9	209.9	209.9
New borrowing (Treasury investments)	**-78.9**	**13.2**	**153.9**	**229.9**	**306.2**	**331.6**	**367.1**

** Leases and PFI debt liabilities that form part of the Council's total debt.*
*** Shows only loans to which the Council is committed and excludes optional refinancing.*

2.7 There is a marked increase in the CFR due to increases in the capital programme, in particular the proposed Cultural Heart and town centre regeneration programme as part of the Huddersfield Blueprint. The Council will be required to borrow up to £190.8 million to fund the increase in the CFR over the 5 year period. The external borrowing necessary will be a mixture of long and short-term borrowing.

2.8 As Council usable reserves are forecast to reduce over the 5 years in line with planned commitments, the internal borrowing will also reduce resulting in further external borrowing. The Council is estimated to borrow a total of £367.1 million to fund the CFR along with reduction in reserves, as shown in the table above.

2.9 The relative mix of future internal and external borrowing will be considered in conjunction with advice from the Council's external treasury management advisor, noting that provision has been made in the updated Council budget plan revenue resource assumptions to accommodate a continued future mix of internal and external borrowing.

2.10 The Service Director - Finance, supports the approach that the borrowing and investment strategy for 2023/24 continues to place emphasis on the security of the Council's balances. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Although credit conditions generally on banks and building societies have tended to be relatively benign despite the impact of the pandemic, the global economy is fragile. Looking forward credit will remain a risk suggesting the Council needs to take a cautious approach to bank deposits in 2023/24.

2.11 It is recommended that balances should continue to be invested to a level which is perceived to be reasonably secure and which is needed to meet the day-to-day cash flow requirements of the Council (around £20.0 million).

2.12 In order to increase investment returns, the Council has invested £10.0 million in the Local Authorities Pooled Investment Fund (LAPF) as per the approved Council 2019/20 Treasury Management Strategy. The Council will not make any further investment in the property fund or similar investments.

2.13 Average current Council cashflow balances remain consistent at about £30.0 million (including the LAPF), with the investment in the LAPF leaving about £20.0 million for day-to-day cashflow requirement as noted above.

Liability Benchmark

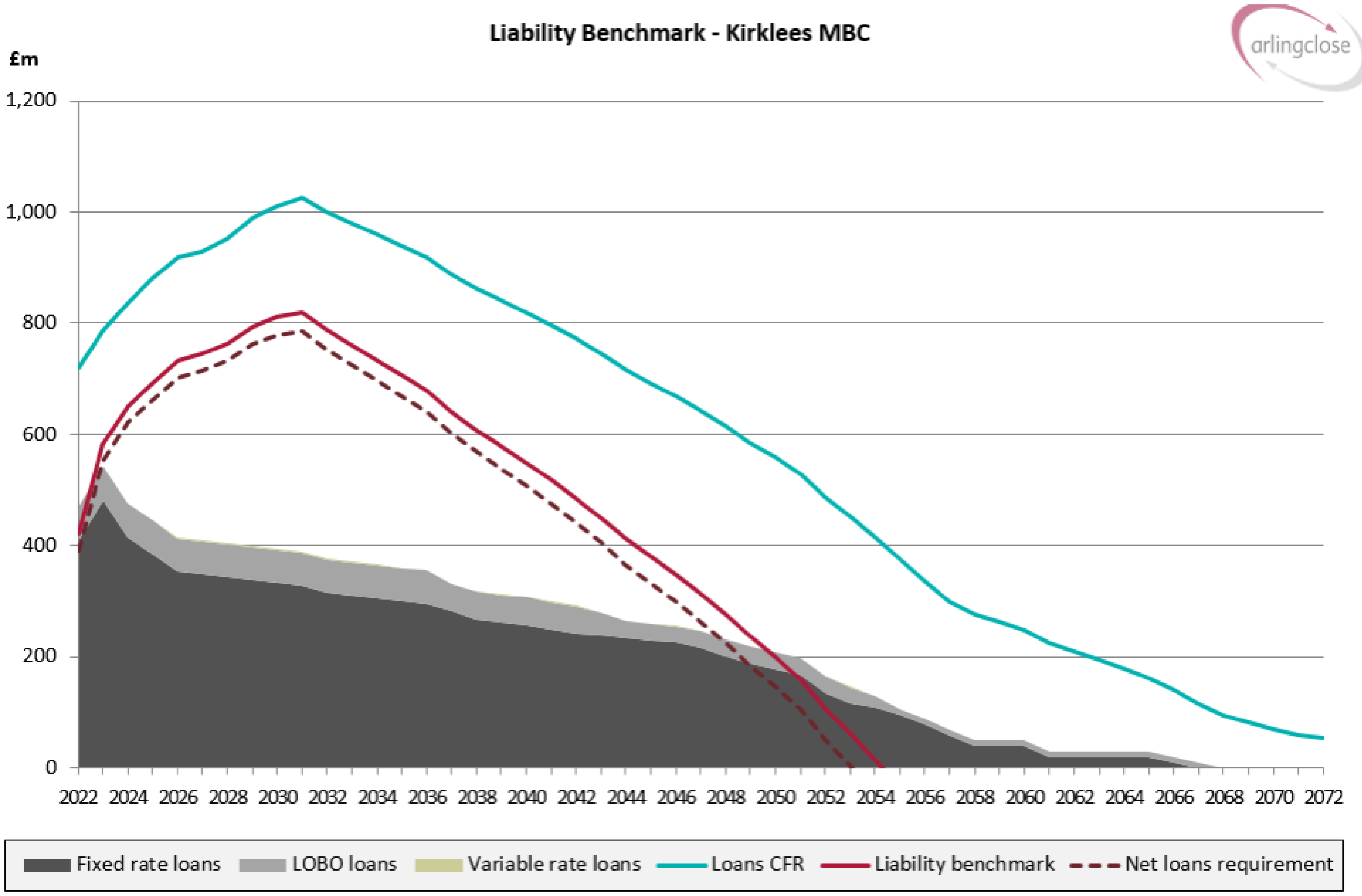
2.14 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £30.0 million at each year-end to maintain sufficient liquidity but minimise credit risk.

2.15 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability Benchmark

	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m	31.03.28 Forecast £m
Loans CFR	**718.5**	**789.7**	**845.5**	**892.8**	**936.6**	**950.5**	**980.5**
Less: Balance sheet resources	328.5	234.0	215.2	217.6	215.9	209.9	209.9
Net loans requirement	**390.0**	**555.7**	**630.3**	**675.2**	**720.7**	**740.6**	**770.6**
Plus: Liquidity allowance	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Liability benchmark	**420.0**	**585.7**	**660.3**	**705.2**	**750.7**	**770.6**	**800.6**

2.16 The total liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark reaching a peak in 2032 highlighting the gap between current borrowing identified in grey, which is reducing over time with repayments, and the additional borrowing required to fund the capital plan.



Borrowing Strategy

2.17 The Council is forecast to hold around £633.9 million of external borrowing and other long-term liabilities as at 31 March 2023, an increase of £76.8 million on the previous year, as part of its strategy for funding previous years' capital programmes. This is analysed at Table 3 below:

Table 3 – year end estimate – 31 March 2023

	£m	%
HM Treasury's PWLB lending facility loans (fixed rate)	329.0	52
LOBOs	61.4	10
Loan stock (fixed rate)	7.0	1
Other long term loans (fixed rate)	44.3	7
Medium term loans (fixed rate)	40.0	6
Temporary borrowing	74.0	12
Total external borrowing	**555.7**	
Other Long Term Liabilities (mainly PFI)	78.2	12
Total external debt liabilities	**633.9**	

2.18 The approved sources of borrowing are:

- HM Treasury's PWLB lending facility
- Any bank or building society authorised to operate in the UK
- Any other UK public sector body
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds

2.19 The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council intends to avoid this activity in order to retain its access to PWLB loans.

2.20 The Council currently holds LOBO (Lender's Option, Borrower's Option) loans, where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. With interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay loans to reduce refinancing risk in later years. Total borrowing via LOBO loans is currently 10% of debt.

2.21 The Council's strategic approach over the last few years has been to gradually replace some of the short-term borrowing with long-term borrowing to ensure a more balanced risk approach. Over the past year, the Council has taken on £20.0 million long term PWLB borrowing. However, with short term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to use internal borrowing and borrow short term loans instead.

2.22 The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.23 One alternative source of funding to the PWLB is the Municipal Bonds Agency established in 2014 by the Local Government Association. It issues bonds on the capital markets and lends the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

2.24 The Council may arrange forward starting loans, with alternative lenders as these are not available through the PWLB, where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

2.25 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

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

Treasury Investment Strategy

2.27 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking a higher rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) when investing.

2.28 As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day to day cashflows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.29 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

2.30 Regarding Markets in Financial Instruments Directive (MiFID II), the Council has opted up to professional client status with its providers of financial services, allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and companies. Given the size and range of the Council's treasury management activities, the Service Director - Finance believes this to continue to be the most appropriate status.

2.31 The Council's investment criteria are detailed in Appendix A, maintaining a low risk strategy giving priority to security and liquidity, and as such invest an average of around £20.0 million externally in short-term liquid investments through the money markets. Any remaining balances, net of investment in the local authority property fund, will be used internally, offsetting borrowing requirements.

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

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

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

Where a credit rating agency announces that a rating is on review for possible downgrade ("negative watch") so that it is likely to fall below the required criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

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

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

Statement of Policy on the Minimum Revenue Provision (MRP)

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

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

2.38 Current DLUHC guidance recommends that Council's prepare a statement of policy on making MRP in respect of the forthcoming year, with approval by full Council before the start of the financial year. If these proposals subsequently need to be varied, a revised statement should be put to full Council. Appendix C details the Council's policy for the provision of MRP.

2.39 Existing budget plans approved the MRP unwind in later years be brought forward and increased to the maximum allowable level of £13.6 million in 2023/24 at which point the unwind will be fully utilised.

Policy on the Use of Financial Derivatives

2.40 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over Local Authorities' use of standalone financial derivatives.

2.41 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of financial risks that the Council is exposed.

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

2.43 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Treasury Management Prudential Indicators

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

Other Matters

2.45 Full implementation of the updated CIPFA Prudential Code 2021 is to be adopted for strategies from 2023/24.

2.46 The new Code stipulates restrictions on borrowing primarily for financial return, including commercial property. The Council's current and proposed capital plans do not include any capital investment funded by borrowing primarily for commercial return, that may otherwise have restricted access to PWLB borrowing going forward. The new Code does not introduce restrictions on Council's borrowing for purposes essential to their core aims, such as for housing and regeneration projects, or for treasury management purposes.

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

(i) *Investment Consultants*

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

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

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

(ii) *Investment Training*

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

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

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

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

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

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

3 Implications for the Council

3.1 Working with People
N/A

3.2 Working with Partners
N/A

3.3 Placed based working
N/A

3.4 Climate Change and Air Quality
N/A

3.5 Improving Outcomes for Children
N/A

3.6 Financial Implications for people living or working in Kirklees
N/A

3.7 Other (e.g. Legal/Financial or Human Resources)
The revenue implications of the strategies outlined have been reflected in the Council's annual budget report 2023-28.
The Council must have regard to the CIPFA Code of Practice on Treasury Management; the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).
The Council has the power to borrow under section 1 of the Local Government Act 2003 and the Council has powers to invest under section 12 of the Local Government Act 2003.

4 Consultees and their opinions

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

5 Next steps

Treasury management performance will be monitored and reported to members during the year.

Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 21 February 2023 and then full Council on 8 March 2023 for approval.

6 Officer recommendations and reasons

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

(i) the treasury management strategy incorporating: the borrowing strategy outlined in paragraphs 2.17 to 2.26;
(ii) the investment strategy (treasury management investments) outlined in paragraphs 2.27 to 2.35 and Appendices A and B;
(iii) the policy for provision of repayment of debt (Minimum Revenue Provision) outlined in paragraphs 2.36 to 2.39 and at Appendix C;
4 the treasury management prudential indicators in Appendix D and
5 the investment strategy (non-treasury investments) at Appendix E.

Reasons:

1. Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs.

2. The Council must have regard to the CIPFA Treasury Management Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 and the Statutory guidance on Local government Investments (2018) when performing its duties under Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

7 Cabinet Portfolio Holder recommendation

The report and recommendations be submitted to Cabinet on 21 February 2023 and Council on 8 March 2023.

8 Contact officers

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

9 Background Papers and History of Decisions

CIPFA's Code of Practice on Treasury Management in the Public Services; CIPFA's Prudential Code for Capital Finance in Local Authorities; Guidance on Local Government Investments (MHCLG 2018); The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (Amended 2008); Localism Act 2011.

10 Service Director responsible

Eamonn Croston 01484 221000

Investment Policy for 2023/24

Investment Limits:

- The Council is able to invest an unlimited amount with the UK Government for up to 6 months.
- The Council is able to invest up to £10.0 million and up to three months with UK banks and building societies with a "high to upper medium grade" credit rating.
- The Council is able to invest up to £10.0 million and up to two months with foreign banks with a "high to upper medium grade" credit rating.
- The Council is able to invest up to £10.0 million and up to three months with individual local authorities.
- The Council is able to invest up to £10.0 million in individual MMFs (instant access or up to 2 day notice). There will be an overall limit of £40.0 million for MMFs (non-government funds), plus up to £10.0 million invested in a fund backed by government securities.
- The Council is able to invest up to £10.0 million in Local Authority Pooled Investment Funds.

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

Note:

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

Liquidity management:

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

	Short-term Credit Ratings / Long-term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at Nov 2022
	Fitch	**Moody's**	**S & P**	**£m**	**Period (2)**	
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A, A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10.0	<3mth	HSBC Lloyds Group Santander UK Barclays Bank of Scotland Handelsbanken Nationwide BS
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10.0	<2mth	Various
MMF (1)	-	-	-	10.0	Instant access/ up to 2 day notice	Aberdeen Deutsche Bank Aviva Goldman Sachs
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed term deposits) (2)	-	-	-	10.0	<3mth	
Local Authority Pooled Investment Funds	-	-	-	10.0	>6mth	

(1) Overall limit for investments in MMFs of £50.0 million – the assets the funds invest in are securities and structures secured on government securities
(2) The investment period begins from the commitment to invest, rather than the date on which funds are paid over.

Credit ratings

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

CURRENT MINIMUM REVENUE PROVISION POLICY

1. Background

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

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

2 Policy for 2023/24 onwards

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

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

(ii) Calculations to compare this to the previous MRP charge indicated that between 2007/08 and 2015/16 the Council provided an additional £91.2 million with which it will "un-wind" over 7 years from 2017/18.

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

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

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

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

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

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2023/24, 2024/25 and 2025/26 of £948.3 million, £990.6 million, £1,029.2 million of its net principal. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2023/24, 2024/25 and 2025/26 of £200 million of its net principal.

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

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

*LOBOs are classed as fixed rate debt unless it is considered probable that the loan option will be exercised.

Long-Term Treasury Management Investments
The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	**2023/24**	**2024/25**	**2025/26**	**No Fixed Date**
	£m	**£m**	**£m**	**£m**
Limit on principal invested beyond year end	0	0	0	10.0

Long-term investments with no fixed maturity date is the LAPF.

Investment Strategy 2023/24

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Council typically receives its income in cash (eg. from taxes and grants) before it pays for its expenditure in cash (eg. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to average £30.0 million with fluctuations between £20.0 million and £50.0 million during the 2023/24 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in the treasury management strategy report 2023/24 to which this Investment Strategy is appended.

Service Investments: Loans

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

The Council provided a significant loan to Kirklees College to help facilitate a new campus in Huddersfield and the delivery of a successful further education provision for post 16 students and adults across the district.

The Council has recently provided a loan to HD1 Living to renovate the building at 103 New Street to become modern student accommodation in the town centre as part of the Huddersfield regeneration plan.

Smaller loans have also been provided to local residents to be able to provide energy efficient heating within their own homes. The Council is part of the Leeds City Region Investment Fund where all local authorities contribute to the fund which provides individual loans to support infrastructure and construction projects which help deliver economic growth and job creation.

Existing capital plans provide for further development finance loans to support major town centre regeneration and economic growth, up to a Council approved £10.3 million (per the 5 year Capital Plan 2022/23 to 2026/27) through the Property Investment Fund. Amounts have been set aside in the capital plan for this type of investment.

The Council will continue to roll forward from last year's Investment Strategy, the option to provide financial loans to support 3rd sector partners and anchor organisations, along with loans and/or match funding in support of community asset transfers. The Council would underwrite this provision from within the existing earmarked reserves.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Investment Strategy guidance states that in order to limit this risk and ensure that total Council exposure to loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have to be set and approved annually by Council. The proposed upper limits for Council loans are set out at Table 1 below:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.03.2022 actual**			**2023/24**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Further education college	13.8	-0.7	13.1	**13.1**
Leeds City Region revolving investment fund	3.1	0.0	3.1	**4.3**
Local businesses and charities	14.2*	0.0	14.2*	**22.7**
Local residents	2.2	-0.1	2.1	**2.1**
TOTAL	**33.3**	**-0.8**	**32.5**	**42.2**

* This is made up of numerous investments, the largest of which is £9.9 million towards 103 New Street.

Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding loans. This will include the nature of the market/sector to which the loan relates, and loan security against business/sector assets. The single largest current loan relates to Kirklees College which is a public sector entity and considered to be a viable going concern. The strength of the Council's partnership with key anchor organisations in the district like the College, and ability to influence, support and monitor the College's ongoing financial position, are also key factors, including Council senior finance representation on the College's finance committee.

Development finance loans such as Property Investment Fund (PIF) will allow the Council to offer loans to development projects which offer significant economic benefits to the Council and the wider Kirklees district.

Any funding offers made will be on the basis that the loan repayments made by the recipient will cover the Council's financing costs and allow for an appropriate margin on cost of funds reflecting the level of risk involved and consistent with State Aid principles. All funding offers made will be subject to appropriate due diligence, including external specialist advice where appropriate, availability of credit ratings in respect of any potential loanee where appropriate, and loan security arrangements. Each individual loan offer will be the subject of a further Cabinet report.

It would not be the intention for the Council to directly compete with existing providers of investment funding. The Council would only look to invest, at its discretion, when there was a clear and demonstrable added value case to be made in terms of local economic benefits for development finance involvement. In many instances the Council investment would be short term to cover the construction phase of development which is the most critical period for schemes to locate finance that is timely and on reasonable terms.

Once out of the development phase there is sufficient liquidity at an appropriate risk margin in the existing investment markets for schemes to be refinanced at which point the Council investment would be repaid. Any investment from the PIF would be on terms that allowed the Council to fully cover its costs, including the costs of borrowing to fund any advance, and creation of an appropriate risk contingency.

<u>Service Investments: Shares</u>

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment (£1.0 million) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on our behalf on a 32 year contract under PFI. The Council also has a 40% shareholding in Kirklees Stadium Development Ltd (£0.1 million), a 14% holding in QED KMC Holdings Ltd (£0.2 million) and a 50% shareholding in Kirklees Henry Boot Partnership Ltd (£0.1 million).
Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.03.2022 actual			2023/24
	Amounts invested	Gains or losses (-)	Value in accounts	Approved Limit
Local businesses	1.4	0.0	1.4	**3.8**

Risk assessment: The Council entered into these shareholdings for the purposes of participating in the governance and control of organisations that it considered to be important for the purposes of securing economic benefits to the borough. The Council is also the sole client in respect of one of these investments. The Council assessed the risk of participation taking account of the financial and public benefits, including the opportunity to make a potential gain in the event of the business being successful, although this was not the core purpose for initial participation. The Council assesses the risk of loss before entering into and whilst holding shares by continued oversight and involvement in the strategic and operational aspects of the business, and participation in decision making, although the financial risk of the investment is perhaps lower than the operational and or reputational impacts of any failure by the companies in which the Council holds share based investments.

Liquidity: The Council has entered into these shareholdings for the purposes of delivery of its public service and community leadership obligations and the investments are considered to be long term. Viability of the investments in the long term is an important part of the strategy, but as the Councils share ownership and participation is strategic rather than financial the daily or periodic value is of less concern than the overall long-term health of the organisation in which the investment is held.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council invests in local commercial property such as retail town centre shops and buildings with the intention of making a profit that will be spent on local public services.

These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Table 3: Property held for investment purposes in £ millions

Property type	**Actual**	**31.03.2022 actual**		**31.03.2023 expected**	
	Purchase cost	**Gains or losses (-)**	**Value in accounts**	**Gains or losses (-)**	**Value in accounts**
Commercial Property	*See below	-2.7	19.3	**0.0**	**19.3**

*The purchase cost cannot be ascertained as the majority of these assets have been owned by Kirklees for many years and purchased by Huddersfield Corporation during the 1920's from Ramsdens Estate. There is a signed legal document and a 'book of acquisition' which is a hard-backed ledger held in legal services.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022/23 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

At this stage, the George Hotel is considered a regeneration project and not counted as an investment, however once redevelopment work has been completed this will be re-assessed.

Risk assessment: The Council's current commercial asset portfolio held for investment purposes is largely a historical portfolio. It is monitored and reviewed annually as part of the Council's wider asset strategy including potential future appreciation and potential receipt value.

It is not the Council's intention to invest in any new commercial portfolio investments at this time. If any new investments are identified a risk assessment would be performed.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. Cash flow projections are prepared on a regular and timely basis.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. The Council does not have any loan commitments, however there are some guarantees that the Council holds including a guarantee on outstanding contributions to the Pension Fund in the event of a default by certain bodies and a guarantee to the Homes & Communities Agency (HCA) in the event of a default by Kirklees Community Association (KCA) on the redevelopment of the Fieldhead Estate. The Council also act as a guarantor to a loan of £0.9 million that KSDL hold in the event of default.

Capacity, Skills and Culture

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

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

Cabinet is responsible for the implementation and monitoring of any investment policy. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to investment. Regular training for members of the Committee is provided by our treasury advisors to enable them to make decisions to ensure accountability and responsibility on investment decisions within the context of the Council's corporate values. Any new investment decisions are also approved at full Council.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

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

Table 4: Total investment exposure in £ millions

Total investment exposure	**31.03.2022 Actual**	**31.03.2023 Forecast**	**31.03.2024 Forecast**
Treasury management investments	68.9	30.0	**30.0**
Service investments: Loans	32.5	35.7	**41.9**
Service investments: Shares	1.4	1.4	**1.4**
Commercial investments: Property	19.3	19.3	**19.3**
TOTAL INVESTMENTS	**122.1**	**86.4**	**92.6**
Commitments to lend	0.0	0.0	**0.0**
Guarantees issued on loans	0.9	0.9	**0.9**
TOTAL EXPOSURE	**123.0**	**87.3**	**93.5**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 5: Investments funded by borrowing in £ millions

Investments funded by borrowing	**31.03.2022 Actual**	**31.03.2023 Forecast**	**31.03.2024 Forecast**
Service investments: Loans	16.5	19.0	**21.0**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

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

Investments net rate of return	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Forecast**
Treasury management investments	1.0%	2.0%	**3.6%**
Service investments: Loans	0.1%	0.8%	**0.8%**
Service investments: Shares	None	None	**None**
Commercial investments: Property	-6.8%	5.0%	**5.0%**

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Name of meeting: Corporate Governance & Audit Committee
Date: 10 February 2023

Title of report: Annual Governance Statement 2021/22

Purpose of report: To seek approval from the Committee to finalise the draft version of the Statement noted at the 30 September 2022 meeting to accompany the Annual Accounts.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Not applicable**
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports)?]	**Not applicable**
The Decision - Is it eligible for "call in" by Scrutiny?	**Not applicable**
Date signed off by Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal, Governance & Commissioning?**	 **Yes** **Yes**
Cabinet member portfolio	**Cllr Shabir Pandor**

Electoral wards affected: All
Ward councillors consulted: Not applicable
Have you considered GDPR; Yes
Public

1. Summary

1.1 The Committee is asked to approve the 2021/22 Annual Governance Statement, which concludes that overall the governance arrangements remain fit for purpose and to consider whether the issues raised reflect the state of the governance and control framework during 2021/22 and to date.

1.2 The Statement covers the period up until the Annual Accounts 2021/22 are approved, which is the next item on the agenda, so in effect 10th February 2023. Since last September, the Council's financial position has come under sharp focus, and the Service Director of Finance has revised the draft to reflect this significant change of circumstance.

1.3 The Statement is a statutory requirement and accompanies the Statement of Accounts in order to provide readers with assurance about the governance and internal control environment in which they have been compiled and to which they relate.

1.4 The Statement has been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements and draws on a number of forms of assurance which have been presented to various parts of the Council during the year, including many to this Committee (e.g. annual activity reports), being principally the Annual Report of Internal Audit, reports by the external auditor, Monitoring Officer and from the performance management framework.

1.5 The Statement highlights a number of what are termed 'Significant Governance Issues'. Several of the Issues from the 2020/21 Statement are brought forward in one guise or another, reflecting the wide-ranging nature of the issues and action required. Consideration has been given to a number of potential new Issues and one, the impact of the Cost of Living Crisis has been incorporated, coupled with the serious financial position of the Council.

1.6 The actions and controls the Council is taking are contained within a recommended Action Plan and since the final Statement would not be agreed until later in the year, the draft Action Plan has been the subject of internal monitoring, ultimately reporting back to Executive Team and this Committee during the remainder of 2022/23.

2. Information required to take a decision

2.1 The detail was contained within the draft Statement.

3. Implications for the Council

3.1 **Working with People –** None directly
3.2 **Working with Partners –** None directly
3.3 **Place Based Working –** None directly
3.4 **Improving outcomes for children–** None directly
3.5 **Climate change and air quality-** None directly
3.6 **Other (e.g. Legal/Financial or Human Resources) -** Although each of the sub categorisations above suggest no direct implications, the review of the effectiveness of the internal control and governance arrangements covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis.

4. Consultees and their opinions

4.1 The Chief Executive, Strategic Directors, Service Director Legal, Governance & Commissioning, Service Director Finance, Service Director Strategy & Innovation, Head of (Audit &) Risk have commented on the Statement.

5. Next steps & Timelines

5.1 The Statement will be incorporated into the published Annual Accounts and progress with implementing the Action Plan will be monitored and reported accordingly.

6. Officer recommendations and reasons

Members are asked to approve the final Statement.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Simon Straker, Audit Manager 01484 221000 (73726)

9. Background Papers and History of Decisions

The 2021/22 Statement is attached.
Draft 2021/22 Statement
2020/21 Statement
Action Plan 2021/22 (included in the Quarterly Reports of Internal Audit).

10. Service Director responsible

Chief Executive.

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Kirklees Council

Annual Governance Statement 2021/22

February 2023

Overall Conclusion & Opinion

We have considered carefully the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation during 2022/23 and beyond in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

Significant Governance Issues during 2021/22

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2020/21 Statement and some new areas of potential concern. Any of these that meets one or more of the following criteria (suggested by CIPFA / SOLACE) has been regarded as significant and included in this Statement:

A) It undermines / threatens the achievement of organisational objectives
B) It is a significant failure to meet the principles of good governance
C) It is an area of significant concern to an inspector, external audit, or regulator
D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee (CGAC) has recommended it be included
E) It is an issue of public or stakeholder concern
F) It is an issue that cuts across the organisation and requires cooperation to address it

Progress with the Significant Governance Issues in last year's Statement

Our previous Statements recognise that many issues are complex, and sometimes not solely entirely under the Council's direct control. These often take longer than one year to address and embed remedial action. Therefore, some of these may feature in one form or another for a longer period, even if some aspects can be resolved during the year. This has been reflected in what remains to be done, as shown in the table over the page. Nevertheless, good governance will always be subject to actions that seek continuous improvement.

Good progress has been made since the 2020/21 Statement in addressing several of the Issues highlighted in it and consequently these have been omitted from the current Statement, as they no longer represent a threat to the organisation. Similarly, where there has been a change of focus or circumstance this has resulted in several being combined and revised herein.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
1	The Corporate Planning process needs further strengthening with improved linkages to both revenue and capital resource allocation and performance measures to ensure delivery of key Council objectives. (A, B, F)	Delivery of key Council objectives could be undermined.	The refreshed Corporate Plan, *Our Council Plan 2021/23*, was agreed as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal place for people to live, work and grow up in. It includes clear statements of priorities and actions to achieve them and is subject to regular performance reporting on which the Leader and Cabinet are held to account by Scrutiny and Council. The Medium-Term Financial Plan 2020-23 (revenue), Capital Plan (2020-25) and the subsequent budget planning cycles for the financial years 2021/22 and 2022/23 have been aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements regarding outcome-based budgeting remains a "work in progress" in the 2022/23 budget exercise (early 2022).	An Annual Planning Cycle has been agreed, which will lead to the publishing of the next revision to the Council Plan in January 2023. This will reflect the Administration's priorities and the impact on the organisation and its finances post pandemic. It will recognise other national and international pressures -particularly inflation and the impact of the Cost of Living Crisis for residents and staff. Ongoing work is already informing the 2023/24 budget process. Ongoing review of the Council's challenging in-year 2022/23 financial position, including impact of unprecedented cost of living inflationary and other pressures organisation wide, management actions and updated financial strategies, and a financial governance framework that supports deliverable cost reduction/base budget savings plans: both current year and future years. To develop a more robust, intelligence-led performance management mechanism

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
				(using quantitative and qualitative indicators) across the organisation aligned with the annual planning cycle to drive resource allocation aligned to priority outcomes and to monitor their delivery. An aligned Communications Strategy will be further developed and agreed, including the engagement of all Members.
2	Delivery of the Council's Transformation Activities. (A, F)	Work is ongoing corporately to embed innovation and change to help ensure key priorities can be achieved.	The priority transformation programmes, to which transformation resources are allocated, have been updated to areas of priority based on need and scale of challenge.	The focus is on ensuring these priorities are further shaped and delivered over the coming years to produce better outcomes and increasing prioritisation focus on the delivery of future significant cashable savings / cost avoidance.
3	Strengthen and develop Partnership Governance and new relationships. (A, E, F)	Key outcomes require significant input from partners and others.	Partnership governance has improved at an Executive and 'anchor institution' (key public and private sector partners) level. Uncertainties have arisen associated with changed ways of working with newly emerging / re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership /influencing /integration perspective, especially regional funders and partners, including the West	Continue to develop further developments to partnership working, recognising the different perspective of those partners with their own resources, and those who are dependent partially, or wholly, on the council for funding, and to reflect these developing relationships with increased visibility at Cabinet level through six monthly assurance reporting on the

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			Yorkshire Mayor and Combined Authority. Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health & Wellbeing Board and matters arising from the Integrated Care Strategy.	Council's key partnerships and associated parties.
4	Continue to Strengthen Risk Management. (B, C, D)	To ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond.	Work has been ongoing to improve the quality of directorate-based risk arrangements and risk elevation. An initial corporate Assurance Framework and culture has been developed in connection with all key and emerging business risks, including learning the lessons from historically different service delivery	Embed the changes made during the year and new assurance arrangements to deliver greater knowledge and active choices about risk, appetite, and options. Establish and embed a corporate assurance process to provide oversight of the corporate risk management process.
5.	Employee recruitment & retention pressures (A, F)	People resources is a vital part of being able to deliver the key outcomes for the Council.	National and local challenges continue in one of the toughest labour markets for 50 years. There are many hard to fill roles, including highways engineering, social workers and care staff, and HGV drivers, where additional focus and support over and above the People Strategy programme of work has been introduced. The refreshed People Strategy work programme has continued aiming at various retention related initiatives and market supplements, plus a longer term "grow your own" approach via apprenticeships etc.	Recognising the labour market challenges the budget identified £4.7m for workforce planning. Action plans at service level needs to be completed and consolidated into a coherent arrangement. To ensure that budgets to support workforce planning are prioritised, an assurance process will require fully costed, evidence-based business cases to be scrutinised, prioritised and approved by the Executive Team.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
				Personnel Committee will maintain oversight of this activity and receive updates and assurance on the effectiveness of relevant strategies adopted. Retention strategies need to be embedded and deployed effectively.
6.	Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers. (B, C, F)	Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities.	Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council considered the adoption of the LGA Model Code of Conduct. Following a thorough analysis, the Standards Committee concluded the best fit for the Council would be to produce our own hybrid version and this was adopted by the Council in December 2021. Consideration of proposals to review options around committee structures. Implementation of the reviews.	A programme of Member Training to reflect on the New Code and work of the Standards Committee. Consolidate findings from internal and external sources into an options paper for decision. Implementing a new operating model that takes us to service delivery at a less centralised level and ensuring that all staff

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			Work has been ongoing to develop and embed place-based working.	understand the role they play in Place-Based Working as council officers.
7.	Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents. (A, C, E)	Work is ongoing to embed innovation and change but it has not yet reached a *business as usual* state.	Following transfer of the ALMO, a report from an external consultant in summer 2021 identified a number of areas of improvement placing significant risk on the Council, namely: • Poor data integrity and lack of system integration • Overdue delivery of fire safety remedial actions • Water Hygiene: lack of visibility of risk across domestic dwellings, completion of communal re-inspection programmes and review dwellings included, completion of remedial actions • Asbestos management: poor data management, completion of inspection and re-inspection programme. An Action Plan of 55 recommendations was formulated, of which 76% had been implemented by the end of 2021. Cabinet was informed that overall, the improvement plan remained on programme as we continue to complete recommendations by priority and key areas of the improvement plan. The remaining actions due to	Continue prioritised delivery of the Action Plan to ensure completion by the programmed date of March 2024. Data integrity has been strengthened for building safety in particular data for fire safety with interim IT solutions and all high-risk fire safety remedial actions have been completed. Asbestos and re-inspection programmes are now in place and being competed to target with any remedial works identified completed promptly to ensure continued compliance. This is now 80% complete and the outstanding high-risk actions are now complete. The remaining actions, due to their complexity, are the subject of commissions with external consultants to ensure the management plans for each of the Big 6 compliance areas are reviewed

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			their scale and complexity are being progressed with support from corporate enablers e.g., IT, Data and Intelligence and Transformation colleagues. The estimated completion date of the overall plan is March 24. Given the priority relating to overdue Fire Risk Assessment (FRA) remedial actions, we also track the completion of every high priority action and those to high rise blocks notified to the Regulator. Of the outstanding 1,164 high risk remediation actions at the time of the review, 1,118 have been completed with the balance in procurement or in contract. The low and medium rise FRA actions are currently at the early stages of contract negotiation. The outcome of these will determine the programme. Discussions with the Regulator in summer 2022 recognised the good progress being made, at a challenging time for the housing sector, that there was still work to be done to deliver the recommendations of the review and agreed to continue to receive monthly updates on progress. Good progress is being made and there are regular programmes of inspection and re-inspection for all 6 building safety workstreams including asbestos and water hygiene whilst, the early work on strengthening processes and data	including process maps. Also, a separate commission to enable data validation to increase the integrity of the data held on building safety. These contracts are due to be awarded at the start of 2023. The low-rise contract for low and medium risk actions had been tendered and preferred contractor identified, however due to the nature contract discussions had to be mutually abandoned to avoid commercial and procurement risk to both parties. This now being re-packaged and being prepared for re-procurement and so the programme will extend beyond March 2024 The scope of the overall transformation programme has been agreed and workstream leads identified with the priorities focused on compliance and process redesign in conjunction with the commissions for management plans and data validation Replacement of the housing management system is well progressed following a

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			integrity is supporting a stronger internal framework of assurance.	pause for review post transfer. This is due to go live in late summer 2023. Continued dialogue with the Regulator who has had monthly updates and meetings with the Service Director.
8.	Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (B, D)	A key pillar to sound financial governance.	The Counter Fraud Strategy is being revised to fully reflect the national recommended approach and CIPFA Code of Practice. The Corporate Fraud Team transferred to Internal Audit on 1 April 2022.	Adopt and embed the revised Strategy. Prioritise investigative work and report outcomes to ET and CGAC. Develop and commence training and awareness raising amongst key operational staff.

New Issues

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into exiting or slightly refocussed Issues brought forward from last year's Statement.

Governance Issue / Theme	Reason for Inclusion	Action Required in 2022/23
Cost of Living Crisis The impact on residents and the Council itself from the current and projected levels of price inflation on key commodities is such that many of the key objectives may not be able to be achieved as planned, as the focus of many residents changes to meeting basic requirements in terms of food, heat and travel in particular and potentially significantly increased resident, business and community demand for Council services. This in turn may impact on the Council's main income streams and in its expenditure plans to support the most vulnerable members of the community. (A, E, F)	Could prevent achievement of key objectives	There will be an increased focus through the Council's formal decision-making processes on understanding what the impact of any council policy, or change to policy, will have on the financial wellbeing of residents and other stakeholders within the area. Ensure timely and effective strategic communication to all residents, prompt delivery of existing support and advice of all aid and benefit take-up that is available, and ensure sufficient capacity and infrastructure within the Council, anchor partner and community support organisations, to deliver timely and effective support to scale. Ensure cost of living pressures, alongside the impact of the Government 2023/24 financial settlement. are factored into updated financial, performance and risk management reports into the corporate member arena in a timely fashion, and to aid current and future decision-making to respond to emerging and significantly increased organisational challenges accordingly. In year mitigation actions to be taken to manage budget overspends likely as a result of increased inflation and energy costs. Ensure the Council has robust governance to support the delivery of sustainable medium term financial strategies and plans in light of cost of living

		impacted financial challenges, and that will ensure the Council can statutorily continue to live within its available financial means, for the foreseeable future.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress during 2022/23.

Statement Scope

Kirklees Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016.* A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at
https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council

This Statement explains how the Council has complied with the Code during 2021/22 and up to the date that the Statement of Accounts is approved (February 2023) and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2021/22 and those which are planned or ongoing in 2022/23.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it engages with, leads and accounts to its communities. Effective governance should enable the Council to monitor the achievement of its strategic objectives and to assess if this has led to the delivery of appropriate services and value for money.

System of internal control are a significant part of any organisations governance framework, designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and provide reasonable, but not absolute, assurance of effectiveness.

The key parts of the governance framework

- A Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- A Council Constitution.
- A Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objective
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.
- Oversight and delivery of the Council Transformation Programme, including several officer boards as described in the Constitution, notably the Children's Board.
- Statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014*).

- Codes of conduct defining the standards of behaviour for Members and employees
- An Anti-Fraud & Anti-Corruption Policy and arrangements that endeavour to comply with the CIPFA Code and best practice
- A Risk Management Strategy
- Systems of financial and business internal control
- An internal audit section, which is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- Whistle blowing arrangements
- A complaints system for residents and service users
- Business continuity arrangements
- A senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information
- A Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer (Monitoring Officer)
- Arrangements to manage other parts of the Council’s (financial) Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

2021/22 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by several sources including the work of the executive managers, the Head of Audit & Risk’s annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- The Executive (Cabinet)
- The Corporate Governance & Audit Committee (CGAC)
- The Overview & Scrutiny Committee; and
- The Standards Committee.

The main parts of the review process are described overleaf:

1. <u>Annual Review of effectiveness of the system of internal control</u>

In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS), the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and monitor progress with this objective, and this will be monitored by the CGAC.

In December 2022, an external assessment as part of a regional peer review process concluded that Internal Audit "Generally Conforms" to PSIAS, this being the highest level of compliance opinion.

2. <u>Head of Audit and Risk's Annual Assurance Opinion</u>

Other than in respect of a small number of control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall, the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

3. <u>External Auditor's Review</u>

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2020/21 financial statements; and
- an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. <u>Corporate Governance & Audit Committee (CGAC)</u>

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2021/22 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate.

CGAC also received assurance from various 2021/22 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to conduct their role, training sessions are provided at various intervals, and this includes treasury management, over which the Committee has corporate oversight.

5 Overview & Scrutiny Management Committee

During 2021/22 the Committee and its four Panels reviewed a number of aspects of the Council's governance arrangements and key issues faced and strategies and responses to manage these.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct in addition to an evaluation of the merits of adopting the LGA Code of Conduct which resulted in a hybrid version being adopted.

7 Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

The CFO and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code, and he has undertaken to review how overall arrangements can be strengthened further in line with recommendations made in the report.

8 External Inspections & Peer Reviews

A central repository of the outcome and future timetable of all external inspections, audits, accreditations and reviews has been established during the year by colleagues in the Policy Team from information provided by Service Directors. Areas for improvement and recommendations to be implemented can be identified quickly and progress monitored accordingly to ensure complete corporate oversight, including any areas that may represent significant governance issues for inclusion herein. All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

9 Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium-Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

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Grant Thornton

The Audit Findings for Kirklees Council

Year ended 31 March 2022

DRAFT

February 2023

Please note: for ease of reference we have highlighted any text in yellow where content has changed since the previous version of this report submitted to the November 2022 CGAC.

Contents

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

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

[Key Audit Partner Signature]

Name : Jon Roberts

For Grant Thornton UK LLP

Date :

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The majority of our audit work was completed both on site and remotely during July - November. Our findings are summarised on pages 5 to 23. We have not identified any adjustments to the financial statements resulting in amendment to the draft outturn in the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, shown at Appendix E or material changes to the financial statements, subject to the following outstanding matters;

- receipt of supporting evidence for isolated capital commitment disclosure figures as at 31 March 2022;
- completion of final audit quality review processes;
- receipt of final assurances from the auditor of the West Yorkshire Pension Fund
- receipt of signed management representation letter – see Appendix F; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council'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 Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by 10 March 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. In our Audit Plan communicated to you on 17 June 2022 we identified risks in respect of:

- management of the Council's DSG deficit relating to Special Educational Needs (SEND). We have updated our knowledge of progress made by the Council to seek a solution to the SEND overspend and retained deficit as part of the support offered by the DfE Safety Valve Group. This has involved assessing the Safety Valve's assessment of the SEND Transformation Plan; and
- the Council's consideration of a move from the Leader and Cabinet model of Governance to a Committee structure

Our review to date has not identified any issues in respect of the above risks.

During the review we have identified a new risk of significant weakness regarding the funding gaps contained in the Council's medium term financial plan. Our work on this area is ongoing.

Our findings are set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to significantly alter our audit plan, as communicated to you on 17 June 2022. Materiality was increased to reflect the increase in operating expenditure from that used at audit planning stage, as explained on page 6.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee (CGAC) meeting on 10 March 2023, as detailed in Appendix E. These outstanding items include:

- Receipt of supporting evidence for isolated capital commitment disclosure figures as at 31 March 2022;
- completion of final audit quality review processes;
- Receipt of final assurances from the auditor of the West Yorkshire Pension Fund
- receipt of signed management representation letter – see Appendix F; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

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

Materiality levels have increased from those reported in our audit plan on 17 June 2022 due to draft accounts reporting higher expenditure than forecast at audit planning stage. Expenditure is the benchmark used in calculating the materiality threshold.

We detail in the table alongside our determination of materiality for Kirklees Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	15,700,000	15,600,000	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements.
Performance materiality	10,200,000	10,100,000	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.
Trivial matters	800,000	800,000	Considered to be the threshold below which an error would be trivial to the overall financial statements.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls – Council only Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. This was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Work is now complete. A risk-assessed selection of 52 journals was selected for testing. Our testing has not identified any evidence of inappropriate management override of controls.
ISA240 revenue and expenditure recognition risk – Council only	This risk was rebutted as explained in the Audit Plan. We did not identify any reason to reverse this rebuttal during the audit.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land, buildings, Council Dwellings and investment property – Council only Revaluation of land, buildings, Council Dwellings and investment property should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment property and Council Dwellings should be revalued annually. Additionally, valuations are significant estimates made by management in the accounts. We have identified the valuation of land, buildings, Council Dwellings and investment property as a significant risk.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the Council's valuation experts • written to the Council's valuers to confirm the basis on which their valuations were carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • engaged an independent auditor's expert valuer to provide a further review of the reasonableness of the assumptions and approach taken by the Council's valuers • tested a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • reviewed property valuations for assets not revalued by the Council's valuers • reviewed the social housing discount factor as applied to Council Dwellings We have carried out the planned audit procedures and raised challenge regarding the assumptions used by management and their expert valuers (Wilks Head Eve for land and buildings, District Valuation Service for Council Dwellings). The valuation date used by the valuer was 31 December 2021. We have received satisfactory responses to these enquiries, with the exception of a methodological query raised by our auditor's expert valuer, in relation to the application of useful life estimates to assets valued on the Depreciated Replacement Cost basis. Our firm view is that the Council's valuer does not adhere to the RICS guidance in this respect. As this is the second year our expert valuer has raised this issue, we have also included a recommendation to management in this regard- please see Appendix A to this report. We have also reviewed property values for the period 1 January 2022 – 31 March 2022, and have not identified any evidence to suggest that a material misstatement exists due to market factors between the valuation date and the balance sheet date. In undertaking our work we selected the following properties for detailed sample testing due to their high value and/or movement being different to our expectations based upon our expert valuer indexed movement: • Other land and buildings – 27 assets • Investment property – 16 assets • We also selected 19 Beacon classes of Council dwellings We have not identified any significant errors based upon our sample testing. Additionally, we have challenged management's assessment that assets not revalued in year are materially stated at the balance sheet date. Management have provided satisfactory responses **in respect of those assets revalued in previous financial years.** As part of this work we identified that a material value new leisure centre was brought into use in March 2022 and reclassified from 'Under Construction' to operational land and buildings. Under the Code this is required to be held at Current Value, rather than historical cost. We understand that this asset was not included in the 21/22 revaluation process due to the timing of the asset completion, however we are required to report that this asset is carried on the incorrect valuation basis in the financial statements. In order to satisfy ourselves that the asset value is not misstated, we requested management to perform a current value estimate, with input from the external RICS valuer. From review of these workings we are satisfied that the asset's value is appropriately stated. Our audit testing has not identified any non-trivial errors. We have however identified two disclosure errors which are shown on page 37.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability – Council only The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation • assessed the accuracy and completeness of the information provided to the actuary to estimate the liability • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report to ensure estimates are reasonable and consistent with the ranges set by the auditor's expert • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements We communicated with the WYPF auditor to seek assurances over the value of pension fund assets and how these are allocated to the Council. This identified that there had been a significant audit adjustment to the WYPF assets which was likely to have a material impact on the Council's share of assets. Management obtained an updated actuarial report which revealed an additional £21.1m gain on the valuation of assets attributable to the Council's share. Management have reflected this change in the updated financial statements. We are however awaiting a final response from the WYPF auditor regarding their completion of procedures to gain assurance over level 3 pension fund investments, which could potentially lead to further adjustments. Mazars have indicated that this may not be possible until March 2023. Our audit work is substantially complete and audit procedures have not identified any further material errors in the valuation of the net pension fund liability. The following points are noted: • We are satisfied that the £99m net pension liability associated with staff formerly employed by the Kirklees Neighbourhood Homes company has been accurately transferred and incorporated into the Council's main LGPS liability. • Actuarial assumptions used by the scheme actuary appear to be in line with our expectations based on PWC actuarial guidance provided to local audit firms nationally. Work to be concluded when the Pension Fund Auditor is able to confirm completion of their final audit procedures, expected March 2023.

2. Financial Statements - Other risks

Risks identified in our Audit Plan - For the avoidance of any doubt, these two risks have not been assessed as a significant risk, but we have assessed that there is some risk of material misstatement that requires an audit response.	**Commentary**
Accounting for grant revenues and expenditure correctly – Council only The Council (as with all other Local Authorities) has been the recipient of significant increased grant revenues during the 2021/22 financial year relating to COVID-19. In common with all grant revenues, the Council will need to consider for each type of grant whether it is acting as agent or principal, and depending on the decision how the grant income and amounts paid out should be accounted for.	We have: • Engaged with management to understand the different types of material grants received during 2021/22 and any conditions applicable; • Understood the conditions for payment out to other entities, businesses and individuals to identify whether the Council should be acting as agent or principal for accounting purposes; and • Tested material grant revenues to see whether the Council has accounted for these correctly. Our audit work has not identified any issues in respect of recognition and presentation of grant income.
Valuations of Infrastructure Assets The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - Challenged the information and assumptions used to inform the estimate Based on our work, we are satisfied that the Council has: • correctly applied the SI and the requirements in the CIPFA Code update • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in 2021/22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	Kirklees Council is not intending to exercise early adoption of IFRS16 for 2022/23 and therefore no additional disclosure is required in 2021/22.	We have no further comments, although management will need to include additional IFRS 16 disclosures in the 2023/24 financial statements as that will be the year prior to adoption.
IT Control deficiencies The audit included an assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to the Council's financial reporting.	The following IT systems were reviewed: • SAP • Northgate	Management has been provided with a separate report detailing our assessment over SAP and Northgate. The report raised five control improvement recommendations of which two were rated as high priority. These included user access levels, user access requests and segregation of duties. We concluded that the deficiencies were not likely to lead to material error in the financial statements. The recommendations are reported at Appendix A of this report.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – Values at 31 March 2022: Other Land & Buildings: £545.462m (PY £515.089m)	**Other Land and buildings and Investment Property:** Other land and buildings comprises £442m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£103m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 December 2021 on a three yearly cyclical basis. 39.5% of total Land and Buildings assets were revalued during 2021/22. Management has considered the year end value of non-revalued properties, and the potential valuation change up to 31 March 2022 for assets revalued at 31 December 2021, to determine whether there has been a material change in the total value of these properties at the Balance Sheet date. Management concluded that there was no material movement in valuation between the valuation date of 31 December and the Balance Sheet date of 31 March 2022.	• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective. We have however identified one instance in which we believe that the RICS guidance is not being followed. This is in respect of assumptions made by WHE about continuous asset maintenance where there is no direct knowledge of capital spend over many years. This has led to aged assets such as schools being given extended useful economic lives without clear evidence of their state of repair. This may not lead to material error in the financial statements but is not in line with the RICS guidance for the valuation of specialised assets. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and location factors • The Council has moved to a triennial valuation cycle from 2019/20 onwards which provides more robustness to the five yearly cycle that operated previously • Valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared against the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. We also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. There are no significant matters to report from this analysis. • As part of this work we identified that a new material leisure centre was brought into use in March 2022 and reclassified from 'Under Construction' to operational land and buildings. Under the Code this is required to be held at Current Value, rather than historical cost. We understand that this asset was not included in the 21/22 revaluation process due to the timing of the asset completion, however we are required to report that this asset is carried on the incorrect valuation basis in the financial statements. • We also challenged management's assessment that there was no material movement in valuation between the 31 December 2021 valuation date and the Balance Sheet date of 31 March 2022. We do not disagree with management's assessment. We concluded that the land and buildings are not materially misstated. We have however identified two disclosure errors which are shown on page 37.	Blue

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation: £103.67m (PY £97.335m)	The Council has engaged Wilks Head Eve to complete an annual revaluation of investment properties as at 31 March 2022.	• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including property leases, rentals and yields • Valuation methods remain consistent with the prior year • Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2022 there were 45 investment properties totalling £3.7m which had not been subject to revaluation, contrary to the requirements of the CIPFA Code. Management assert that investment properties below £250k are deminimus and therefore not revalued.	Light purple
Council Dwellings Valuation: £784.236m (PY £720.632m)	The Council owns 21,949 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engages an external valuer, the District Valuation Service to complete the valuation of these properties.	• The Council's RICS qualified external valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly during 2021/22 valuation. • We have compared the valuation movements with our auditor's valuation expert (Gerald Eve) report and held discussions with our valuation expert. These discussions have concluded and we are now performing the final review process. • We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • Management apply a social housing discount factor of 41% after upward indexation. The discount factor is in line with the extant DCLG Stock Valuation Guidance 2016, and after discussing this with our auditor's valuation expert, we confirm we are satisfied with the factor used • We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements.	Light purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council net pension liability: £759.73m (PY £998.57m)	The total net pension liability comprises the West Yorkshire Pension Fund defined benefit Local Government pension scheme obligations relating to Kirklees Council. The Council uses AoN to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. A roll forward approach is used in the intervening years. The valuation undertaken at 31 March 2022 will be reflected in the 2022/23 financial statements. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council has seen a £238.8m net decrease in Net Liability Related to Defined Benefit Pension Scheme during 2021/22. The 2021/22 liability also includes members from Kirklees Neighbourhood Housing Ltd which was brought within the Council's from 1 April 2021.	See below	Light purple

- We have assessed the Council's actuary, AoN, to be competent, capable and objective
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2021/22 roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.70%-2.8%	Within range
Pension increase rate	3%	2.8% to 3.1%	Within range
Salary growth	4.25%	3.5%-5.5%	Within range
Life expectancy – Males currently aged 45 / 65	21.8 – 22.5 years	20.1-22.7 years	Within range
Life expectancy – Females currently aged 45 / 65	24.6 -25.7 years	22.9-24.9 years	Within range

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2021/22 to the valuation method
- We communicated with the WYPF auditor to seek assurances over the value of pension fund assets and how these are allocated to the Council. This identified that there had been a significant audit adjustment to the WYPF assets which was likely to have a material impact on the Council's share of assets. Management obtained an updated actuarial report which revealed an additional £21.1m gain on the valuation of assets attributable to the Council's share. Management have reflected this change in the updated financial statements.
- Following the above procedures we confirmed we are satisfied with the reasonableness of estimate of the net pension liability.

Audit work to be finalised upon response from PF auditor regarding completion of their work.

2. Financial Statements - key judgements and estimates (new page)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Infrastructure assets (net book value): £206.013m (PY £196.534m)	Management have followed the expectation set out in the CIPFA Code update 30 Nov 2022 and Statutory Instrument (2022.1232) in revising the PPE disclosures to show infrastructure assets separately and remove gross book value disclosures from this analysis. Management analyse infrastructure assets between the main categories used in the Highways Network Asset model. Management have made a significant judgement in assuming that all infrastructure assets are subject to Useful Economic Lives (UELs) of 20 years.	In March 2022 historic information deficits were highlighted in relation to infrastructure assets by another audit supplier. Risks identified in relation to infrastructure assets were: - An elevated risk of the overstatement of GBV and accumulated depreciation figures, due to lack of derecognition of replaced components - A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. Since these issues were first identified we have been working with CIPFA and Government to find solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions were to be put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government. The English SI was laid before Parliament on 30 November 2022 and came into force in late December 2022. The English SI includes two key elements: 1) The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets; 2) Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code. It should be noted that the English SI does not include any reference to the Code update (issued on 29 November 2022) which removes the requirements to disclose the gross book value and gross accumulated depreciation figures for infrastructure assets in the statement of accounts. As a result of the content of the English SI, we determined the need to focus our testing on the in-year infrastructure asset movements in the financial statements for the audit year in question, assessing their material accuracy. We determined that the in-year depreciation charge was the area requiring the greatest audit focus. Our findings are: 1) Management could not provide evidence to substantiate the choice of 20 years as a reasonable UEL determination to apply across all types of Infrastructure. We have raised a recommendation with regards to management's control over this process- see Appendix A (Action Plan). 2) The in-year depreciation charge driven by management's UEL determination appears to be reasonable, after considering guidance provided by CIPFA in their January 2023 bulletin, as well as more general industry research. In our assessment, management's estimated UEL determination is lower than industry standard, indicating that the depreciation charge may be higher than would be expected. This is not considered an audit error since management's estimate falls within a reasonable range of expectations.	Grey

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £8.027m (PY £6.634m)	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge was £8.027m, a net increase of £1.393m from 2020/21 reflecting the council's capital investment plans for Huddersfield town centre. The MRP charge is net of £13.7m previous overprovisions of MRP to offset the budget gap. This relates to an exercise during 2017/18 when it was deemed prudent to unwind a £91m overprovision of MRP over a 10 year period which management considered prudent at the time.	• The Council's calculation of MRP has been calculated in line with the statutory guidance and management assess the MRP charge to remain prudent • Up to and including the 2021/22 financial year there had been no changes in the Council's policy for calculation of since the policy was approved by full Council in 2018/19. As communicated in the Treasury Strategy Statement in January 2022, for 2022/23 onwards MRP is only charged on assets when they come into use. • The unwinding of the previous overprovision of MRP dates back to an overpayment of £91m in 2017/18 which was originally planned to offset budget gaps over a 10 year period. The planned offset for 2021/22 was increased from £9.1m to £13.7m to meet budget pressures. The £13.7m unwinding expires after 2023/24.	Light purple
Business rates appeals provision- £1.593m (PY £2.583m)	Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2021/22 and earlier financial years. A provision has therefore been recognised in the statement of accounts. The estimated provision has been calculated using the latest Valuation Office Agency (VOA) ratings list of ratings appeals and the analysis of successful appeals to date.	• Management have calculated the provision value using the latest information from the VOA listings. • Management have not included an estimate for as-yet un-lodged claims, however we are satisfied from discussions with management that the provision is not understated in this regard. • We have reviewed appeals activity in 22-23 to date and this has not given any indication that the 21-22 provision is understated. • There have been no changes to the Council's method for calculating the provision since the prior financial year.	Light purple

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	A separate report has been produced by the Grant Thornton IT auditor identifying some deficiencies in arrangements and this has been circulated to Those Charged With Governance.	See separate report for detailed findings and recommendations. Recommendations are summarised at Appendix A of this report for completeness.

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Northgate	Detailed ITGC assessment (design effectiveness only)				
SAP	Detailed ITGC assessment (design effectiveness only)				

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements / significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements - Internal Control

Transaction cycle	Effectiveness of the system of internal control	Basis of assessment
Revenue (the presumed significant risk is rebutted)	Assessment not applicable - no significant risk identified and no control assessment performed.	Assessment not applicable - no significant risk identified and no control assessment performed other than a refresh of business process documentation.
Expenditure (not a significant risk however internal control assessed to assist substantive assurance procedures)	Designed effectively No control deficiencies identified	From discussions with management, financial accountants and accounts payable service accountants, we have identified key controls within the expenditure and payables processes and performed walkthrough procedures to confirm that these are designed effectively and are implemented as designed. We have performed a segregation of duties review and have not identified any control deficiencies from this. From the work of our IT auditor, we have not noted any significant control deficiencies at IT General Control level that would impact on our ability to conclude that the activity level controls are not designed effectively.

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

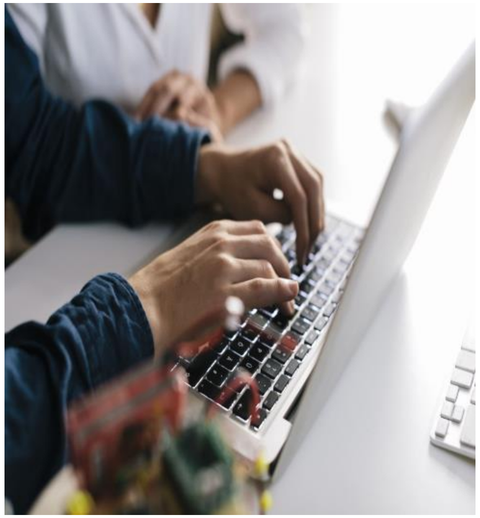
Significant matter	Commentary	Auditor view
Group Accounts Prior to 2021/22 the Council produced Group accounts which consolidated Kirklees Neighbourhood Homes Ltd (KNHL) as a 100% owned subsidiary. On 1 April 2021 KNHL was disaggregated from the Group and the assets and liabilities, and staff transferred back within Kirklees Council.	Management engaged early with the audit team to discuss and agree the proposed transactions to bring KNHL back into the Council's financial statements and the impact in the Council's reserves.	We are satisfied that the transactions to transfer KNHL back into the Council's accounts are correctly processed.
Pensions- revised disclosures From communication with the auditor of West Yorkshire Pension Fund in early December 2022, we identified a possibly material movement in the LGPS assets attributable to the Council as at 31 March 2022. We therefore requested that management obtain a revised actuarial report. This indeed resulted in material movement to the net pension liability position.	Management accepted the auditor's recommendation and obtained a revised report in a short timescale. Management set out to revise the draft financial statements in January 2023.	We are satisfied that management took the appropriate steps to ensure that the net pension liability is reasonably stated at the balance sheet date.
Infrastructure assets accounting	Management elected to remove the gross book value disclosures from its draft financial statements. This turned out to be in line with the CIPFA Code update and Statutory Instrument issued in November 2022.	We are satisfied that the disclosures are in line with the updated CIPFA Code and guidance. Management do need to engage with their Highways team to understand how the useful economic lives should be determined for the various types of infrastructure assets.
Kirklees Stadium Development Limited (KSDL) joint venture In September 2022 the joint venture company's auditor reported a material uncertainty in relation to the going concern of the company as at the company's balance sheet date of 31 July 2021. The implications of this situation for the Council were discussed at length with management.	In late 2022 management considered possible options for the future ownership structure of KSDL. It has been acknowledged that the Council's loan to KSDL of £3.8m may not be recoverable.	KSDL has been making operating losses which has put its future into uncertainty. We consider that the Council's loan to KSDL is credit-impaired under the IFRS 9 Expected Credit Loss model, as at 31 March 2022.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is shown at Appendix F.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers and a sample of investment counterparties. This permission was granted and the requests were sent and responded to with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements - other communication requirements

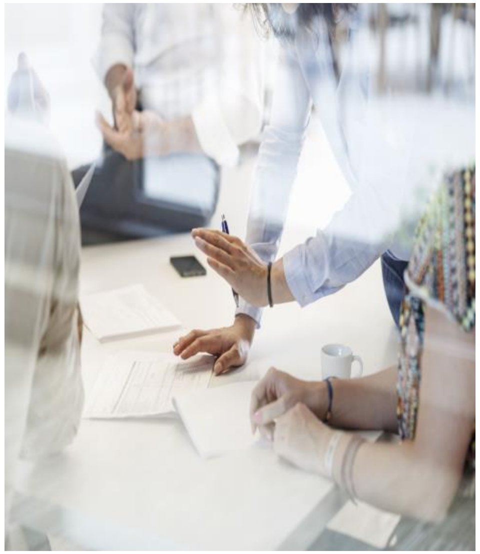
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. We have also evaluated the impact of the going concern material uncertainty reported in KSDL's accounts to July 2021. On the basis of materiality we have concluded that KSDL's situation does not affect the Council and Group's going concern status. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified other than minor presentational matters, the majority of which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money. We have nothing to report on these matters, although the Value for Money work is underway and not due to be completed until March 2023.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that this work is not yet completed. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Kirklees **Council** in the audit report, as detailed in Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was attached in the Appendix G to an earlier version of this report submitted to the November 2022 CGAC. We expect to issue our Auditor's Annual Report by 10 March 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. We identified risks 1 and 2 set out in the table below. We have performed further procedures in respect of these risks and have completed this element of our VFM work. Our conclusions are detailed below. We have also identified a risk of significant weakness documented at risk 3 below.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
1. Financial Sustainability: Dedicated Schools Grant (DSG) overspend. The Council has a significant DSG SEND (Special Educational Needs) overspend which is held in an unusable negative DSG reserve at 31 March 2021 and 31 March 2022 under statutory override. At the end of 2020/21 the Dedicated Schools Grant (DSG) deficit was £25.1m, due to pressures in the High Needs Block. The deficit is forecast to increase to at least £35m at the end of 2021/22. The statutory override expires after 2021/22 and the Council must identify a solution to the financial pressure.	We have updated our knowledge of progress made by the Council to seek a solution to the SEND overspend and retained deficit as part of the DfE Safety Valve Group. This has involved assessing the Safety Valve's assessment of the SEND Transformation Plan.	No significant weakness in arrangements has been identified.	We have no recommendations to make to the Council.
2. Governance: Proposed change to governance structure at the Council The Council is considering a move from the Leader and Cabinet model of Governance to a Committee structure and is receiving support from the LGA to arrive at the most suitable model for the Council. There is a risk that the Council does not arrive at the most suitable governance structure unless the decision is properly considered and supported by evidence.	We have reviewed the process followed by the Council to determine why a change in structure may be required and also the evidence to support any decision made.	No significant weakness in arrangements has been identified.	We have no recommendations to make to the Council.
3. Financial sustainability: Funding gaps in the medium term financial plan During the review we have identified a new risk of significant weakness regarding the funding gaps contained in the Council's medium term financial plan. We will finalise our value for money upon consideration of the Budget and Medium Term Financial Plan to be presented to Cabinet on 21 February 2023.	We have made enquiries of the Service Director - Finance regarding the options being considered to address the funding gaps.	A potential significant weakness in arrangements has been identified.	TBC

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4. Independence and ethics

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

We have received confirmation that Gerald Eve LLP, the auditor valuation expert engaged for this audit is independent of the Council.

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

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and group. No non-audit services were identified which were charged from the beginning of the financial year to the date of this report.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	The draft financial statements including the Annual Governance Statement (AGS) are required to be published on the Council's website for public inspection and comment. The draft AGS was not included with the initial publication.	For 2022/23 ensure that public inspection requirements are met. Management response […]
High	It has become increasingly common for LGPS pension fund asset figures reported in draft financial statements to change significantly due to audit and actuarial issues. This often means that admitted bodies, such as the Council, see material movements in their corresponding asset figures subsequent to preparing and publishing their draft financial statements. There is a risk that the Council might not always be sighted on the full impact of these changes, meaning that the pension liability might be materially misstated in the financial statements.	In future years ensure that management request from the LGPS pension fund to be alerted of any changes to draft asset figures, so that an informed decision can be made as whether to request revised actuarial reports. Management response […]

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements (cont...)

Assessment	Issue and risk	Recommendations
Medium	In 2020/21 our auditor's expert for valuations work noted that the Council's General Fund valuer had not followed the expected RICS guidance in performing DRC valuations for specialised assets. Specifically, the Council's valuer does not allow for age-related reductions in the useful lives of buildings, nor is there a mechanism for capital expenditure to affect the remaining lives of the building as components are replaced or renewed. Upon review of the 2021/22 valuations we noted that this issue still exists and therefore warrants the attention of Those Charged with Governance. We do not however consider there to be a material misstatement occurring as a result of this methodological issue.	For 2022/23 communicate with the General Fund valuer to understand and ensure they are following the national RICS guidance for valuations. Management response […]
Medium	**Infrastructure asset accounting- useful economic lives estimation process** From our evaluation of management's approach to useful economic life determination and the resulting depreciation charge to infrastructure assets, we concluded that the accounting estimate is reasonably stated in the financial statements. However, we consider management's approach to be lacking in robustness as management has not produced any evidence to support their selection of 20 years as a standard UEL for all types of infrastructure. There is a risk that is this is left unchanged, the depreciation charge may become materially inaccurate in future years. This could lead to an understatement in the infrastructure asset balance and a subsequent overestimation of the speed at which the assets' economic benefits are utilised.	Management should carefully adhere to the latest issued CIPFA Guidance in terms of reviewing Useful Asset Lives and considering how these may differ for the different types of infrastructure assets. Management response […]

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – IT controls findings

	Assessment	Issue and risk	Recommendations
1.	●	**Users with debug access in SAP production** During our audit, we observed three accessible SAP user accounts had been provided with DEBUG access in production in the financial year (via the S_DEVELOP SAP authorisation object). Specifically, the following accounts: • ABSOFT_APPS • ABSOFT_BASIS • DDIC We understood that two of the accounts (ABSOFT_APPS, and ABSOFT_BASIS) belong to third party SAP support, and one account (DDIC) was used for applying patches in the production environment. **Risk** The assignment of DEBUG access within SAP, allows users to alter system source code and logic directly in the production environment. This therefore potentially allows users to bypass the configured transport route and change controls in place. This increases the risk of inappropriate and unauthorised changes being made to the system. Where this access is granted either for an extended period or to users outside of IT the risk is further increased. As part of our audit testing, we reviewed system records and observed that the account DDIC and PORTALADMIN had not been logged into during the audit period. We also noted that a monthly review on DEBUG access is in place since March 2022. DEBUG access from 01 Nov 2021 were retrospectively checked in the first review.	Management should review the assignment of this access and ensure that DEBUG access is removed from all dialog and service users in the production environment. If this access is required in the future, it should be granted for as short a period of time as possible with a risk assessment completed to identify any required supporting controls. **Management response** • Debug access has now been removed from both Absoft accounts • DDIC is a standard SAP system account that applies upgrades; it cannot be used to log in – account only used for patching and set to a service account; this account hasn't been used since 2019. This account has now been locked.

Assessment

- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

A. Action plan – IT controls findings - SAP

	Assessment	Issue and risk	Recommendations
2.	Red	**Lack of formal process in managing SAP self-assigned access request** During our audit, we noted that there was no formal process in managing self-assigned access request within the SAP BASIS team. We observed that users in SAP BASIS team had assigned new access roles to their own SAP accounts. Such accesses were requested and approved verbally without formal documentation. Although audit logging was enabled, there was no proactive log review in place during the year except for DEBUG access. Risk: User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	Management should ensure that all access requests are formally documented and approved. Where feasible, logging and monitoring should be extended beyond debug access. **Management response** • We will review the process and put in place authorization mechanism – target end December 22
3.	Amber	**Segregation of duties conflicts between SAP change develop and implementer access** During our audit, a segregation of duties conflict was observed for three users (ABSOFT_APPS, BYRNEC and NICHOLSONJ) who are assigned a SAP development key along with ABAP developer access in the development environment (via SAP t-code SE38) and transport access in the production and quality environments (via t-code STMS with S_TRANSPRT and S_RFC authorisations). We also observed that there was no proactive monitoring in place to verify the appropriateness of any developers also implementing their own changes. We reviewed the STMS import history and observed there were 270 transports implemented in production. By comparing the STMS import history from development environment, we noted that no transport was developed and implemented by same user in FY2021/22. Risk The combination of access to develop changes and the ability to implement those changes in production is a segregation of duties conflict that could lead to an increased risk of inappropriate or unauthorised changes to data and programs being made.	Management should review these access assignments to ensure developers do not also have access to transport utilities in the production environment that would allow changes to be implemented. Where management believes for operational reasons, this access cannot be fully segregated a risk assessment should be undertaken and other mitigating controls considered (i.e. periodic monitoring of changes to identify those with the same developer and implementer and verify appropriateness). **Management response** • Will remove developer keys from these accounts – end Dec 22

A. Action plan – IT controls findings - SAP

	Assessment	Issue and risk	Recommendations
4.	●	**Business user with inappropriate SM19 access (audit log configuration)** During our review, we noted that 7 business users, including: - Head of Risk, - 2 Audit Managers, - 2 Senior Finance Officers, - Assistant Finance Officer, and - Internal Auditor have the ability to configure audit log (via SAP transactions SM19). **Risk** Access to audit log configuration (via SM19) within SAP gives users the ability to create, modify or delete audit logs owned and configured by other users. Where this ability is not appropriately restricted, audit logs may not be sufficiently maintained. Sufficient logs may not be available in the event of investigations for error or fraud detection.	Management should review the assignment of this access. Where possible, limit users with these privileges assigned to members of the IT and related support teams. Any users that do not require these privileges in an ongoing manner to perform their job role should have this level of access removed. Where this level of access is required for a specific task or purpose it should be assigned via a Fire Fighter ID. **Management response** • Access to be removed for SM19 (target end September 22)
5.	●	**Inadequate privileged generic user account management** During our audit, we observed 5 generic dialog accounts that had privileged access within SAP. Of these, two accounts were used by third party support consultants, while three were managed by the SAP Basis team. We noted that the activities performed via these generic accounts were not proactively monitored by management to ensure they were only used by appropriate individuals and for approved reasons. **Risk** Activities performed via shared generic accounts may not be linked to specific individuals, eroding accountability. Unauthorised transactions performed via these accounts may not be detected.	Management should consider performing an evaluation of the appropriateness and necessity of the generic accounts identified. This should include consideration of whether: (a) Activity could be performed through individually named users accounts with generic accounts reduced and only used for specific pre-approved activity; and (b) Accounts within the SAP application could be made into 'SYSTEM' user type, to allow them to run batch jobs but not be directly accessible for login. (c) If accounts are obsolete or not-in-use and if they could be disabled or deleted. Management should also consider whether compensating controls could be implemented to mitigate the risk created (i.e. passwords held within a password safe tool with logging of access or proactive monitoring of access with periodic review to validate an appropriate requirement). Where these controls will be owned / operated by external organisations management should consider disabling the accounts and only enable these accounts on need. Activities performed by the third parties should be monitored. **Management response** • This refers to accounts named: SAPSupport & PortalAdmin (service account), DDIC, Absoft (x2) • All these accounts will be kept locked unless required.

A. Action plan – IT controls findings - SAP

	Assessment	Issue and risk	Recommendations
6.	●	**Inadequate restrictions on the production client settings** During our audit, we observed the following weaknesses in SAP system configuration related to direct modification in production: - The parameter Protection: Client Copier and Comparison Tool was set to "Protection level 0: No restriction". This allows production data to be overwritten by a client copy from other clients. - The parameter CATT and eCATT Restrictions was set to "eCATT and CATT only Allowed for 'Trusted RFC". This allows automated test scripts to be run in the production client via an RFC procedure. **Risk** Limited or no restriction in direct modification of data in production client and corruption of data if unsafe test scripts are run.	Management should consider reviewing the production client settings and configure them as follows: • The parameter "Protection: Client Copier and Comparison Tool " should be set to "Protection level 1: No overwriting". • The parameter "CATT and eCATT Restrictions" should be set to "eCATT and CATT Not Allowed" **Management response** • These settings have been implemented (September 2022)
7.	●	**No formal process for changes in SAP batch jobs** During our audit, we noted that there was no formal process to manage the changes in relation to SAP batch changes (via SM36). **Risk:** A lack of consistent change management processes and controls regarding batch jobs could lead to a loss of data integrity, processing integrity and/or system down-time.	Management should establish a change management policy and associated procedures for changes in relation to SAP batch jobs, to ensure changes are consistently logged, tested, approved and monitored throughout the change lifecycle. **Management response** • Batch jobs are BAU tasks and risks are accepted as normal operating procedures. All access is audited within the system. • A separate process for recording any changes will be reviewed (target December 2022)

A. Action plan – IT controls findings - Northgate

	Assessment	Issue and risk	Recommendations
8.	●	**Lack of proactive review on appropriateness of activities performed by generic accounts** We noted that there was no proactive periodic access monitoring, for activities performed by generic administrative accounts in Northgate. Although a monthly activity report of account "RB" is produced, and an access log of using this ID is maintained, there was no review on both files to detect any abnormal or improper activities happened. In addition, there was no proactive review performed for account "FRC", another generic administrative account used in Northgate. Risk: Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts may not be detected.	Management should ensure that security event logs are reviewed on a regular basis, ideally by a personnel/ team who are independent of those administrating Northgate and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. Management response • Monthly reviews have been scheduled (starting September 2022) and will be carried out by the Team Manager

B. Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2020/21 financial statements, which resulted in 5 recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Note 4 Critical Judgements** The disclosure note includes items which are not considered material and critical to the compilation of the financial statements and does not fully explain what the judgement itself is. The note should not be a description of the accounting policy.	From our audit work performed, we consider this recommendation to have been substantially addressed in 2021/22.
x	**Note 17 Investment Property** Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2021 there were investment properties totalling £4.7m which had not been subject to revaluation.	Management have not revalued investment properties at 31 March 2022 which fall below their de-minimus value. At 31 March 2022 there were investment properties totaling £3.7m which had not been subject to revaluation.
✓	**Note 36 Related Party Transactions** We have identified weaknesses in management's arrangements for capturing related party transactions within the Council and for carrying out a full assessment of whether control exists between bodies. The process for capturing Member's interests also requires revisiting, including to obtain confirmation if there is no change from the prior year.	From our audit work performed, we consider this recommendation to have been substantially addressed in 2021/22.
✓	**GRNI accruals (Repeat recommendation from 2019/20 – see Appendix B)** Audit testing of GRNI accruals identified items that should have been cleared out as paid and should not be reported as creditors.	From our audit work performed, we consider this recommendation to have been substantially addressed in 2021/22.
x	**IT General controls** A separate IT Audit Findings Report has been produced containing eleven recommendations to improve the design effectiveness of the IT General Controls as they affect the financial statements for the year ended 31 March 2021. Each of the eleven recommendations were agreed with management with actions.	Five of the eleven 2020/21 recommendations were not fully addressed and these matters are repeated at Appendix A.

Assessment

✓ Action completed

x Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022. New table added below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Balance Sheet A material adjustment to the Council's share of the West Yorkshire Pension Fund's assets was required following a significant restatement of pension fund assets during the audit of WYPF.	0	Dr Pension Liability 21.1m Cr Pension Reserve (21.1m)	0
Total	0	£21.1m	0

C. Audit Adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit and confirms whether these have been adjusted in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 5 Sources of Major Estimation Uncertainty	Non-material estimates have been removed from the disclosure note which is intended for the most material sources of estimation uncertainty	✓
Note 15 Property, Plant and Equipment	A £19m buildings asset (leisure centre) was transferred at historical cost from Assets under Construction to Other Land and Buildings in March 2022 upon completion of the building. Under the Code this is required to be held at current value, rather than historical cost. Following discussions we are satisfied that the difference in valuation is not material.	X
Note 15 Property, Plant and Equipment	As part of our PPE additions testing we identified an item of expenditure from Q1 2021 that was incorrectly accounted for in 2021/22 and not accrued to 2020/21. This error was extrapolated to an estimated £1.287m understatement in the PPE opening balance as at 1 April 2021. The balance sheet position at 31 March 2022 remains correct in respect of this item.	X
Note 17 Investment Property	Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2022 there were investment properties totalling £3.7m which have not been revalued. Management assert that investment properties below £250m are de-minimus and therefore not revalued.	X
Note 32 External Audit Costs	Note amended to reflect the forecast total cost of the external audit £213k (being scale fee of £132k and additional charges of £81k)	✓
Note 36 Related Party Transactions	Locala is to be removed from the table since it has been confirmed that the Council holds no control over the entity.	✓
Note 36 Related Party Transactions	The balance with KSDL should be mentioned in the single entity accounts, as well as the fact that the balance may be credit impaired as at 31/3/22.	✓
Going Concern	We consider it good practice to include an explanatory going concern note in the financial statements.	X
Other information	Some presentational amendments to the Narrative Report and Annual Governance Statement were agreed with management.	✓
Infrastructure assets	Following an update to the Code in November 2022 and Statutory Instrument in December 2022, disclosures have been amended throughout the accounts including Narrative Report, accounting policies and PPE note.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Balance Sheet Bank overdraft should be identified separately on the balance as a liability rather than netted off the cash balance.	0	Dr Cash 3.935m Cr Bank Overdraft (3.935m)	0	Not material and classification only with no overall impact
IFRS 9 adjustment An 'expected credit loss' assessment wasn't made in relation to the KSDL long-term loan. We consider this would be appropriate considering the material uncertainty of going concern reported in the company's accounts to July 2021.	Dr Expense £3.8m	Cr Receivables (long term) (£3.8m)	0	Not material
Total	£3.8m	(£3.8m)	£3.8m	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting	Impact on 2021/22 financial statements
Balance Sheet Bank overdraft should be identified separately on the balance as a liability rather than netted off the cash balance.	0	Dr Cash 1,059 Cr Bank Overdraft (1,059)	0	Not material and no overall impact	Disclosure matter – not actioned for 2021/22 as £3.935m overdraft reported within note 32 Cash and Cash Equivalents
Note 15 Property Plant Equipment Incorrect accounting entries for surplus assets reclassified from investment properties.	Dr Cost of Services 3,050 Cr Surplus on revaluation of PPE (3,050)	0	0	Not material	No impact as specific to 2020/21
Note 41 Pensions Disclosures An extrapolated error relating to private equity holdings was reported by the WYPF auditor, 12% of which is attributable to Kirklees Council.	Dr Actuarial movement 2,229	Cr Pension Liability (2,229)	0 (Statutory override in place)	Based upon an extrapolation from an error raised in the WYPF accounts and not material	No impact as specific to 2020/21

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D. Fees

We confirm below our final fees charged for the audit. We confirm there were no fees for the provision of non audit or audit related services.

Audit fees	Proposed fee	Final fee
Council Audit	£222,971	£212,971
Total audit fees (excluding VAT)	£222,971	£212,971*

* Final fee to be confirmed. Note there is a reduction in planned fee due to efficiencies of on-site working £5k and reduced Group audit procedures £5k with the demise of KNH Ltd .

The external audit fee agrees to Note 32 of the Financial Statements.

The variation from PSAA Ltd scale fee is set out below:

Audit fee breakdown	
2019/20 Scale fee published by PSAA	£122,221
Recurrent increases to scale fee first identified in 2019/20 (reported to Corporate Governance & Audit Committee)	
Raising the bar / regulatory factors / Public Interest Entity (PIE) status / reduced materiality	£23,375
Enhanced audit procedures for Property, Plant and Equipment (which includes the cost of the auditors experts)	£12,500
Enhanced audit procedures for Pensions Liabilities (IAS19)	£4,375
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised auditing standards	£6,000
Additional work required for Group accounts	£10,000
Additional work required on housing benefit related expenditure	£3,000
New issues for 2021/22	
Increase in fee due to enhanced FRC review and infrastructure for 2021/22	£6,500
Additional cost of partial remote working	£5,000
Increased work to address local VFM risks	£10,000
Total planned audit fee for 2021/22 (excluding VAT)	**£222,971**

E. Audit opinion

Our audit opinion is included below.

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

Independent auditor's report to the members of Kirklees Council

Report on the Audit of the Financial Statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Council (the 'Authority') and its joint venture (the 'group') for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Statement of Movement in Reserves, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

E. Audit opinion (cont.)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Our evaluation of the Service Director Finance's assessment of the Authority's and the group's ability to continue to adopt the going concern basis of accounting included a review of the reasons and evidence provided to support the Service Director – Finance's assessment regarding the future continuation of services.

In our evaluation of the Service Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director Finance and Those Charged with Governance for the financial statements' section of this report.

Our approach to the audit

Grant Thornton

Overview of our audit approach

Financial statements audit

Overall materiality

Group: £15,700,000 which represents 1.25% of the group's gross expenditure on cost of services;

Authority: £15,600,000 which represents 1.24% of the Authority's gross expenditure on cost of services;

Key audit matters were identified as:

- Valuation of land, buildings, council dwellings and investment property (Authority). Same as prior year
- Valuation of the net liability related to the defined benefit pension scheme (Authority). Same as prior year

These key audit matters are the same as for the audit of the prior year's financial statements, other than they were applicable for both Authority and group in the prior year.

Value for money arrangements

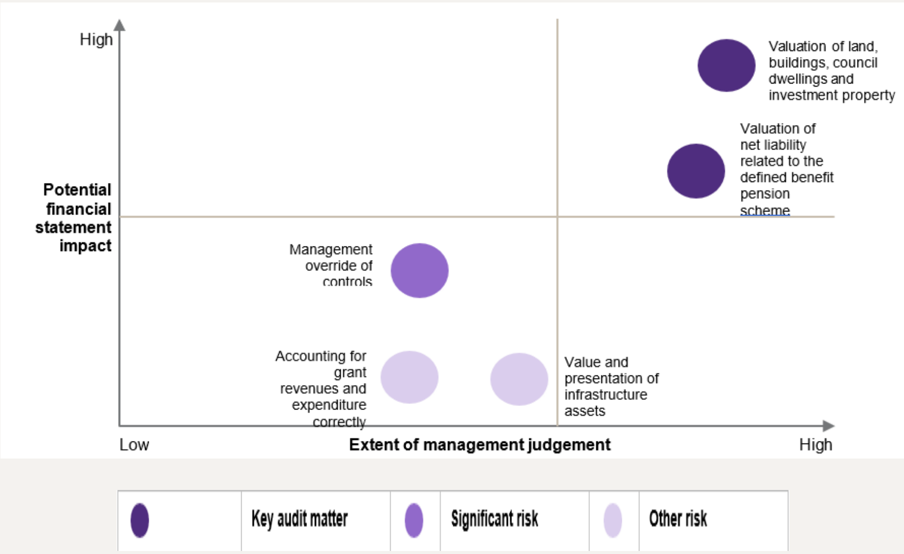
We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

E. Audit opinion (cont.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority’s financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter - Authority

Risk 1 Valuation of land, buildings, council dwellings and investment property

We identified valuation of land, buildings, council dwellings and investment property as one of the most significant assessed risks of material misstatement due to the value of the assets and the extent of estimation involved in valuing them,

The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. The Authority values its council dwellings annually. These valuations represent a significant estimate by management in the financial statements due to:

- The size of the numbers involved (£545 million for the Authority’s other land and buildings, £784 million for the Authority’s council dwellings and £104 million for the Authority’s investment property); and
- The sensitivity of these estimates to changes in key assumptions.

Additionally, council dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for social housing. The social housing adjustment factor is prescribed in Government guidance. There is a risk that the Authority's application of the valuer’s assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence indicating that the standard social housing factor is not appropriate to use.

Investment property is revalued annually at fair value by the Authority’s external valuer.

E. Audit opinion (cont.)

How our scope addressed the matter - Authority

In responding to the key audit matter, we have performed the following audit procedures:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the Council's valuation experts
- written to the Council's valuers to confirm the basis on which their valuations were carried out
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding
- engaged an independent auditor's expert valuer to provide a further review of the reasonableness of the assumptions and approach taken by the Council's valuers
- tested a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- reviewed property valuations for assets not revalued by the Council's valuers
- reviewed the social housing discount factor as applied to Council Dwellings

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of land, buildings, dwellings and investment property was acceptable;
- The assumptions and processes used by management in determining the estimate of valuation of property were balanced and reasonable.

Risk 2 Valuation of the net liability related to the defined benefit pension scheme

We identified the valuation of the net liability related to the defined benefit pension scheme as one of the most significant assessed risks of material misstatement due to the value of the liability, which amounts to £781 million for the Authority, and the sensitivity of the estimate to changes in key assumptions.

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2022

The Authority's accounting policy on valuation of the net liability related to the defined benefit pension scheme is shown in note 1 (Employee Benefits) to the main financial statements and related disclosures are included in note 41.

Commentary on the net liability related to the defined benefit pension scheme is also included in the Narrative Report.

In responding to the key audit matter, we have performed the following audit procedures:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation
- assessed the accuracy and completeness of the information provided to the actuary to estimate the liability
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report to ensure estimates are reasonable and consistent with the ranges set by the auditor's expert

E. Audit opinion (cont.)

- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of the net pension fund liability was acceptable, and
- the assumptions and processes used by management in determining the estimate were balanced and reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.

Materiality Measure	Group	Authority
Materiality threshold	Overall materiality has been set at £15.7 million which represents 1.25% of the group's gross expenditure on cost of services.	Overall materiality has been set at £15.6 million which represents 1.24% of the Authority's gross expenditure on cost of services.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation, together with determining the provision of public services to local residents. A percentage of 1.27% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the increased expenditure largely relating to the effects of the pandemic on the group's operations.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of expenditure incurred as this is considered public money largely arising from taxation, together with determining the provision of public services to local residents. A percentage of 1.24% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the increased expenditure largely relating to the effects of the pandemic on the Authority's operations.

E. Audit opinion (cont.)

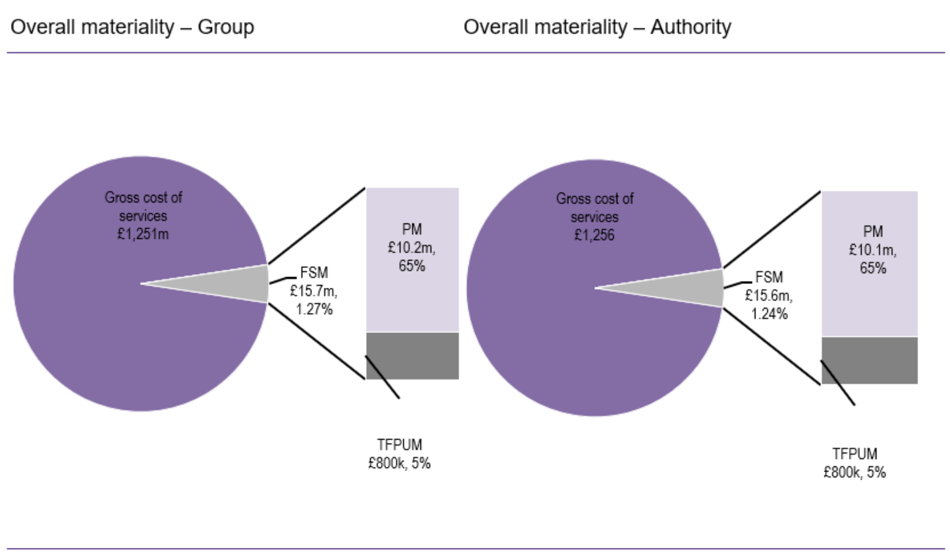
Materiality Measure	Group	Authority
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual expenditure for the year ended 31 March 2022 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual expenditure for the year ended 31 March 2022 and adjusted our audit procedures accordingly.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	Performance materiality for the year has been set at £10.1million which is 65% of financial statement materiality.	Performance materiality for the year has been set at £10 million which is 65% of financial statement materiality.

Materiality Measure	Group	Authority
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon or risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 65% of our headline materiality figure. This is a 5% increase from the prior year. This is largely due to the reduction in the number of misstatements identified in prior periods, which we consider reduces the likelihood of errors occurring in the current period.	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon or risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 65% of our headline materiality figure. This is a 5% increase from the prior year. This is largely due to the reduction in the number of misstatements identified in prior periods, which we consider reduces the likelihood of errors occurring in the current period.
Significant revision of performance materiality threshold that was made as the audit progressed	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial headline materiality based on actual expenditure for the year ended 31 March 2022 and adjusted our performance materiality and audit procedures accordingly.	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial headline materiality based on actual expenditure for the year ended 31 March 2022 and adjusted our performance materiality and audit procedures accordingly.

E. Audit opinion (cont.)

Materiality Measure	Group	Authority
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We did not determine a lower level of specific materiality in any area.	We did not determine a lower level of specific materiality in any area.
Communication of misstatements to the Corporate Governance and Audit Committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£800,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£800,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

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E. Audit opinion (cont.)

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

Understanding the group, the Authority, and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority only level;
- The group organizational structure did not significantly influence the scope of the audit as the Authority's finance team was in control of the production of the financial statements, which was not a complex process.

Identifying significant components

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's current assets, total assets, current liabilities, total liabilities, reserves, income and expenditure;

<u>Work to be performed on financial information of Authority and other components </u>(including how it addressed the key audit matters)

- Full scope audit procedures were applied to the Authority, which represents 99% of the group's total income, 99% of its total expenditure, 99% of its net assets and 100% of its liabilities;

Performance of our audit

- Obtaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls;
- Obtaining an understanding of the consolidation process and testing the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.

Changes in approach from previous period

- There have been no changes in the overview of the scope of the current year audit from the scope of that of the prior year, other than Kirklees Neighbourhood Housing Ltd no longer being consolidated into the Group.

Other information

The Service Director Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

E. Audit opinion (cont.)

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities and Certificate [set out on page 21], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director Finance. The Service Director Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Corporate Governance and Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

E. Audit opinion (cont.)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government Act 2003, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Corporate Governance and Audit Committee concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the group and Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls identified for the audit. We determined that the principal risks were in relation to:

E. Audit opinion (cont.)

- Material year end journals posted by senior and other central finance staff to potentially manipulate the surplus/deficit position; and
- Potential management bias in accounting estimates.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director - Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material entries posted by senior and other central finance staff around and after the year end;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings, investment property and defined benefit pension scheme liability valuations**;**
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, council dwellings investment property and defined benefit pension scheme liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework .

E. Audit opinion (cont.)

Other matters which we are required to address

Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ending 31 March 2019 to 31 March 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority in conducting our audit.

Our audit opinion is consistent with the additional report to the Corporate Governance and Audit Committee.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

E. Audit opinion (cont.)

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kirklees Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report , and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

F. Management Letter of Representation

Grant Thornton UK LLP

2 Glass Wharf

Temple Quay

Bristol

BS2 0EL

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Kirklees Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Kirklees Metropolitan Council and its subsidiary undertaking Kirklees Stadium Development Ltd for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land, buildings & investment property valuation and pension liability valuation. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the group and Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

F. Management Letter of Representation

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end and are disclosure misclassifications only. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 10 February 2023.

Yours faithfully

Name…………………………….

Position………………………….

Date…………………………….

Name…………………………….

Position………………………….

Date…………………………….

Signed on behalf of the Council

Appendix – Schedule of unadjusted errors -

G. Audit letter in respect of delayed VFM work

Councillor Y Hussain
Chair of Corporate Governance and Audit Committee
Kirklees Council
Civic Centre
Market Street
Huddersfield
HD1 2EY

28 September 2022

Dear Councillor Hussain

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

JD Roberts

Jon Roberts

Partner

Grant Thornton

grantthornton.co.uk

Name of meeting:	**Corporate Governance and Audit Committee**
Date:	**10 February 2023**
Title of report:	**Approval of the Council's final accounts for 2021/22**

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Key Decision: No** **Private Report/Private Appendix: N/A**
The Decision - Is it eligible for call in by Scrutiny?	**No**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance, IT and Transactional Services?** **Is it also signed off by the Service Director – Legal Governance & Commissioning?**	 **Eamonn Croston 30/1/2023** **Julie Muscroft 30/1/2023**
Cabinet member portfolio - Corporate	**Cllr Shabir Pandor** **Cllr Paul Davies**

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

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1 Summary

The report updates Members on the final accounts and audit processes for 2021/22 and asks Members of this Committee to approve the Council's Statement of Accounts for 2021/22 and a final version of the Annual Governance Statement.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, the Department for Levelling Up Housing & Communities (formerly the Ministry of Housing, Communities & Local Government), extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 September. The 2021/22 deadline for the published Audit Certificate was then further extended to 30 November.

Despite the significant challenges to the Council's finance team dealing with multiple competing demands, the draft accounts were completed and signed by the Council's Service Director - Finance on 29 July 2022. There were no queries or objections raised in the six week public inspection period. The audit of the 2021/22 Statement of Accounts is substantially complete and the Council's auditors, Grant Thornton, have issued their Draft Audit Findings Report (ISA 260). The Annual Governance Statement was approved by this Committee earlier on this meeting's agenda. Following consideration of this report, the Committee is responsible for the approval of the Council's Accounts and the Annual Governance Statement.

2 Information required to take a decision

2.1 The process for producing the accounts went smoothly and the draft accounts were signed on 29 July 2022 by the Service Director- Finance. This is prior to the statutory sign off deadline of 31 July 2022. The draft accounts have been available to view on the Council's website.

2.2 The six week period when the public are permitted to inspect the accounts started on 29 July and finished on 9 September. A separate period for the Annual Governance Statement ran from 14 October and finished on 25 November 2022. During the period, local electors can ask the auditor questions about or raise objections to items in the accounts. There were no queries or objections raised.

2.3 It is anticipated that Grant Thornton will issue an unqualified opinion on the Council's Statement of Accounts. Grant Thornton have issued their Draft Audit Findings Report (ISA 260). The report summarises significant findings, conclusions and recommendations arising from audit work throughout the year and will have been presented to Members earlier at this meeting.

2.4 The auditor's report comments that the Council produces high quality and materially correct financial statements, the quality of working papers provided was good and queries have been responded to in an acceptable timeframe. No material misstatements have been identified. The accounts have been amended for typographical corrections and a few minor disclosure errors, and in addition the disclosure on events after the balance sheet date (page 49) has been updated. A final version of the Statement of Accounts is contained in Appendix A.

2.5 In line with the new Code of Audit Practice, the Auditor's Annual Report (the value for money (VFM) report), which provides a judgement on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit, will follow on separately. The Code requires the VFM report to be completed and issued within 3 months after the Statement of Accounts audit opinion is issued.

2.6 The Council's Annual Governance Statement was approved earlier on this meeting's agenda and is included at the back of the Statement of Accounts 2021/22, pages 133 to 147. The Leader of the Council and the Chief Executive have formally signed the Statement and now this Committee is asked to approve it.

2.7 The auditor seeks a Letter of Representation from the Section 151 Officer and the Chair, including confirmation that this Committee has considered this item and the comments in the Annual Governance Report. A draft copy is included as Appendix B.

2.8 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our tax payers. Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny". To assist councillors in this regard, a copy of the Unaudited Statement of Accounts was provided to members of this committee along with an explanatory paper.

3 Implications for the Council

Council funds support the delivery of the following Council objectives and priorities:

3.1 **Working with People**
N/A

3.2 **Working with Partners**
N/A

3.3 **Placed based working**
N/A

3.4 **Climate Change & Air Quality**
N/A

3.5 **Improving Outcomes for Children**
N/A

3.6 **Financial Implications for the people living or working in Kirklees**

N/A

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

The Annual Statement of Accounts are subject to external validation by appointed auditors to ensure that Council funds are also properly accounted for.

4 Consultees and their opinions

The main consultation has been with Grant Thornton leading to their report.

5 Next steps

The accounts will be formally published. The conclusion of the audit will be advertised on the Council's website.

6 Officer recommendations and reasons

Consideration of this report by the committee is required to comply with the Council's duties under the Accounts and Audit regs 2015 (as amended by the Accounts and Audit Amendment Regulations 2021) which require the audited Statement of Accounts to be published by 30 November.

Corporate Governance and Audit Committee are recommended to approve:

(i) The Statement of Accounts 2021/22 incorporating the Annual Governance Statement (Appendix A), with the Chair of the Corporate Governance and Audit Committee certifying the Statement of Responsibilities on page 21 upon completion of the audit.

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

7 Contact officer

James Anderson Head of Accountancy 01484 221000

8 Background Papers and History of Decisions

Accounts and Audit Regulations 2015
Local Audit and Accountability Act 2014
The Accounts and Audit (Amendment) Regulations 2021

9 Service Director responsible

Eamonn Croston 01484 221000

KIRKLEES COUNCIL

AUDITED
STATEMENT OF ACCOUNTS
2021/2022

E Croston
Service Director Finance
Civic Centre 3
Market Street
Huddersfield
HD1 1WG

Contents

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2022.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, having considered the impact Covid-19 is having on Local Authorities, the Ministry of Housing, Communities & Local Government extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities are to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 November.

The Council also publishes a number of other useful documents on its website, including the Corporate Plan. These documents, together with the Statement of Accounts, all help towards reporting on the Council's stewardship of public funds.

The annual Statement of Accounts is a very important document because it provides assurance to the public that Council funds have been properly accounted for, and this includes rigorous external validation by appointed auditors.

In the broader financial and economic context within which the Council operates, the annual Statement of Accounts should be viewed also as a key indicator of the extent of our Council's economic, effective and efficient use of resources, and overall financial health of the organisation.

During the year the Council has been faced with the challenges of supporting the local recovery from a global pandemic which has meant significant changes to the way Councillors, Council Officers and partner organisations have had to operate, deliver services to, and work with communities, residents, and businesses, while ensuring continuing support to our most vulnerable residents. The financial impact on the Council has been significant with additional costs of response and loss of both tax and service income.

The Statement of Accounts give an overview of the Council's finances for 2021/22. In addition to the essential business as usual activities that continued to be provided, the breadth and range of Covid-19 specific actions and consequential financial impacts are also reflected in the accounts as appropriate.

The Council's updated revenue budget plans for 2022/23 and future years, and updated capital plans 2021-27 roll forward existing approved investment in the Administration's political priorities; namely the delivery of outstanding children's services, tackling climate change and investing in our Places, effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the borough's residents. They also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the Covid-19 recovery plan.

At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the foreseeable future. The Council approved budget plans for 2022/23 in particular gives the Council continued financial stability over the next 12 months, in light of continuing recovery from Covid-19 and volatility on the Council's overall financial position.

The Council must live within its means not just for today, but for the foreseeable future. The Council's reserves position continues to reflect relatively strong financial resilience over the short to medium term. The Council's Medium-Term Financial Plan (MTFP) will continue to be updated In light of emerging national, regional and local intelligence in what remains a very challenging national and local financial landscape for local government.

Acknowledgements

I wish to thank colleagues in Finance for their hard work, commitment and skill in completing this Statement of Accounts and all the supporting information by 29 July. I also want to thank colleagues across the organisation and partner organisations for their collective commitment to support the finalisation of the draft accounts by 29 July in line with this years revised statutory deadline.

Eamonn Croston
Service Director - Finance

Introduction to Kirklees

Digley Reservoir, Holmfirth

The Council serves one of the larger Districts in England and Wales, both in terms of population and geographical area and this, along with other key characteristics of the Kirklees District, are summarised below:

- Kirklees is home to **433,300 residents**, and this figure is projected to increase by 2.5% overall to 452,300 by 2030; this includes an 18% projected increase in ages 65 and over to 93,400; included within this is a 30% increase specifically for ages 85 and over.

- **Kirklees ranks twelfth out of 331 districts** in terms of population in England and Wales.

- **Population by ethnic group;** 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 85%).

- **3rd largest metropolitan district in area** covering 157 square miles.

- **181,100 households,** of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 10% by 2043, to 199,200.

- **152,000 employees in Kirklees,** of which 16% relates to Manufacturing, double the Great British average of 8%. Health also provides 13%; with Education and Retail accounting for a further 11% each.

- **The average median gross weekly earnings for Kirklees residents in 2021 is £461.50;** lower than the Great Britain average of **£506.70.**

- **Unemployment rates* at May 2022 are 4.4%**; in comparison to the Great Britain average of 3.9% (*unemployment rates relate to the claimant count for Jobseekers' Allowance plus those who claim Universal Credit and are required to seek work and be available for work).

- **69 Local Councillors serve 23 wards**; following the May 2022 election Labour became the majority party with 36 seats; prior to 2018 there had been no overall control in the Council since 1999.

- **72% of residents surveyed are satisfied with the local area as a place to live.**

- **Index of deprivation for Kirklees; 12%* of the district's population live within areas which rank within the worst 10% in England**; (*the average for England is 10%)**.**

The Council

Kirklees' Services

The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2021 (source Kirklees People Services):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	4,685	3,724	**8,409**	6,809
Schools	1,843	4,382	**6,225**	4,273
Total	**6,528**	**8,106**	**14,634**	**11,082**

To put the above into perspective, the full time equivalent figure in 2010 was 14,003; this represents an overall reduction of 2,921, approximately 26%, over the period.

Council performance in 2021/22

The Council's annual Corporate Plan for 2021-23 sets out a vision for an ambitious Council for the residents and communities of Kirklees:

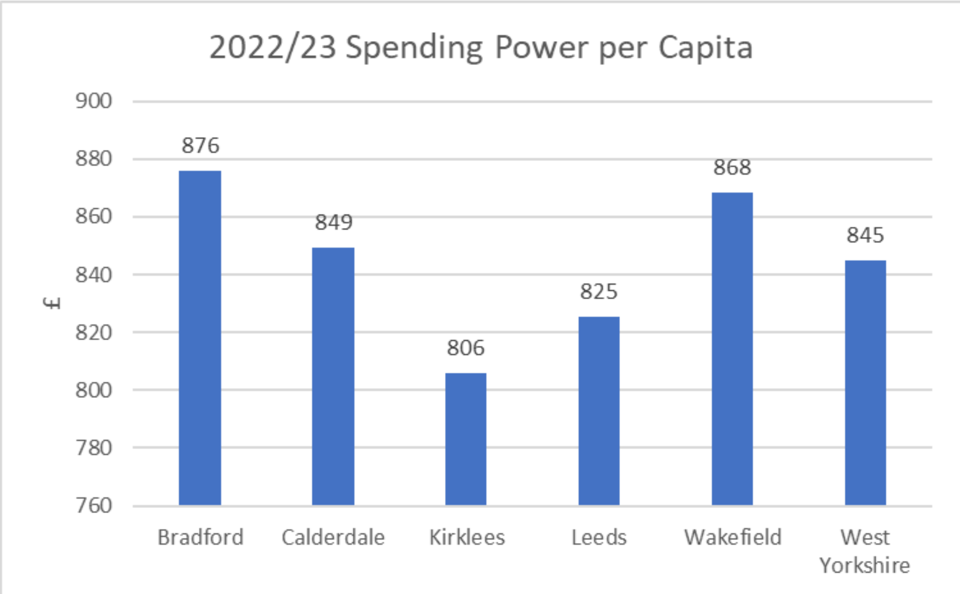
"a district that combines a strong, sustainable economy with a great quality of life - leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives".

To deliver this vision, the Council is developing into one that focuses on achieving outcomes by working with people rather than doing to them, working with and alongside Partners and recognising the unique identities of our local places, their strengths and aspirations. Existing budget plans for 2022-27, whilst acknowledging the continuing financial challenges facing the Council, roll forward existing approved commitments namely; the delivery of outstanding Children's Services, tackling climate change and investing in our Places, effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the Borough's residents. They also reflect opportunities for prioritisation of existing budgets to support the Administration's inclusive investment ambition through the Covid-19 recovery plan.

This Council is already a low cost, low spend Council and has always focused on providing value for money for the residents of Kirklees.

Kirklees has recently become a member of a newly established campaign group called F20. The group is made up of some of the lowest funded Councils in the country and is lobbying ministers to level up local government funding, with the belief that without change, those at the bottom end of the funding tables will be the hardest hit as a result of delayed funding reforms.

The Government's own calculation of funding that each Council has available, expressed as an amount per resident, places Kirklees as the 3rd lowest of the 36 metropolitan authorities in 2022/23, and lowest of the 5 Councils in the West Yorkshire regions (see below):



The Council aims to be outcomes focussed and intelligence driven. The Council Plan for 2021-23 incorporated a range of agreed priority actions and deliverables aligned to the eight 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.

Monitoring our impacts and outcomes at a population level ensures that our services are clear about the context within which they are delivering and how well we are meeting the needs of citizens and communities. Monitoring our impacts and outcomes at a service level helps us to understand how much we are doing, how well and what difference we are making to our customers and service users. Progress made across all services is summarised in quarterly or twice yearly performance and impact reports. In 2021/22 it was agreed that the End of Year Corporate Performance and Impact Report would focus on the Council Plan 2021-23 deliverables.

Work is underway to identify and embed improved measures of impact and outcomes across all Council areas of activity including our progress towards reducing inequalities between and within communities in Kirklees.

Below is a summary of key achievements in the last 12 months:

Shaped by people:

- Over 9,000 people have now participated in Place Standard engagement activities and the first projects are being supported by our new Place Standard Investment Fund.
- Interest in Democracy Friendly Schools – a programme to help our young citizens learn about (and be part of) local democracy and civic life has been very strong. We have helped schools to work with local councillors, growing young people's confidence and enabling social action.

Best Start:

- Our Family Hubs model is positively impacting the quality of support families are receiving. The percentage of cases moving from Early Support to Children's Social Care has reduced significantly.
- The long-term stability of placements for Children Looked After continues to be excellent and well above national benchmarking.

Well:

- Community Champions helped to increase Covid-19 vaccination uptake rates and reduce inequalities in uptake rates. Community Champions spoke to over 8,500 residents, working with 58 Voluntary and Community Sector organisations and provided help for other needs including mental health issues and bereavement support.
- As part of a pilot scheme, 450 people have undertaken a Health Check in the community. In 80% of cases, a health issue was identified that may have otherwise not been detected until a later stage (where more intensive treatment may have then been required).

Independent:

- Around 10% of adults say they need help and support to live at home. There has been a 6% increase in the proportion of people aged 75+ years who say they need help and support compared with 2016 and the 75+ population has grown by an estimated 13% in the same period
- Library Services continue to increase visits, events, lending and digital offer after the significant downturn during the pandemic.

Aspire and Achieve:

- Successful co-production and launch of Our Kirklees Futures, a system-wide 10-year strategy for the lifelong learning journey across Kirklees.
- Successfully securing £36 million investment in capital build projects, in line with an ambitious SEND Transformation Plan, for ambitious re-rebuilding of two special schools.
- Employment and skills support has successfully supported more people into work and exceeded delivery objectives in adult community learning. The Works Better programme and work with partners is placing a greater emphasis on supporting people in work to develop skills and progress careers.

Sustainable Economy:

- This year has seen significant progress made on developing major projects towards delivery. Some are now in delivery, such as the West Yorkshire Transport Fund schemes on the A62 Smart Corridor and Huddersfield Southern Corridor.
- Place Standard consultations in Holmfirth, Heckmondwike, Cleckheaton and Batley will inform the development of proposals and funding bids for projects in these towns including the Levelling Up Fund bid for Batley.

Safe and Cohesive:

- The Inclusive Communities Framework (ICF) is near completion. This has been contributed to and shaped by multiple agencies across Kirklees.

Clean, Green, High quality environment:

- Additional recyclable materials added to domestic recycling collections.
- £23.2 million invested in roads and £6.25 million committed to replace Council vehicles with greener and electric models.
- Kirklees climate change roadmap now in place.
- Wide range of pandemic recovery activities undertaken to improve the quality of our environment including ward Councillor priorities.

Efficient and Effective (Council Ambition)

- Kirklees Council has very successfully launched Project Search. This is an internship programme for young people with autism and learning disabilities.

Financial Performance in 2021/22

Service developments in year

During the year, there have been 6 schools that have converted to Academy status, none of these schools were Trust schools. Employees have been transferred to the new bodies together with assets valued at £0.7 million. These transfers have resulted in a reduction in revenue spending of £3.8 million and a corresponding amount of Dedicated Schools Grant.

Revenue – General Fund

The General Fund Net Revenue Budget for 2021/22 was £317.9 million, approved at Council on 10 February 2021.

There was a net transfer from reserves to General Fund in-year, totalling £9.3 million. The revised budget in 2021/22 was £327.2 million.

The Council's net revenue spend totalled £327.2 million in 2021/22.

The overall outturn position was break-even against a £327.2 million revenue budget (compared to break-even in 2020/21) and reflects sound overall financial management of budgets in-year.

The 2021/22 revenue budget continued the direction of travel set out in successive recent budget rounds to deliver the Council's ambitions and priorities for the district, within overall reducing resources.

The actual spend to budget is summarised by department below:

	Revised Budget	Outturn	Variance
	£000	**£000**	**£000**
Children & Families	79,443	80,797	1,354
Adults & Health	108,680	107,701	(979)
Environment & Climate Change	32,938	41,519	8,581
Growth & Regeneration	13,085	14,066	981
Corporate Services	49,312	55,370	6,058
Central Budgets	31,348	29,044	(2,304)
General Fund Sub Total	**314,806**	**328,497**	**13,691**
Offset of Covid-19 Pressures	12,354	(1,296)	(13,650)
Revised General Fund Total	**327,160**	**327,201**	**41**

Within the overall break-even position, there were a number of significant underlying service pressures, including £12.8 million on Special Educational Needs and Disability (SEND) activity, in excess of the £43.1 million resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

Following the introduction of a new Statutory Instrument in November 2020 and an update of the CIPFA Code, this 'deficit' balance is held in the 'Dedicated Schools Grant Adjustment Account', an unusable reserve.

The aim of the CIPFA code is to ensure that DSG deficits are ringfenced and held separately from General Fund resources so that specific measures can be put in place to address the deficits without placing pressure on resources required for other essential services.

As a result, this balance has not formed part of the overall break-even position for 2021/22.

The Secretary of State for Education also confirmed, on 24 March 2022, the Council's successful participation in the Round 2 Dedicated Schools Grant (DSG) deficit reduction (Safety Valve) Programme. This resulted in a Government funding contribution of £13.5 million of DSG on the 31st March 2022, which reduced the cumulative deficit to carry forward into 2022/23. This additional funding represents the first payment under this Safety Valve agreement, which commits the Council to bring the DSG into an in-year balanced position by 2026/27.

The balance of the agreed £20.0 million government funding contribution to the Council's DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target.

As a result of these in-year movements, the DSG deficit at 31st March 2022 is £22.3 million.

There was also an overall overspend on Schools Transport of £2.2 million relating to volume pressures. As at 31 March 2022, 214 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport. Approved 2022/23 budget plans include £0.9 million base budget uplift to reflect recurrent demand pressures on schools transport service.

There was also an overspend in the SENDACT Team of £1.3 million as a result of a high volume of Agency staff being employed to cover vacancies, sickness and maternity leave. Approximately £0.5 million of the pressure relates to a temporary team employed (through agency) to address the backlog of assessments that had built up.

Environment and Climate Change included £2.1 million Covid-19 related spend pressures across the directorate, with £0.8 million of this offset in full by a range of specific Covid-19 funding streams. The pressures include costs of £0.5 million for Covid-19 Community Support Officers and £0.5 million additional spend on Waste Services; largely associated with additional vehicles and hired staff required during Covid-19. There was also £0.6 million spend relating to a range of backlog and recovery issues, funded from the Covid-19 Response Recovery Fund. There were also Covid-19 impacted income losses of £3.6 million across the directorate; the most significant being £1.7 million on Catering due to under recovery of income from school meals as a result of reduced pupil numbers. Other losses included £0.8 million on Markets, £0.4 million on Licensing and £0.3 million on Parking Fees; the latter due to increased home working and local measures to encourage high street footfall through free parking for key workers in the Borough's major towns.
Growth and Regeneration included Covid-19 impacted income losses of £0.6 million, these included £0.5 million on Commercial Properties and £0.1 million on Building Control fees.

Within Corporate Strategy, Commissioning and Public Health there was a £3.5 million pressure as a result of a payment to Kirklees Active Leisure (KAL) to address the continued net revenue losses resulting from enforced closure of leisure centres during the pandemic, and gradual recovery of the leisure industry both nationally and locally. This underwrite was part of the Council and KAL Partnership Framework report approved by Cabinet on 27 July 2021. The payments to KAL were funded through drawdown of the Covid-19 Response reserve. There was also an overspend of £1.0 million on Benefit Payments, due to Homelessness costs in excess of Homelessness Support grant, plus cost of non-HRA claims administered under historic rules which are not fully eligible for Housing Subsidy grant.

Within Legal Services there was an in-year pressure of £1.2 million reflecting increased demands on Legal Services as the requirement for legal intervention rises, in particular relating to childcare. This was offset in part by the re-direct of £0.5 million Social Care grant funding.

General Fund reserves and balances have decreased through 2021/22 by £30.6 million; from £197.4 million at the start of the year to £166.8 million as at 31 March 2022.

Covid-19

The Covid-19 financial impact has been significant, adding to the already uncertain financial landscape. During the year the Council has continually assessed its financial impact forecasts as part of the monthly financial impact returns to Government.

Covid-19 Grant Schemes

During the financial year the Council has administered a significant number of Covid-19 grant schemes on behalf of Government to support businesses and residents during the pandemic. The financial impact of these grants is reflected within the Outturn Report and Statement of Accounts.

These schemes have been a mix of non-discretionary, where schemes and eligibility criteria has been set nationally by Government, and discretionary, where schemes and eligibility criteria have been set locally by the Council. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal. Accounting standards only require the Council to record transactions in its revenue accounts where it is acting as principal i.e. it has control of the grants awarded.

The table below provides a summary of the Covid-19 grant schemes administered by the Council during 2021/22:

Funding Category	2021/22 £k	2020/21 £k
Covid-19 General Funding	19,272	49,530
Test & Trace and COMF Funding	3,154	13,589
Funding for Adult Social Care	14,410	18,922
Funding for Grants to Businesses – Council acting as Agent	25,585	166,391
Funding for Grants to Businesses – Council acting as Principal	3,328	22,257
Other Government Funding for Local Authorities	12,628	14,145
	78,377	**284,834**

Council Tax Energy Rebate

In February 2022, the Government announced Councils would be responsible for administering the Council Tax Energy Rebate scheme. The Council received a grant of £25.6 million on 30 March 2022. As this was for a 2022/23 scheme the Council held this sum in its Balance Sheet as a receipt in advance at the year-end.

Revenue – Housing Revenue Account (HRA)

The HRA is a ring-fenced account that holds all income and expenditure in relation to the provision of landlord services to approximately 23,000 tenancies.

In 2021/22, the HRA reported a £3.5 million deficit against an annual turnover budget of £92.1 million. This included £2.2 million of additional forward programmed investment for compliance. There were also additional costs for the patrolling watch for the high-rise blocks and inflationary cost increases and the demand for labour and materials.

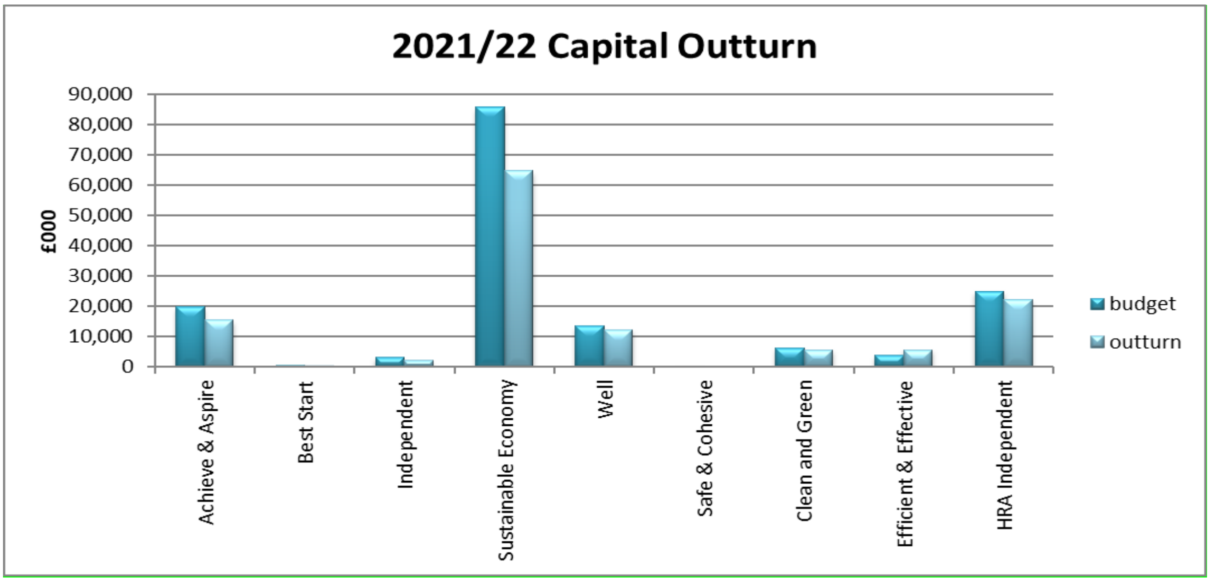
Capital expenditure

The Council's revised capital plan budget was £157.4 million in 2021/22.

Capital expenditure in 2021/22 totalled £128.2 million; equivalent to 81% against committed investment. Of the total spend, £64.4 million related to strategic priorities, £57.3 million related to baseline spend and the balance of £6.5 million related to schemes of a one-off nature.

The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £3.2 million on Transforming Cities Fund, £2.3 million on the Town Centre Action Plans, £5.2 million on West Yorkshire plus Transport schemes and £1.7 million on Active Travel Fund schemes. Delays and slippage are also reflected in Baseline schemes, including Highways at £3.1 million and Corporate Landlord at £0.5 million.

Capital budget and expenditure in 2021/22, is summarised by outcome below:



Capital expenditure in 2021/22 was funded by the following sources of finance; borrowing £57.3 million, grants and contributions £40.8 million, capital receipts at £9.7 million, Major Repairs Reserve (HRA) at £15.3 million, Reserves/Revenue contributions to capital at £5.1 million.

Collection Fund

The Collection Fund separately accounts for income and expenditure relating to Council Tax by the billing authority. Council Tax and Business Rates are separate accounts held within the Collection Fund and cannot cross-subsidise each other.

Payments are made from the Collection Fund at the start of each year to the various precepting bodies i.e. West Yorkshire Police Authority and West Yorkshire Fire & Rescue Authority in relation to Council Tax, and West Yorkshire Fire & Rescue Authority and Central Government in relation to Business Rates. Payments are based on annual income estimates.

Actual income received in-year can vary from estimates, which normally results in there being either a deficit or surplus on Council Tax and Business Rates at each year end.

Surpluses or deficits roll forward automatically through the Collection Fund, but the intention is that these surpluses or deficits are 'smoothed out' over subsequent financial years, through corresponding payment adjustments, including the relevant precepting authorities and Central Government.

The year-end deficit balance on Business Rates of £13.4 million is largely due to the additional reliefs which were awarded to ratepayers in 2021/22 due to the ongoing effects of the Covid-19 pandemic. The Retail Discount Scheme was extended, with compensating Section 31 grant of £10.5 million being received. This funding was moved to reserves in 2021/22 and will be applied against the rolled forward business rates deficit in 2022/23.

There was a £7.1 million in-year deficit within Business Rates which included the aforementioned £10.5 million that is 'technical' in nature. The majority of the remaining £3.4 million in-year surplus, was a result of work undertaken by the service with regards to recovery action on outstanding arrears and this resulted in a significant reduction in arrears and a lower than budgeted bad debt requirement.

The Council's share of overall Collection Fund financial performance in 2021/22 is summarised below.

Collection Fund Summary

Collection Fund (Council Share)	**Council Tax**	**Business Rates**	**Total**
	£000	**£000**	**£000**
(Surplus)/Deficit at 1 April 2021	**4,554**	**30,933**	**35,487**
Re-payments to/(from) General Fund 2021/22	(2,117)	(24,613)	(26,730)
In year Financial Performance	(1,693)	7,078	5,385
(Surplus)/Deficit at 31 March 2022	**744**	**13,398**	**14,142**

Due to the impact of Covid-19 on the collection of both Council Tax and Business Rates, a change to Collection Fund accounting was introduced for 2020/21, which spreads the impact of Covid-19 related deficits over three financial years, thus smoothing the impact on the revenue budget. The Council's 2021/22 – 2023/24 budgets have been prepared using this new facility.

The percentage of Council Tax collected in year was 95.78% (2020/21 95.67%). The Council's share of the arrears outstanding as at 31 March 2022 was £18.5 million (31 March 2021 £17.1 million).

The percentage of Business Rates collected in the year was 94.65% (2020/21 80.32%). The Council's share of the arrears outstanding at 31 March 2022 was £4.5 million (31 March 2021 £7.6 million). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2022 is £1.6 million (31 March 2021 £2.6 million).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool, for 2021/22.

Balance Sheet

The table below summarises the Balance Sheet movements during 2021/22 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

	At March 2021	**At March 2022**	**Movements in-year**
	£m	**£m**	**£m**
Long Term Assets	1,683.3	1,800.8	117.5
Net Current Assets	-52.3	-52.0	0.3
Long Term Liabilities	-1,473.6	-1,314.6	159.0
Net assets	157.4	434.2	276.8
Represented by :			
Usable Reserves	-312.7	-279.4	33.3
Unusable Reserves	155.3	-154.8	-310.1

Assets

The value of Property, Plant and Equipment has increased during the year by £101.5 million to £1,589.5 million. The increase is largely due to additions of £91.2 million, net valuation gains on Plant, Property and Equipment of £74.9 million, offset by assets being reclassified as Held for Sale (£5.2 million), the disposals of assets (£3.8 million), including schools transferring to academy status, and depreciation (£55.2 million). In addition, the Council had Heritage Assets and Investment Property valued at £55.2 million and £103.7 million respectively as at 31 March 2022 (31 March 2021 £55.2 million and £97.3 million). Current assets increased by £19.8 million to £158.0 million.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2021/22 have been placed short-term with a view towards security and liquidity. As at 31 March 2022, the Council held investments of £65.1 million within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2021 £26.2 million).

Liabilities

Current liabilities increased by £19.5 million to £210.0 million and long-term liabilities decreased by £159.1 million to £1,314.6 million. As at 31 March 2022, the Council had total provisions (long term and short term) of £13.2 million (31 March 2021 £14.7 million).

Total external borrowing during the year increased from £430.1 million to £473.3 million. £50.0 million of new long term borrowing was taken from the Public Works Loan Board (PWLB) in the year and short term borrowing decreased by £23.2 million.

The average interest rate for long term borrowing in 2021/22 was 3.84% (2020/21 4.46%).

Other long term liabilities contains a net pensions liability of £759.7 million (31 March 2021 £998.6 million). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The decrease in the pension liability reflects increases in actuarial gains due to changes in financial assumptions.

Whilst the pensions liability figure is substantial it should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Kirklees Council or Local Authorities generally. There is a national problem for pension funds in both public and private sectors that are similarly in a net liability situation.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

The net liability is matched by an appropriate accounting entry under Reserves.

<u>Balances and Reserves</u>

General Fund Balances at 31 March 2022 were £166.8 million (31 March 2021 £197.4 million), a net decrease of £30.6 million. These balances include £156.8 million that has been earmarked for particular purposes, including £37.1 million Financial Resilience Reserves covering a range of potential unfunded risks and pressures (including budget savings risks highlighted in the Council's corporate risk assessment).

Approximately £12.0 million of the reduction in reserves relates to technical net transfers from the Extended Business Rates Relief reserve to offset the carried forward Collection Fund deficit. This reflects the release of £23.5 million grant received from Government in 2020/21 for Kirklees' share of Extended Business Rate Reliefs passed onto businesses by the Council, offset in part by the transfer into reserves of £11.5 million equivalent grant received in 2021/22. Due to current accounting rules, this funding cannot be discharged against the Collection Fund deficit until the following financial year and thus the movement to/from earmarked reserves reflects this timing difference.

There were also net drawdowns of £21.4 million from Covid-19 related reserves. This comprised:

- £8.3 million from the Covid-19 Response reserve to offset projected Covid-19 related costs unfunded by specific funding streams. This included the £3.5 million for payments to Kirklees Active Leisure (KAL) and £0.6 million for backlog and recovery spend.
- £11.2 million drawdown from the Covid-19 Grants and Business Grants reserves to fund specific eligible Covid-19 related spend.
- £1.9 million drawdown from the Tax Income Loss Compensation reserve to support the Council's bottom line as per the 2021-26 Annual Budget report.

£2.2 million was transferred into reserves at the start of the year for Local Welfare Provision initiatives, with a further £0.4 million during the year.

Council reserves also includes an amount of £15.5 million (31 March 2021 £13.6 million) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools and Public Health Reserves) as at 31 March 2022 are £149.8 million, equivalent to 44.7% of the 2022/23 £335.0 million (net) revenue budget (31 March 2021 48.2% of £317.9 million).

For comparator purposes, the median percentage across the 36 Metropolitan Councils on this particular indicator was 62% as at 31 March 2021.

The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector. The updated 2021/22 indicator is expected to be released towards the end of 2022 by CIPFA, recognising that comparator benchmarking across Councils for 2021/22 will continue to be somewhat distorted by Covid-19 funding and associated spend timing issues rolled forward through Council reserves. This will be a sectoral wide issue, not just limited to a few Councils.

HRA Balances at 31 March 2022 were £54.7 million and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve as at 31 March 2022 (31 March 2021 nil), which was previously used to support capital expenditure and repay debt within the year.

There are two Capital reserves – unapplied capital grants and capital receipts – which total £57.9 million as at 31 March 2022 (31 March 2021 £56.9 million).

The unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Also, as previously noted, since 31 March 2021 the DSG deficit is held separately as an unusable reserve.

Group accounts

The Council's Group Accounts are made up of the accounts of the Council and a joint venture - Kirklees Stadium Development Limited (KSDL). The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group company. The Group Accounts are of equal stature to the Council's single-entity accounts. Based on draft accounts and the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.1 million.

<u>Council finances – future prospects</u>

Achieving objectives within available resources in the context of the ongoing recovery from Covid-19, along with inflationary, demographic and other demand pressures locally continues to be the biggest challenges facing the Council.

Budget plans for 2022/27 were approved at budget Council on 16 February 2022. These are summarised below.

Summary General Fund budget plans 2022-27:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Budget Gap (MTFP 2021-26)	**14.6**	**17.1**	**24.3**	**21.0**	**21.0**
Funding Changes	(16.0)	(19.1)	(19.3)	(23.4)	(34.8)
Spending Changes	6.9	18.4	26.4	35.9	52.0
Updated Budget Gap before use of reserves	**5.5**	**16.4**	**31.4**	**33.5**	**38.2**
Earmarked reserves applied to support the MTFP	(5.5)	-	-	-	-
Updated Budget Gap (MTFP 2022-27)	**-**	**16.4**	**31.4**	**33.5**	**38.2**

The Councils refreshed reserves strategy is directed at strengthening organisational flexibility and financial resilience over the short to medium term in light of the continued funding uncertainty for Council's post 2022/23. General Fund reserves of £37.1 million have been set aside specifically for this purpose within 'Financial Resilience' reserves, for mitigation against future budget and other unfunded risks. This is equivalent to 11.6% of the current year £317.9 million (net) controllable revenue budget.

Council updated budget plans reflect a 1.99% general Council Tax uplift in 2022/23 plus a further 1.00% Adult Social Care precept uplift; 2.99% in total, and equivalent to £6.0 million additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 2.99% Council Tax uplift is equivalent to an increase of £32.86; from £1,098.75 in 2021/22 to £1,131.61 in 2022/23 (before Fire, Police and Parish Council precepts).

The approved budget plans reflected the Administration's priorities and Council ambition in the Council Plan, including acknowledgement of the impact of the global pandemic and emerging global recovery, global supply issues, pent up consumer demand pressures on cost inflation, and labour supply recruitment and retention issues across all sectors of the economy. Based on prevailing national and international macro-economic forecasts, it was anticipated that a number of these pressures would be transitory rather than structural in nature and was factored accordingly into Council forward budget plans.

Subsequent to Budget Council, a number of key assumptions incorporated into the budget plans for 2022/23 and future years are likely to be impacted on by current volatile global and national economic conditions including: salary/national living wage inflation, energy inflation, borrowing costs and cost of living impacts on local businesses and partner organisations. The above factors and their impacts are currently under review, albeit in a rapidly changing economic and national policy context.

High Needs

The Secretary of State for Education confirmed, on 24 March 2022, the Council's successful participation in the Round 2 Dedicated Schools Grant (DSG) deficit reduction (Safety Valve) Programme. This included an initial 2021/22 Government funding contribution of £13.5 million made on 31 March 2022. This has offset the in-year pressure of £12.8 million. As a result of the in-year movements, the DSG deficit at 31st March 2022 is £22.3 million, which is held as an 'unusable reserve' in line with accounting regulations.

The balance of agreed £20.0 million government funding contribution to the Council's DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target.

High Needs remains an area of significant and growing pressure on Council budgets nationally and locally. It is anticipated that medium term, growth pressures may be mitigated at least in part through other measures, with the Council currently working on the implementation of a transformational action plan with key educational partners across the borough. Budget proposals reflect the Council's commitment to continued SEND investment (both revenue and capital) over the medium term.

Social Care

The Local Government Finance Settlement for 2022/23 confirmed that all existing Social Care specific grants, including Better Care Fund, will roll into 2022/23 baseline. These include the existing Social Care grant at £13.5 million and the Improved Better Care Fund (iBCF) totalling £17.3 million. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £19.5 million. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.

Also confirmed in the 2022/23 Local Government Finance Settlement was a further national increase in the Social Care funding by £699.0 million; the Council's share of this additional funding is £5.5 million; consisting of £5.0 million additional Social Care grant and £0.5 million iBCF inflation.

The 2021 Spending Review also included provision for Councils with Social Care responsibilities to raise a proportion of their Adult Social Care funding requirement through an Adult Social Care precept up to 1%. The additional 1% has been applied in full in updated baseline funding forecasts for 2022/23 to meet forecast Adult Social Care spending needs over the coming financial year.

Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years.

The care provider market continues to be impacted on by significant local and national pressures. The 2021 Spending Review contained announcements about £3.6 billion national funding from the health and social care levy over the next 3 years to allow Local Authorities to move towards paying a fair cost of care and preparing provider markets for forthcoming social care reforms, and this will be important in moving toward a more sustainable market. This brings some clarity, but uncertainty still remains around the means and nature of longer-term funding.

Future Service Developments

Integrated Care

Following changes in legislation to deliver Health and Care reform, Clinical Commissioning Groups (CCG's) in West Yorkshire will no longer exist after June 2022. A new body will be created effective from 1st July 2022 (NHS West Yorkshire Integrated Care Board (ICB)). Whilst the formal structures and organisations associated with the commissioning of NHS services will change, operations within this ICB will continue at the 5 different Places for the foreseeable future (Bradford District and Craven, Calderdale, Kirklees, Leeds, Wakefield). The commissioning structure will maintain a link with the Council at its core, and the ambition remains to work closely in partnership, with the NHS and Local Government as equals in the Integrated Care System.

Future Accounting Developments

The only significant change to Code of Practice on Local Authority Accounting for 2021/22 was implementation of changes in the way in which derecognition of highways infrastructure assets are accounted for (Update to the Code and specifications for Future Codes for Infrastructure Assets November 2022). Further information can be found at Note 15 of the accounts. The implementation of International Financial Reporting Standard (IFRS) 16 Leases, previously expected to be applied from 2022/23, has been deferred until 2024/25, although local authorities will have the option to adopt it earlier.

Key Risks

The Council Corporate Risk Matrix for 2022/23 was agreed in February 2022. The matrix highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- The risks associated with the response to crises and events and the implications on the local community and the Council.
- The risks associated with the need to deliver budget savings required by the Medium Term Financial Plan.
- Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects; concerns about growth in volumes of children, Adult Social Care and Educational High Needs (and in the longer term the cost of Waste Disposal) beyond those provided in financial plans.
- Coronavirus has added significant income risks and imposed additional costs (some of which have been met by Government funding) which have a current year and likely medium-term continuing impact.
- Risk of infection with a High Consequence Infectious Disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.
- The financial regime set by Government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to Social Care), with impact on the strategic plans.
- The funding impacts of the national “living wage” and other inflationary pressures faced by contractors, and impacts from other legislative changes and the resultant effects on the quality or performance of services.
- Council supplier and market failure.
- Safeguarding risks associated with the care of children and vulnerable adults.
- Workforce management issues (including loss of experienced staff; need for different skills sets and inability to identify or reach all staff to deliver appropriate training; difficulties recruiting and retraining staff in specific areas).
- Funding shortfall in partner agencies e.g. NHS.
- Failure to address matters of violent extremism and related safer stronger community factors.
- Unforeseen legislative changes.
- Unforeseen significant environmental events e.g. severe weather impact.
- Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the obligations of General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Data Protection.
- Cyber related threats affecting data integrity and system functionality/security.
- Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations and greater public scrutiny.
- Inadequate arrangements to effectively determine and implement policies in a timely manner leading to delays, failure, error or illegality.
- Inadequate health and safety measures leading to harm to employees or customers/possible litigious action.

- Exposure to increased liabilities arising from property ownership and management.
- Financial risks associated with Treasury Management.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.
- Unanticipated costs or operational consequences of the Council's own climate change commitments, and or statutory climate change obligations.

Statement of Accounts

The Financial Statements

The Statement of Accounts contains four core accounting statements:

- **Comprehensive Income and Expenditure Statement (CIES)**
- **Movement in Reserves Statement (MiRS)**
- **Balance Sheet at 31 March 2022**
- **Cash Flow Statement**

Each of the above accounting statements is preceded by a short note describing its purpose, and they are followed by notes explaining figures in the statements.

Group Accounts are produced which include companies and similar entities which the Council either controls or significantly influences.

Other Accounting Information

This main section of the Statement of Accounts is followed by supplementary statements:

- **Housing Revenue Account (HRA)**
- **Collection Fund**

The Council is required to keep separate accounts for HRA and Collection Fund by statute. The Group Accounts reflect the presentational changes mentioned above. Each of these supplementary statements is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities and Certificate** - sets out the respective responsibilities of the Council and the Service Director Finance for the accounts.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.
- **The Annual Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication.

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Service Director Finances' Responsibilities

The Service Director Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom" (the Code).

In preparing this Statement of Accounts, the Service Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local council Code.

The Service Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Service Director also confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Council and the undertakings included in the consolidation taken as a whole; and;
- the Narrative Statement includes a fair review of the development and performance of the business and the position of the Council and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Certification of the Statement of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2022.

Eamonn Croston
Service Director Finance
10th February 2023

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 10th February 2023.

Yusra Hussain
Chair, Corporate Governance and Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rent to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis shown in Note 8.

		2021/22			2020/21		
	Gross Exp	**Gross Income**	**Net Exp**	Gross Exp	Gross Income	Net Exp	
	£000	**£000**	**£000**	£000	£000	£000	Note
Children & Families	**428,931**	**-310,740**	**118,191**	402,361	-296,647	105,714	
Adults & Health	**242,172**	**-120,039**	**122,133**	224,716	-112,651	112,065	
Growth & Regeneration	**157,095**	**-25,361**	**131,734**	41,455	-19,207	22,248	
Environment & Climate Change	**118,861**	**-33,973**	**84,888**	106,968	-41,989	64,979	
Corporate Strategy, Commissioning & Public Health	**195,218**	**-122,730**	**72,488**	189,517	-149,895	39,622	
Central Budgets	**33,360**	**-1,911**	**31,449**	26,543	-4,975	21,568	
HRA	**80,462**	**-107,103**	**-26,641**	75,338	-137,258	-61,920	
Cost of Services	**1,256,099**	**-721,857**	**534,242**	1,066,898	-762,622	304,276	
Other operating expenditure			**730**			43,541	**12**
Financing and investment income and expenditure			**38,259**			43,745	**13**
Taxation and non-specific grant income			**-371,980**			-370,170	**14**
Deficit on Provision of Services			**201,251**			21,392	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			**-66,642**			-21,864	**15**
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			**-69**			-57	
Remeasurements of the net defined benefit liability			**-432,447**			120,958	**41**
Other Comprehensive Income and Expenditure			**-499,158**			99,037	
Total Comprehensive Income and Expenditure			**-297,907**			120,429	

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax/Housing Rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Explanations and detailed movements of each reserve can be found in the Glossary and in Notes 11 and 28.

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2021/22								
Balance at 31 March 2021	-197,353	-58,418	-17,088	0	-39,801	-312,660	155,313	-157,347
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	218,121	-16,870	0	0	0	201,251	-499,158	-297,907
Adjustments between accounting & funding basis under regulations (Note 10)	-187,561	20,594	-2,420	0	1,392	**-167,995**	167,995	**0**
Net Increase(-)/ Decrease	**30,560**	**3,724**	**-2,420**	**0**	**1,392**	**33,256**	**-331,163**	**-297,907**
Balance at 31 March 2022 carried forward	**-166,793**	**-54,694**	**-19,508**	**0**	**-38,409**	**-279,404**	**-175,850**	**-455,254**
2020/21								
Balance at 31 March 2020	-113,442	-61,018	-19,913	0	-31,710	-226,083	-51,693	-277,776
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-14,396	0	0	0	0	-14,396	14,396	0
Restated balance at 1 April 2020	-127,838	-61,018	-19,913	0	-31,710	-240,479	-37,297	-277,776
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	73,452	-52,060	0	0	0	21,392	99,037	120,429
Adjustments between accounting & funding basis under regulations (Note 10)	-142,967	54,660	2,825	0	-8,091	-93,573	93,573	0
Net Increase(-)/ Decrease	-69,515	2,600	2,825	0	-8,091	-72,181	192,610	120,429
Balance at 31 March 2021 carried forward	-197,353	-58,418	-17,088	0	-39,801	-312,660	155,313	-157,347

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves; that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	31 March 2022	31 March 2021	
	£000	£000	Note
Property, Plant & Equipment (PPE)	**1,589,513**	1,488,017	**15**
Heritage Assets	**55,156**	55,166	**16**
Investment Property	**103,670**	97,335	**17**
Intangible Assets	**770**	493	**18**
Long Term Investments	**15,134**	13,477	**19**
Long Term Debtors	**36,534**	28,853	**19&20**
Long Term Assets	**1,800,777**	1,683,341	
Inventories	**7,360**	5,086	**21**
Short Term Debtors	**78,252**	100,695	**19&22**
Assets Held for Sale	**7,325**	6,250	
Cash and Cash Equivalents	**65,065**	26,199	**19&23**
Current Assets	**158,002**	138,230	
Short Term Borrowing	**-31,015**	-54,233	**19**
Short Term Creditors	**-168,455**	-125,551	**19&24**
Other Short Term Liabilities	**-6,934**	-6,191	
Provisions	**-3,629**	-4,600	**25**
Current Liabilities	**-210,033**	-190,575	
Long Term Borrowing	**-442,282**	-375,817	**19**
Other Long Term Liabilities	**-851,210**	-1,097,832	**26**
Long Term Liabilities	**-1,293,492**	-1,473,649	
Net Assets	**455,254**	157,347	
Usable Reserves	**-279,404**	-312,660	**27**
Unusable Reserves	**-175,850**	155,313	**28**
Total Reserves	**-455,254**	-157,347	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

		2021/22		2020/21	
	£000	**£000**	£000	£000	Note
Net surplus(-)/deficit on the provision of		**201,251**		21,392	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		**-290,419**		-131,489	**30**
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		**43,860**		36,694	**31**
Net cash flows from Operating Activities		**-45,308**		**-73,403**	
Net cash flows from Investing Activities					
Purchase of property, plant and equipment, investment property and intangible assets	**96,539**		78,738		
Purchase of short-term and long-term investments	**8,691**		4,470		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**-14,153**		-7,485		
Proceeds from short-term and long-term investments	**-951**		-806		
Other receipts from investing activities	**-26,625**	**63,501**	-26,863	48,054	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	**-167,515**		-248,334		
Other receipts from financing activities	**-19,485**		32,752		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	**6,040**		5,899		
Repayments of short and long-term borrowing	**124,270**		249,527		
Other payments for financing activities	**-369**	**-57,059**	671	40,515	
Net increase(-)/decrease in cash and cash equivalents		**-38,866**		**15,166**	
Cash and cash equivalents at the beginning of the reporting period		**26,199**		41,365	
Cash and cash equivalents at the end of the reporting period		**65,065**		26,199	**23**

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts as the use of the latter is considered to be an integral part of cash management.

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The effect of this is:

- Shares of Non-Domestic Rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- A share (after allowable deductions) of the Non-Domestic Rating income is paid out of the Collection Fund to Central Government.
- Council Tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, as with Non-Domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the notes to the CIES.
- The difference between the Non-Domestic Rate and Council Tax income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual and sick leave, and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday and flexi-time entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to Non Distributed Costs within the Central Budgets line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.
- West Yorkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), administered by City of Bradford Metropolitan District Council.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teachers' Pension Scheme -
This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children & Families service line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The NHS Pension Scheme -
Public Health staff transferred to the Council on 1 April 2013 have retained access to the NHS Pension Scheme. This scheme is also unfunded and is accounted for on a defined contribution basis. The Corporate Strategy, Commissioning and Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -
This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Solutions UK Ltd.
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs in Central Budgets.
  - Net interest on the net defined benefit liability (asset) ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising –
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits -
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of

staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In these cases, the accounting statements are adjusted to reflect such events, if they have a material effect;
- Those that are indicative of conditions that arose after the reporting period. In these cases, the accounting statements are not adjusted to reflect such events, but where they would have a material effect, disclosure is made in the notes as to the nature of the events and their estimated financial effect.

1.8 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the losses over the term that was remaining on the replacement loan and similarly for gains up to a maximum of ten years. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)
The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). These were previously classified as Available for Sale assets at 31 March 2018.

The Council has made an irrevocable election to designate four of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes. These assets were transferred to the new asset category on 1 April 2018 and are held at fair value. The value is based on the principal that these equity shares have no quoted market prices and are based on an appraisal of the company valuation and forecasted dividends.

Dividend income is credited to Financing and Investment Income and Expenditure line in the CIES when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted previously when the asset was classified as Available for Sale, except accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) based on a simplified approach by using default rates driven from own historical credit loss experience and adjusted for forward looking information.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Instruments Entered into Before 1 April 2006
The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Soft loans
For any soft loans that the Council may have made to outside organisations at less than market rates, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When capital grants have been applied, they are posted to the Capital Adjustment Account.

1.11 Heritage Assets

These are assets generally with historical, artistic, scientific, technological, geophysical, or environmental qualities that the Council holds principally for their contribution to knowledge and culture.

Recognition and Measurement
The Code requires heritage assets to be recognised and measured in accordance with accounting policies on Property, Plant and Equipment. However, the unique nature of many heritage assets makes reliable valuation complex and some of the measurement rules have been relaxed. As such, valuations may be made by any method that is appropriate and relevant, and valuations need not be carried out or verified by external valuers. A full valuation is not required every five years but the Code does specify that reviews must be carried out with sufficient regularity to ensure they remain current.

A de minimis level of £10,000 has been established for the recording of heritage assets in the Balance Sheet. The Council has recognised three main groups of heritage assets on its Balance Sheet – the art collection, museum exhibits and other (notably civic silver and certain structural heritage assets). The recognition and measurement policies for these assets are as follows:

- **Fine Art Collection**
  These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last two years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.

- **Museum Exhibits**
  Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.

- **Other**
  The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer (Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These

comprise of two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure note on heritage assets.

Where assets are not principally maintained for their contribution to knowledge and culture, for example listed buildings being used for operational purposes such as museums, they are recorded on the Balance Sheet under Property, Plant and Equipment.

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010. The Council has no material intangible heritage assets.

Depreciation and impairment
Depreciation is only provided on the structural heritage assets. Depreciation is not warranted on other heritage assets as their lives are either indefinite or sufficiently long to mean any charge would not be material. The carrying amounts of heritage assets are reviewed for evidence of impairment, for example where an item has suffered physical deterioration, breakage or doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment for Property, Plant and Equipment.

Disposal
The Council has a strong presumption against the disposal of any items in its collections. However, it will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the provisions relating to the disposal of Property, Plant and Equipment.

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, for example software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) to the relevant service line in the CIES. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the CIES.

Amortisation and impairment charges are not permitted to have an impact on the General Fund Balance. Entries are effectively reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.13 Interests in Companies and Other Entities

The Council has material interest in entities that require it to prepare Group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the (First In First Out/weighted average) costing formula. Work in Progress is shown at current cost, including overheads.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Joint Operations

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases:
Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:
Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases:
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases:
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.19 Prior Period Adjustments, Changes in Accounting Policies, Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or, to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The Council has four PFI schemes –

- A twenty five year contract from April 1998 for waste disposal services extended during the year by a further two years to 2025.
- A thirty two and a half year contract, starting March 2001, for major repairs/refurbishment and continuing maintenance of nineteen schools, together with caretaking and cleaning services.
- A twenty six and a half year contract, starting March 2005 for the new build of two special schools and full refurbishment of existing buildings at a third special school, together with the maintenance of buildings and premise management functions at all three schools.
- A twenty two and a half year contract starting December 2011, for the design, build, financing and operation of 466 housing units. This is accounted for within the HRA.

Non-current assets are recognised in the Balance Sheet and are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

The Council receives an annual PFI Grant from Central Government which is credited to the CIES.

Under the waste disposal contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets on the Balance Sheet are therefore financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This effectively represents the benefits that the Council is deemed to receive over the life of the contract through its control of the services provided through use of the property and plant. The Deferred Income is released to the CIES over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement.

1.21 Property, Plant and Equipment (PPE) – Excluding Highways Network Infrastructure Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (that is repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every three years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets (vehicles, plant and equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation
Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets under construction. Assets are depreciated on a straight line basis over their estimated useful lives. Depreciation is calculated on the opening Balance Sheet value of the assets, with residual values being taken into account where appropriate. Estimated lives for new assets vary but are typically as follows:

• Buildings	50/60 years
• Vehicles and operational equipment	5 – 10 years
• Computer equipment	7 years

Where an item of PPE has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated. The calculation of depreciation on the Council's housing stock is based on an analysis of the major components of a typical dwelling.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is derecognised, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.22 Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement
Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are

identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. All highways network infrastructure assets are assumed to have a useful life of 20 years.

Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code (Update to the Code and Specification for Future Codes for Infrastructure Assets. November 2022) assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Where material, provisions are split between long term and short term depending on whether the provision is likely to be settled in the next financial year. If it is not possible to split out, the full amount is put to short term.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future

events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.25 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.26 Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

1.27 Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal for nil consideration, on the date the school converts to Academy status. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.28 Value Added Tax (VAT)

VAT payable is included as an expense only where irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Prior Period Adjustments

No prior period adjustments were required in this year's accounts.

3 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year)
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstance

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

4 Critical Judgements

In preparing the accounts, the Council has made judgements in applying its accounting policies in Note 1. Those which have a significant bearing on the figures recognised in the financial statements include:

Accounting for Schools – Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. Legal ownership of Voluntary Controlled (VC) and Voluntary Aided (VA) school land and buildings usually rests with a charity, normally a religious body who have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria with legal ownership of the land and buildings by a separate Trust, so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material, are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council.

The Council has assessed its group boundary for 2021/22 and has identified one Joint Venture considered to be material and will be consolidated into its group accounts. This is KSDL (Kirklees Stadium Development Ltd). Further details can be found in the group accounts section of the accounts.

Asset Classifications
The Council has made judgements on whether assets are classified as Investment Property, or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. Details of the fair value of Investment Property are provided in Note 17.

PFI and Similar Contracts
The Council has made judgements on its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, whether the Council controls through ownership, beneficial entitlement or otherwise any significant residual interest at the end of the arrangement, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. – Note 40 in the Notes to the Core Financial Statements and Note H10 to the HRA give further details for each scheme.

5 Assumptions and Major Sources of Estimation Uncertainty
The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment within the next financial year are as follows:

- **Property, Plant and Equipment (Note 15)**

  Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £6.2 million for every year that the useful lives had reduced.

  The Council carries out a rolling programme of valuations for PPE required to be measured at current value and £220.2 million of assets were valued at current value in 2021/22. The Council's external valuers provided valuations for approximately 33% of its operational portfolio. A 1%

change to the PPE valuations made for the year would change the reported value of PPE by £2.2 million.

- **Investment Property (Note 17)**

The Council values its Investment Property (IP) annually (greater than £0.25 million) and the fair value at 31 March 2022 was £91.8 million. It is uncertain what impact the current economic climate will have on property values and there is a risk of material changes during the next year. A 1% change to the IP valuations would change the reported value of IP by £0.9 million.

- **Pensions Liability (Note 41)**

The estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of qualified actuaries is engaged to provide the Council with expert professional advice about the assumptions to be applied.

Variations in key assumptions would have the following impact on the net liability:

- A 0.1% increase in the discount rate would reduce the net pension liability by £122.0 million
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £18.3 million
- An increase in one year of longevity would increase the net pension liability by £213.6 million

- **Arrears**

At 31 March 2022, the Council had a gross balance of debtors (other entities and individuals) of £58.4 million. The current level of impairment allowance (bad debt provision) based on previous experience, current and forecast economic conditions, is £25.4 million, which represents 44% of the balance. If collection rates were to deteriorate and our impairment rate (bad debt) increased to 50% of the balance, it would require and additional £3.8 million to set aside as an allowance.

- **PFI and Similar Arrangements**

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

- **Business Rates**

Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2021/22 and earlier financial years. A provision has therefore been recognised in the statement of accounts. The estimated provision has been calculated using the latest Valuation Office Agency (VOA) ratings list of ratings appeals and the analysis of successful appeals to date. The Council’s share of the balance of business rate appeals provisions at 31 March 2022 was £1.6 million. An increase of the appeals provision estimate of 10% would increase the Councils share of the NDR appeals provision by £0.2 million.

6 Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

During 2021/22, £99.4 million of KNH pension was included in the Growth and Regeneration line of the CIES.

7 Events after the reporting period

These accounts were authorised for issue on the date the Service Director Finance signed the accounts – see Statement of Responsibilities and Certificate on page 21.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

8 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing service in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2021/22	£000	£000	**£000**	£000	**£000**
Children & Families	80,797	4,119	**84,916**	33,275	**118,191**
Adults & Health	107,701	0	**107,701**	14,432	**122,133**
Growth & Regeneration	14,066	-109	**13,957**	117,777	**131,734**
Environment & Climate Change	41,519	-244	**41,275**	43,613	**84,888**
Corporate Strategy, Commissioning & Public Health	55,370	0	**55,370**	17,118	**72,488**
Central Budgets	27,748	401	**28,149**	3,300	**31,449**
HRA	8,084	-10,833	**-2,749**	-23,892	**-26,641**
Net Cost of Services	**335,285**	**-6,666**	**328,619**	**205,623**	**534,242**
Other operating expenditure	-6,509	8,511	**2,002**	-1,272	**730**
Financing and investment income and expenditure	0	21,047	**21,047**	17,212	**38,259**
Taxation and non-specific grant income	-297,345	-22,892	**-320,237**	-51,743	**-371,980**
Net Surplus(-)/Deficit	**31,431**	**0**	**31,431**	**169,820**	**201,251**
Opening Balances at 31 March 2021:					
General Fund			-197,353		
HRA			-58,418		
			-255,771		
Add net Deficit in Year			31,431		
Movement in DSG Unusable Reserve			2,852		
Closing General Fund and HRA Balance at 31 March 2022			**-221,488**		
General Fund			-166,794		
HRA			-54,694		

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2020/21	£000	£000	**£000**	£000	**£000**
Children & Families	90,869	4,436	**95,305**	10,409	**105,714**
Adults & Health	103,848	0	**103,848**	8,217	**112,065**
Growth & Regeneration	16,691	1,088	**17,779**	4,469	**22,248**
Environment & Climate Change	35,978	2,881	**38,859**	26,120	**64,979**
Corporate Strategy, Commissioning & Public Health	28,616	0	**28,616**	11,006	**39,622**
Central Budgets	-30,257	53,615	**23,358**	-1,790	**21,568**
HRA	2,601	-11,292	**-8,691**	-53,229	**-61,920**
Net Cost of Services	**248,346**	**50,728**	**299,074**	**5,202**	**304,276**
Other operating expenditure	809	845	**1,654**	41,887	**43,541**
Financing and investment income and expenditure	0	21,835	**21,835**	21,910	**43,745**
Taxation and non-specific grant income	-305,360	-73,408	**-378,768**	8,598	**-370,170**
Net Surplus(-)/Deficit	**-56,205**	**0**	**-56,205**	**77,597**	**21,392**
Opening Balances at 31 March 2020:					
General Fund			-127,838		
HRA			-61,018		
			-188,856		
Add net Surplus in Year			-56,205		
Movement in DSG Unusable Reserve			-10,710		
Closing General Fund and HRA Balance at 31 March 2021			**-255,771**		
General Fund			-197,353		
HRA			-58,418		

A more detailed breakdown of the adjustments between funding and accounting basis is shown below:

(i) This note details the adjustments from the Net expenditure Chargeable to the General Fund and HRA Balances to arrive at amounts in the CIES.

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
2021/22	£000	£000	£000	£000
Children & Families	11,579	21,605	91	33,275
Adults & Health	1,214	13,081	137	14,432
Growth & Regeneration	3,960	112,407	1,410	117,777
Environment & Climate Change	28,665	14,755	193	43,613
Corporate Strategy, Commissioning & Public Health	6,193	10,835	90	17,118
Central Budgets	5,259	-1,673	-286	3,300
HRA	-23,927	0	35	-23,892
Net Cost of Services	**32,943**	**171,010**	**1,670**	**205,623**
Other operating expenditure	-1,272	0	0	-1,272
Financing and investment income and expenditure	-3,615	22,599	-1,772	17,212
Taxation and non-specific grant income	-30,242	0	-21,501	-51,743
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-2,186**	**193,609**	**-21,603**	**169,820**
2020/21	£000	£000	£000	£000
Children & Families	-990	11,302	97	10,409
Adults & Health	916	7,151	150	8,217
Growth & Regeneration	1,391	3,039	39	4,469
Environment & Climate Change	18,176	7,731	213	26,120
Corporate Strategy, Commissioning & Public Health	5,478	5,432	96	11,006
Central Budgets	-1,176	-356	-258	-1,790
HRA	-53,264	0	35	-53,229
Net Cost of Services	**-29,469**	**34,299**	**372**	**5,202**
Other operating expenditure	41,887	0	0	41,887
Financing and investment income and expenditure	3,381	18,563	-34	21,910
Taxation and non-specific grant income	-29,747	0	38,345	8,598
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**-13,948**	**52,862**	**38,683**	**77,597**

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;

- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;
- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of Investment Property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service and past service costs;
- The Financing and Investment Income and Expenditure line is adjusted for the net interest on the defined benefit liability.

(c) Other Differences

- For services, this represents adjustments for premiums and discounts and entries relating to the accrual of compensated absences earned but not taken in the year;
- The Financing and Investment Income and Expenditure line recognises adjustments for soft loans;
- The charge under Taxation and Non-Specific Grant represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

(ii) This note shows income received on a segmental basis.

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
2021/22	£000	£000	£000	£000
Children & Families	-292,742	-14,907	-3,091	-310,740
Adults & Health	-94,879	-25,150	-10	-120,039
Growth & Regeneration	-9,298	-15,482	-581	-25,361
Environment & Climate Change	-4,315	-28,657	-1,001	-33,973
Corporate Strategy, Commissioning & Public Health	-117,956	-4,685	-89	-122,730
Central Budgets	-733	-1,097	-81	-1,911
HRA	-7,912	-82,880	-16,311	-107,103
Total Income analysed on a segmental basis	**-527,835**	**-172,858**	**-21,164**	**-721,857**
2020/21				
Children & Families	-277,514	-12,246	-6,887	-296,647
Adults & Health	-89,132	-22,992	-527	-112,651
Growth & Regeneration	-9,666	-9,070	-471	-19,207
Environment & Climate Change	-7,456	-23,715	-10,818	-41,989
Corporate Strategy, Commissioning & Public Health	-144,248	-5,588	-59	-149,895
Central Budgets	-548	-973	-3,454	-4,975
HRA	-7,912	-82,118	-47,228	-137,258
Total Income analysed on a segmental basis	**-536,476**	**-156,702**	**-69,444**	**-762,622**

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2021/22	2020/21
	£000	£000
Expenditure		
Employee Expenses*	**649,573**	456,552
Premises and Transport	**137,216**	102,617
Supplies and Services	**206,908**	184,555
Other Service Expenses	**365,622**	355,676
Support Charges	**30,477**	16,666
Capital Charges	**68,173**	62,521
Precepts and Levies	**913**	1,015
Payments to Housing Capital Receipts Pool	**2,013**	2,108
Losses on the Disposal of PPE and Investment Assets	**0**	40,786
Interest Payable and Similar Charges	**24,668**	25,379
Net interest on the defined benefit obligation	**22,599**	18,563
Central Items	**4,190**	5,539
Total Expenditure	**1,512,352**	**1,271,977**
Income		
Fees, Charges and Other Service Income	**-175,803**	-159,916
Grants, Reimbursements and Contributions	**-670,616**	-710,207
Capital Charges Credits	**-24,203**	-66,496
Internal Recharges	**-187,993**	-99,649
Interest and Investment Income	**-6,347**	-6,520
Gains on the Disposal of PPE and Investment Assets	**-5,582**	0
Income from Council Tax and Business Rates	**-240,557**	-207,797
Total Income	**-1,311,101**	**-1,250,585**
Surplus(-)/Deficit on Provision of Services	**201,251**	**21,392**

*This includes £41.3 million in 2021/22 (£43.0 million in 2020/21) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. An explanation of each Usable Reserve is provided in the Glossary.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2021/22						
Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-36,919	0	0	-18,289	0	55,208
Amortisation of Intangible Assets	-334	0	0	0	0	334
Revaluation losses on PPE	-12,938	0	0	0	0	12,938
Revaluation gains on PPE	4,853	16,311	0	0	0	-21,164
Movements in the market value of Investment Properties	4,681	-1,642	0	0	0	-3,039
Revenue expenditure funded from capital under statute (REFCUS)	-28,343	0	0	0	0	28,343
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-2,924	-7,073	0	0	0	9,997
Capital grants and contributions applied	13,734	370	0	0	0	-14,104
Capital grants and contributions applied (REFCUS)	6,835	0	0	0	0	-6,835
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	5,000	3,027	0	0	0	-8,027
Capital expenditure charged against balances	2,224	4,590	0	0	0	-6,814
Financial instruments impairment charges	35	0	0	0	0	-35
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	18,407	0	0	0	-18,407	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	19,799	-19,799
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	4,623	9,478	-14,101	0	0	0
Financing new capital expenditure	0	0	9,662	0	0	-9,662
Contribution towards administrative costs of asset disposals	-73	-72	145	0	0	0

2021/22 Continued						
Contribution to finance the payments to the Government capital receipts pool	-2,013	0	2,013	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-931	0	0	931
Used to repay debt (transfer to CAA)	0	0	792	0	0	-792
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-3	0	0	0	0	3
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	15,368	0	-15,368
Used to repay debt (transfer to CAA)	0	0	0	2,921	0	-2,921
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	286	-35	0	0	0	-251
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-236,898	0	0	0	0	236,898
Employer's pensions contributions and direct payments	43,290	0	0	0	0	-43,290
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	21,501	0	0	0	0	-21,501
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-1,921	0	0	0	0	1,921
Adjustment involving the Dedicated Schools Grant Adjustment Account						
Amount of schools budget deficit to DSG adjustment accounts	2,852	0	0	0	0	-2,852
Adjustment involving the Pooled Fund Adjustment Account						
Charges for fair value movements on the CCLA Property Fund	1,587	0	0	0	0	-1,587
Adjustment involving KNH Surplus Reserve						
Transfer to HRA	4,360	-4,360	0	0	0	0
Total Adjustments 2021/22	**-187,561**	**20,594**	**-2,420**	**0**	**1,392**	**167,995**

2020/21

Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-35,593	0	0	-17,757	0	53,350
Amortisation of Intangible Assets	-294	0	0	0	0	294
Revaluation losses on PPE	-9,645	0	0	0	0	9,645
Revaluation gains on PPE	22,217	47,228	0	0	0	-69,445
Movements in the market value of Investment Properties	-2,907	-42	0	0	0	2,949
Revenue expenditure funded from capital under statute (REFCUS)	-14,695	0	0	0	0	14,695
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-43,507	-4,137	0	0	0	47,644
Capital grants and contributions applied	11,210	209	0	0	0	-11,419
Capital grants and contributions applied (REFCUS)	6,225	0	0	0	0	-6,225
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital investment	3,914	2,720	0	0	0	-6,634
Capital expenditure charged against balances	2,019	3,316	0	0	0	-5,335
Financial instruments impairment charges	25	0	0	0	0	-25
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	20,360	0	0	0	-20,360	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	12,269	-12,269
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,524	5,450	-6,974	0	0	0
Financing new capital expenditure	0	0	7,669	0	0	-7,669
Contribution towards administrative costs of asset disposals	-27	-48	75	0	0	0
Contribution to finance the payments to the Government capital receipts pool	-2,108	0	2,108	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-806	0	0	806
Used to repay debt (transfer to CAA)	0	0	753	0	0	-753
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-2	0	0	0	0	2

2020/21 Continued

Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	12,750	0	-12,750
Used to repay debt (transfer to CAA)	0	0	0	5,007	0	-5,007
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	358	-36	0	0	0	-322
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-88,310	0	0	0	0	88,310
Employer's pensions contributions and direct payments	35,448	0	0	0	0	-35,448
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-38,346	0	0	0	0	38,346
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-595	0	0	0	0	595
Adjustment involving the Dedicated Schools Grant Adjustment Account:						
Amount of schools budget deficit to DSG adjustment accounts	-10,710	0	0	0	0	10,710
Adjustment involving the Pooled Fund Adjustment Account:						
Charges for fair value movements on the CCLA Property Fund	-65	0	0	0	0	65
Total Adjustments 2020/21	**-142,967**	**54,660**	**2,825**	**0**	**-8,091**	**93,573**

11 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
Earmarked Reserves							
Statutory (Schools Reserve)	-9,967	871	-4,466	-13,562	558	-2,499	-15,503
Statutory (Schools Reserve - DSG/Other)	14,396	0	-14,396	0	0	0	0
Transformation	0	0	-2,348	-2,348	1,051	-2,869	-4,166
Financial Resilience	-37,146	0	0	-37,146	0	0	-37,146
Social Care Reserve	-2,196	158	-61	-2,099	814	0	-1,285
Revenue Grants	-10,245	3,632	-13,850	-20,463	14,752	-16,309	-22,020
Strategic Investment Support	-3,979	1,447	-2,422	-4,954	1,443	-990	-4,501
Adverse Weather Reserve	-2,432	2,432	0	0	0	0	0
Property and Other Loans	-3,000	0	0	-3,000	0	0	-3,000
Waste Management	-9,684	4,000	0	-5,684	3,684	0	-2,000
Covid-19 Response	-11,099	34,559	-43,454	-19,994	8,867	-1,524	-12,651
Schools PFI	-2,184	2,949	-2,047	-1,282	1,282	0	0
Demand	-11,707	0	-7,600	-19,307	1,955	0	-17,352
Inclusive Investment	-2,000	0	-1,000	-3,000	655	-700	-3,045
Extended Business Rate Relief	0	0	-23,955	-23,955	23,520	-11,480	-11,915
Tax Income Loss Compensation	0	0	-5,002	-5,002	1,900	0	-3,102
Covid-19 Business Grants Reserve	0	0	-7,953	-7,953	7,669	0	-284
Local Welfare Provision Initiatives	0	0	0	0	0	-2,640	-2,640
Other	-12,201	1,533	-6,933	-17,601	3,666	-2,286	-16,221
Total Earmarked Reserves	**-103,444**	**51,581**	**-135,487**	**-187,350**	**71,816**	**-41,297**	**-156,831**
Unallocated Balances	*-9,999*			*-10,003*			*-9,962*
General Fund Balances	***-113,443***			***-197,353***			***-166,793***

- The Statutory (Schools Reserve) relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988. The balance at 31 March 2022 represents 109 schools with cumulative balances of £15.7 million (111 schools and £14.0 million at 31 March 2021) and 5 schools with cumulative deficits amounting to £0.2 million (9 schools and £0.5 million at 31 March 2021).

- The Statutory (Schools Reserve - DSG/Other) relates to Dedicated Schools Grant (DSG) which is statutorily ring-fenced for schools related expenditure. The deficit balance as at 1 April 2020 was transferred to the Dedicated Schools Grant Adjustment Account and is shown in Note 28 Unusable Reserves. This was following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations.
- The Transformation Reserve has been set up for strategic transformation developments over the next 12 to 24 months.
- The Financial Resilience Reserve covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks as set out in the sensitivity analysis within the 2021-26 Annual Budget report.
- The Social Care Reserve had been set up to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet in August 2018.
- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Strategic Investment Support Reserve has been set up to address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
- The Property and Other Loans Reserve has been set up to set aside in part against the potential risk of future loan defaults and in part to offset potential unfunded technical accounting entries on General Fund revenue arising purely from the introduction of a new local government accounting code intended to strengthen Balance Sheet transparency.
- The Waste Management Reserve has been set up to support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022/23.
- The Covid-19 Response Reserve reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response.
- The Schools PFI Reserve was set aside to cover reduced DSG budget contributions to Council services in 2020/21 and 2021/22.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.
- The Inclusive Investment Reserve has been set up for a range of targeted development activity that supports the Council's inclusive investment ambition.
- The Extended Business Rate Relief Reserve - During 2020/21 and 2021/22, local authorities received Section 31 grants to offset the reliefs given to businesses during Covid-19. Under current collection fund accounting rules, the Section 31 grants received cannot be discharged against the Collection Fund deficit in-year. The additional Section 31 grants were therefore transferred into the Extended Business Rates Relief Reserve, to be drawn down the following year against the rolled forward Collection Fund deficit.
- The Tax Income Loss Compensation Reserve - Local authorities were compensated for the loss of local tax income in 2020/21 as a result of Covid-19. The compensation amount was transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forward Collection Fund deficit.
- The Covid-19 Business Grants Reserve reflects the balance of Covid-19 Business Grants received and recognised in 2020/21 and 2021/22 before expenditure was incurred.
- The Local Welfare Provision Initiatives Reserve has been set up for a range of existing Local Welfare Provision measures to support some of the borough's vulnerable families and individuals in financial hardship.

12 Other Operating Expenditure

	2021/22	2020/21
	£000	£000
Parish council precepts	704	809
Levies	209	206
Payment to Government Housing Capital Receipts Pool	2,013	2,108
Gains(-)/losses on the disposal of non-current assets	-3,285	39,778
De-recognition of Academies' Balances	1,089	640
Total	**730**	**43,541**

Net gains on the disposal of non-current assets includes academy and trust school transfers and assets transferred as part of the Community Asset transfer policy. These totalled £0.7 million in 2021/22 as part of six academy conversions (2020/21 £29.2 million as part of six schools' academy conversions).

13 Financing and Investment Income and Expenditure

	2021/22	2020/21
	£000	£000
Interest payable and similar charges	24,699	25,409
Net interest on the net defined benefit obligation	22,599	18,563
Interest receivable and similar income	-1,494	-1,703
Income and expenditure in relation to investment property and changes in fair value (Note 17)	-5,201	1,890
Dividend Income	-722	-455
Other – movements on financial instruments	-1,622	41
Total	**38,259**	**43,745**

14 Taxation and Non-Specific Grant Income

	2021/22	2020/21
	£000	£000
Council Tax income	-198,817	-187,169
Non Domestic Rates	-41,741	-20,628
Non-ring fenced government grants	-101,178	-132,627
Capital grants and contributions	-30,244	-29,746
Total	**-371,980**	**-370,170**

More detail on grant income is shown in Note 37 and on Council Tax and Non Domestic Rate income in the section on Collection Fund.

15 Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2021/22	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation								
At 1 April 2021	720,632	535,762	41,799	12,473	22,828	10,300	1,343,794	*93,627*
Additions	19,245	14,518	5,184	662	2,701	16,829	59,139	*2,657*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	39,666	6,146	0	0	1,243	0	47,055	*-2,300*
Revaluation increases/ decreases(-) recognised in the Provision of Services	12,744	-2,372	0	0	-7,904	0	2,468	*1,091*
De-recognition – disposals	-2,806	-10,899	-867	0	-1	0	-14,573	*0*
De-recognition – other	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-5,245	0	0	0	0	0	-5,245	*0*
Other movements in cost or valuation	0	15,559	0	0	3,623	-19,586	-404	*0*
At 31 March 2022	**784,236**	**558,714**	**46,116**	**13,135**	**22,490**	**7,543**	**1,432,234**	***95,075***
Accumulated Depreciation and Impairment								
At 1 April 2021	0	-20,673	-20,297	-11,294	-46	0	-52,310	*-4*
Depreciation charge	-17,931	-9,932	-4,436	-149	-149	0	-32,597	*-2,886*
Depreciation written out to the Revaluation Reserve	14,364	5,224	0	0	4	0	19,592	*1,878*
Depreciation written out to the Deficit on the Provision of Services	3,567	2,050	0	0	141	0	5,758	*415*
Impairment losses recognised in the	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	10,079	744	0	0	0	10,823	*0*
Other movements in depreciation and	0	0	0	0	0	0	0	*0*
At 31 March 2022	**0**	**-13,252**	**-23,989**	**-11,443**	**-50**	**0**	**-48,734**	***-597***
Net Book Value								
at 31 March 2022	**784,236**	**545,462**	**22,127**	**1,692**	**22,440**	**7,543**	**1,383,500**	***94,478***
at 31 March 2021	720,632	515,089	21,502	1,179	22,782	10,300	1,291,484	93,623

	Council Dwellings	Other Land and Buildings	Vehicles. Plant Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	*PFI Assets Included in PPE*
Movement in 2020/21	£000	£000	£000	£000	£000	£000	£000	*£000*
Cost or Valuation								
At 1 April 2020	679,654	548,025	39,441	12,002	23,769	2,148	1,305,039	*78,554*
Additions	16,830	9,356	6,420	471	6,988	7,937	48,002	*1,239*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0	10,562	0	0	-1,525	0	9,037	*9,158*
Revaluation increases/decreases(-) recognised in the Provision of Services	29,665	5,974	0	0	1,070	0	36,709	*11,765*
De-recognition –	-1,250	-35,275	-4,062	0	-8,157	0	-48,744	*-7,089*
De-recognition – other	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-4,267	0	0	0	0	0	-4,267	*0*
Other movements in cost or valuation	0	-2,880	0	0	683	215	-1,982	*0*
At 31 March 2021	**720,632**	**535,762**	**41,799**	**12,473**	**22,828**	**10,300**	**1,343,794**	***93,627***
Accumulated Depreciation and Impairment								
At 1 April 2020	0	-24,738	-19,880	-10,994	-248	0	-55,860	*-3,895*
Depreciation charge	-17,562	-9,884	-4,087	-300	-201	0	-32,034	*-2,007*
Depreciation written out to the Revaluation Reserve	0	7,495	0	0	134	0	7,629	*1,502*
Depreciation written out to the Deficit on the Provision of Services	17,562	5,473	0	0	57	0	23,092	*4,108*
Impairment losses recognised in the	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	842	3,670	0	351	0	4,863	*288*
Other movements in depreciation and impairment	0	139	0	0	-139	0	0	*0*
At 31 March 2021	**0**	**-20,673**	**-20,297**	**-11,294**	**-46**	**0**	**-52,310**	***-4***
Net Book Value								
at 31 March 2021	**720,632**	**515,089**	**21,502**	**1,179**	**22,782**	**10,300**	**1,291,484**	***93,623***
at 31 March 2020	679,654	523,287	19,561	1,008	23,521	2,148	1,249,179	*74,659*

Highways Infrastructure Assets
Movements on Balances

	2021/22	2020/21
	£000	£000
Net Book Value (Modified Historical Cost)		
At 1 April	**196,534**	191,934
Additions	**32,085**	25,911
De-recognition – disposals	**0**	0
Depreciation charge	**-22,606**	-21,311
Impairment	**0**	0
Other movements in cost	**0**	0
Net Book Value 31 March	**206,013**	196,534

Reconciling note with the Balance Sheet

	2021/22	2020/21
	£000	£000
Infrastructure Assets	**206,013**	196,534
Other PPE Assets	**1,383,500**	1,291,484
Total PPE Assets	**1,589,513**	1,488,018

In accordance with the Update to the Code on infrastructure assets (Update to the Code and Specifications for Future Codes for Infrastructure Assets November 2022) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Gross costs and accumulated depreciation have not been disclosed in the accounts because it would be difficult to identify and account for those parts of the Highways Network that have been derecognised during the year – the Council does not hold the required level of detail to comply with Code without the application of the Update noted above.

The Authority believes that the information not disclosed does not prevent users of the financial statements to take economic or other decisions.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Fair value measurement of surplus assets

The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.
There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations

The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at current value is revalued at least every three years. All valuations this year were carried out by external valuers - HRA properties by DVS Property Specialists and General Fund properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). Both valuations were carried out on 31 December 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net gain in the PPE values of £74.9 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the provision of services in the CIES.

Assets not revalued in year have been assessed for accurate valuation at 31 March 2022. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Exiting Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

The table below shows current values of assets, whether valued at historical cost or at revalued amounts, identifying the year they were last revalued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	25,581	22,127	206,013	1,692	290	7,543	263,246
Carried at current value as at:								
2021/22	784,236	215,501	0	0	0	11,759	0	1,011,496
2020/21	0	142,772	0	0	0	4,727	0	147,499
2019/20	0	161,608	0	0	0	5,664	0	167,272
Total	**784,236**	**545,462**	**22,127**	**206,013**	**1,692**	**22,440**	**7,543**	**1,589,513**

Capital Commitments

In February 2022, the Council approved a capital programme of £255.2 million for 2022/23. A further £842.4 million of capital investment was also approved for the following four years. This covers expenditure on PPE, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £25.1 million at 31 March 2022 (£34.8 million at 31 March 2021) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
Movement in 2021/22	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2021	49,566	3,302	2,303	55,171
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	-5	-5
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2022	**49,566**	**3,302**	**2,298**	**55,166**
Accumulated Depreciation				
At 1 April 2021	0	0	-5	-5
Depreciation charge	0	0	-5	-5
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2022	**0**	**0**	**-10**	**-10**
Movement in 2020/21				
Cost or Valuation				
At 1 April 2020	44,368	3,302	2,303	49,973
Additions	0	0	0	0
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	5,198	0	0	5,198
Revaluations recognised in the Provision of Services	0	0	0	0
At 31 March 2021	**49,566**	**3,302**	**2,303**	**55,171**
Accumulated Depreciation				
At 1 April 2020	0	0	0	0
Depreciation charge	0	0	-5	-5
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2021	**0**	**0**	**-5**	**-5**
Net Book Value				
at 31 March 2022	**49,566**	**3,302**	**2,288**	**55,156**
at 31 March 2021	49,566	3,302	2,298	55,166

Fine Art and Museum Exhibits Collections

Kirklees Museums and Galleries Service manages the collections of fine art and museum exhibits. Although many early additions to the collections were acquired by purchase, more recent additions are likely to be by donation or, occasionally, by bequests.

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

There have been no significant purchases, disposals or impairments of items over the last five years.

Fine Art Collection

The collection comprises of around 3,000 artworks. Although a small number of artworks are on display in Kirklees museums and town halls along with artworks from the collection that are on loan and on display at other institutions (nationally and internationally), the majority of the Kirklees Art Collection is now in storage whilst repair work is being undertaken on the Huddersfield Library building, the top floor of which is the location of Huddersfield Art Gallery.

The most significant exhibit in the collection is the "Figure Study II" by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20 million (£20.0 million at 31 March 2021) and was last valued externally by Bonhams. Being a donated asset the painting has conditions placed upon it. Other notable pieces include two paintings by L S Lowry, the "Huddersfield Canvas" and "Level Crossing Canvas", with a combined value of £6.7 million (£6.7 million 31 March 2021) and the "Falling Warrior" sculpture by Henry Moore valued at £6.0 million (£6.0 million 31 March 2021). The total value of donated artwork items as at 31 March 2022 is £26.6 million (£26.6 million 31 March 2021).

Museum Exhibits

The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

Other Heritage Assets

This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2022 is £1.6 million (£1.6 million 31 March 2021). Many of the pieces have been donated over the years to mark historic occasions or events and the current value of donated civic silver items recognised as Long Term Assets is £0.9 million (£0.9 million 31 March 2021).

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to celebrate the 60th anniversary of Queen Victoria's reign. The value of structural assets as at 31 March 2022 is £0.2 million (£0.3 million 31 March 2021).

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet, notably Castle Hill, war memorials, the local studies collection and a number of museum exhibits, including the British Archaeology, Natural Sciences (bird's eggs) and the Ethnography Collections. Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

Heritage Assets recognised under other asset categories

Where assets are operational and not principally maintained for their contribution to knowledge and culture, they are recorded on the Balance Sheet under Property, Plant and Equipment. The most notable building is Oakwell Hall in Gomersal, a grade one listed Elizabethan manor house with Bronte connections which is used as a museum. The Council also has a number of grade two listed buildings largely used for museum, civic and commercial purposes.

17 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

	2021/22	2020/21
	£000	£000
Rental income from Investment Property	**-2,698**	-2,958
Direct operating expenses arising from Investment Property	**1,262**	1,441
Net gain	**-1,436**	-1,517
Net gains (-)/loss from fair value adjustments	**-3,039**	2,949
Net gains (-)/loss on disposals of assets	**-726**	457
Net income (-)/expenditure in relation to investment property and changes in fair value	**-5,201**	**1,889**

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of Investment Property over the year is as follows:

	2021/22	2020/21
	£000	£000
Balance at 1 April	**97,335**	101,105
Additions	**4,972**	55
Disposals	**0**	-876
Net gains (-)/loss from fair value adjustments	**3,039**	-2,949
Transfers to Property, Plant and Equipment	**-1,676**	0
Balance at 31 March	**103,670**	**97,335**

Fair Value Measurement

The Council has accounted for Investment Property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of Investment Property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There have been no transfers between the different levels of hierarchy during the year.

Investment Property has been valued at highest and best use. There have been some changes in valuation technique from income based approach to market value approach. This is not always the current use of the asset – in some cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development.

Revaluations

The fair value of the Council's Investment Property is measured annually at each reporting date. Valuations are carried out by external valuers – Wilks Head and Eve – in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

18 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and other purchased software. The Council does not have any internally generated intangible assets.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) on a straight line basis.

Amortisation of £0.3 million was charged to CIES in 2021/22 (£0.3 million in 2020/21).

	2021/22	2020/21
	£000	£000
Balance at 1 April		
Gross carrying amounts	**7,095**	6,896
Accumulated amortisation	**-6,602**	-6,308
Net carrying amount at 1 April	**493**	588
Additions – Purchases	**610**	199
Amortisation for the period	**-333**	-294
Net carrying amount at 31 March	**770**	**493**
Comprising:		
Gross carrying amounts	**7,705**	7,095
Accumulated amortisation	**-6,935**	-6,602
	770	**493**

There are no significant contractual commitments relating to intangible assets for 2021/22.

19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (Council Tax, Non-Domestic Rates) and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March		31 March		31 March		31 March	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Investment principal	**60**	60	**15,213**	6,813	**0**	0	**38,155**	41,138
Soft loans principal	**0**	0	**15,344**	16,063	**0**	0	**0**	0
Soft loans accrued interest	**0**	0	**0**	0	**7**	7	**0**	0
Cash and cash equivalents	**0**	0	**0**	0	**42,754**	4,602	**0**	0
Cash and cash equivalents accrued interest	**0**	0	**0**	0	**3**	2	**0**	0
Total Amortised cost	**60**	**60**	**30,557**	**22,876**	**42,764**	**4,611**	**38,155**	**41,138**
Fair value through profit and loss	**10,628**	9,041	**0**	0	**22,301**	21,588	0	0
Fair value through other comprehensive income – designated equity instruments	**4,446**	4,376	**0**	0	**0**	0	0	0
Total Financial Assets	**15,134**	**13,477**	**30,557**	**22,876**	**65,065**	**26,199**	**38,155**	**41,138**
Non-Financial Assets	**0**	0	**5,977**	5,977	**0**	0	**40,097**	59,557
Total	**15,134**	**13,477**	**36,534**	**28,853**	**65,065**	**26,199**	**78,252**	**100,695**

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Principal	**-440,795**	-374,298	**0**	0	**-26,659**	-50,025	**-112,727**	-99,748
Loans accrued interest	**0**	0	**0**	0	**-4,356**	-4,208	**0**	0
Market loans EIR adjustment	**-1,487**	-1,519	**0**	0	**0**	0	**0**	0
PFI, finance lease and transferred debt	**-81,324**	-88,107	**0**	0	**-6,934**	-6,191	**0**	0
Total Financial Liabilities	**-523,606**	**-463,924**	**0**	**0**	**-37,949**	**-60,424**	**-112,727**	**-99,748**
Non-Financial Liabilities	**0**	0	**0**	0	**0**	0	**-55,728**	-25,803
Total	**-523,606**	**-463,924**	**0**	**0**	**-37,949**	**-60,424**	**-168,455**	**-125,551**

Borrowings

	Non-Current	**Current**	Non-Current	Current
	31 March 2022		31 March 2021	
	£000	**£000**	£000	£000
PWLB	**-309,509**	**-6,643**	-263,793	-10,431
LOBOs	**-61,487**	**-648**	-61,519	-648
Other market debt	**-64,303**	**-23,455**	-43,522	-42,885
Stock	**-6,983**	**-269**	-6,983	-269
Total	**-442,282**	**-31,015**	**-375,817**	**-54,233**

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis. The College requested a repayment holiday for one year from August 2019 to July 2020. This was approved by the Strategic Director Economy and Infrastructure on the 28 September 2018 so the College will now repay the full amount advanced by 2035/36. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The fair value of the renewable energy loans at initial recognition were arrived at by taking the cost to the Council of taking a ten year loan and adding an allowance of 2% for risk.

Movements on material soft loans are detailed as follows:

	College £000	Renewable Energy £000	Total £000
Balance at 1 April 2020	15,055	1,871	16,926
Loans repaid	-753	-28	-781
Change in impairment loss allowance	27	-3	24
Unwinding of discount	177	81	258
Balance at 31 March 2021	**14,506**	**1,921**	**16,427**
Loans repaid	-792	-116	-908
Change in impairment loss allowance	30	5	35
Unwinding of discount	176	19	195
Balance at 31 March 2022	**13,920**	**1,829**	**15,749**
Nominal value at 31 March 2021	17,276	2,031	19,307
Nominal value at 31 March 2022	**16,484**	**1,925**	**18,409**

Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value	
	31 March 2022	31 March 2021
	£000	£000
LCR Revolving Investment Fund	**3,090**	3,050
Kirklees Schools Services Ltd	**1,006**	979
QED (KMC) Holdings Ltd	**225**	222
Kirklees Henry Boot Partnership Ltd	**125**	125
Total	**4,446**	**4,376**

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2022 had a credit balance of £1.4 million at the bank (£1.7 million 31 March 2021) offset by a debit balance of £1.4 million (£1.7 million 31 March 2021).

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are detailed as follows:

	Financial Liabilities	Financial Assets			2021/22	2020/21
	Amortised Cost	Amortised Cost	Fair Value through OCI	Fair Value through Profit and Loss	**Total**	Total
	£000	£000	£000	£000	**£000**	£000
Interest expense	24,729	0	0	0	**24,729**	25,437
Losses on de-recognition	38	0	0	0	**38**	36
Impairment losses	0	1,522	0	0	**1,522**	986
Interest payable and similar charges	**24,767**	**1,522**	**0**	**0**	**26,289**	**26,459**
Interest income	0	-1,481	0	-13	**-1,494**	-1,703
Dividend income	0	0	0	-349	**-349**	-387
Gains on de-recognition	-37	0	0	0	**-37**	-35
Interest and investment income	**-37**	**-1,481**	**0**	**-362**	**-1,880**	**-2,125**
Net impact on Surplus/Deficit on the Provision of Service	**24,730**	**41**	**0**	**-362**	**24,409**	**24,334**
Gains on revaluation	0	0	-69	0	**-69**	-61
Losses on revaluation	0	0	0	0	**0**	4
Impact on other comprehensive income	**0**	**0**	**-69**	**0**	**-69**	**-57**
Net gain(-)/loss for the year	**24,730**	**41**	**-69**	**-362**	**24,340**	**24,277**

Fair Value of Financial Instruments

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	**31 March 2022 Fair Value**	31 March 2021 Fair Value
			£000	£000
Fair Value through Profit and Loss				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	**10,628**	9,041
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	**22,301**	21,588
Fair Value through Other Comprehensive Income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	**3,090**	3,050
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	**1,356**	1,326

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets

	Fair Value level	**31 March 2022 Carrying Amount**	**31 March 2022 Fair Value**	31 March 2021 Carrying Amount	31 March 2021 Fair Value
		£000	**£000**	£000	£000
Long-term debtors	2	**30,557**	**34,876**	22,876	27,689
Short-term debtors		**38,155**	**38,155**	41,138	41,138
Cash and cash equivalents		**65,065**	**65,065**	26,199	26,199
Total		**133,777**	**138,096**	**90,213**	**95,026**

The fair value of financial assets held at amortised cost is higher than their Balance Sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Financial Liabilities

	Fair Value level	**31 March 2022** Carrying Amount	**Fair Value**	31 March 2021 Carrying Amount	Fair Value
		£000	**£000**	£000	£000
Borrowings					
PWLB	2	**-316,152**	**-380,053**	-274,224	-391,563
LOBOs	2	**-62,135**	**-86,987**	-62,167	-96,934
Other market debt	2	**-87,758**	**-97,813**	-86,407	-106,404
Loan stock	2	**-7,252**	**-12,495**	-7,252	-13,969
PFI, transferred debt & finance lease liabilities	2	**-88,258**	**-117,883**	-94,298	-137,787
Short-term creditors		**-112,727**	**-112,727**	-99,748	-99,748
Total		**-674,282**	**-807,958**	**-624,096**	**-846,405**

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other market debt, loan stock and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2022.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

The above fair values are judged to be Level 2 in the fair value hierarchy, using significant observable inputs.

The fair value of liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

Nature and Extent of Risks Arising from Financial Instruments
The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.

- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and other financial market movements.

The Council's overall risk management programme focuses on minimising any potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. As directed by the Act, the Council has formerly adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of the year to which it relates and sets out the parameters for the management risks associated with financial instruments. The Service Director Finance manages the function on behalf of the Council under policies approved by Members in the annual treasury management strategy and the treasury management policy statement and practices.

Full details of the Council's Treasury Management Strategy for 2021/22 can be found on the Council's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties in compliance with Government guidelines together with guidance from Arlingclose Limited, its Treasury Management advisor.

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with counterparties unless they meet the minimum criteria set out in the strategy and also considers the maximum time and amounts of investments with each institution.

The full Investment Strategy for 2021/22 was approved by the Council on 10 February 2021 and is available on the Council's website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

	31 March 2022	31 March 2021
Credit rating	**Short-term**	Short-term
	£000	£000
AAA	**22,210**	21,501
AA-	**46,660**	0
A+	**0**	5,640
Total	**68,870**	**27,141**

The investments detailed above are for cash flow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than two months in 2021/22.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The Council does not generally allow credit for customers and trade debts are actively pursued. As at 31 March 2022, the Council had a balance owing from its customers (mainly services and rent) of £40.8 million (£43.2 million 31 March 2021). The exposure to default has been assessed and is reflected in an impairment provision of £4.1 million (£3.4 million 31 March 2021). Of the trade debtors outstanding as at 31 March 2022 (£15.0 million), 72% (69% 2020/21) relate to outstanding debt due within 3 months of the Balance Sheet date, 6% (8% 2020/21) within 3 to 6 months, 5% (7% 2020/21) within 6 to 12 months and 17% (16% 2020/21) more than 12 months.

Liquidity Risk

As well as keeping cash in instant access deposit accounts, the Council has ready access to borrowings from the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with around no more than 10% of loans due to mature in any one year.

The maturity analysis of financial instruments is shown below:

	31 March 2022			31 March 2021		
Time to maturity (years)	**Liabilities**	**Assets**	**Net**	Liabilities	Assets	Net
	£000	**£000**	**£000**	£000	£000	£000
Less than one year	**-143,742**	**103,221**	**-40,521**	-153,981	67,337	-86,644
Between 1 and 2 years	**-30,016**	**5,653**	**-24,363**	-2,297	1,915	-382
Between 2 and 5 years	**-19,453**	**14,384**	**-5,069**	-16,213	4,451	-11,762
Between 5 and 10 years	**-27,605**	**15,731**	**-11,874**	-7,873	18,980	11,107
Between 10 and 20 years	**-74,585**	**5,518**	**-69,067**	-54,175	6,664	-47,511
More than 20 years	**-289,136**	**4,404**	**-284,732**	-293,740	4,343	-289,397
	-584,537	**148,911**	**-435,626**	**-528,279**	**103,690**	**-424,589**

The above analysis assumes that Lender Option, Borrower Option loans (LOBOs – see below) run their full term.

The Council has a general target of paying all trade and other payables within 30 days, although due to the Covid-19 pandemic, payments are being made immediately once the payment has been processed and approved.

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the CIES will rise.

- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk, including keeping a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates and provide compensation for a proportion of any higher borrowing costs.

The Treasury Management Strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2022, investments held by the Council for cash flow purposes were at both fixed and variable rates, with 32% being at variable rate for instant access. In terms of borrowing, the Council held £61.5 million debt in the form of LOBOs which equates to 13% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. All LOBO debt is exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.2 million.

<u>Price Risk</u>
The Council does not generally invest in equity shares but does have shareholdings to the value of £1.4 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The equity shares are classified as "fair value through other comprehensive income – designated equity instruments", meaning that any movements in fair value will not be recognised in the CIES, instead movements will be shown in the Financial Instruments Revaluation Reserve.

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the 5 year override as allowed by CIPFA to allocate to fair value through other comprehensive income, therefore any gains or losses on prices will be charged to Financing and Investment Income and Expenditure line in the CIES which is then transferred to the Pooled Fund Adjustment Account.

<u>Foreign Exchange Risk</u>
The Council has no material financial assets or liabilities denominated in foreign currencies. In this way, the Council has little exposure to loss arising from movements in exchange rates.

20 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year.

	31 March 2022	31 March 2021
	£000	£000
Kirklees College	**13,831**	14,488
PFI Prepayments (i)	**2,576**	2,573
Finance Leases (ii)	**3,401**	3,404
Charges on Property for Residential Care	**1,105**	1,229
Renewable Energy	**1,925**	2,022
103 New Street	**9,910**	5,155
Kirklees Stadium Development Ltd	**3,822**	0
Other	**826**	881
	37,396	29,752
Impairment Provision	**-862**	-899
Net Long Term Debtors	**36,534**	**28,853**

(i) Under the terms of the PFI contracts, the Council makes prepayments which the contractor puts into sinking funds which will be used to meet future costs incurred in the schemes.

(ii) Relates to obligations outstanding from lessees on leases judged to be finance leases.

21 Inventories

	Consumable Stores and Maintenance Materials	Construction Costs	Rechargeable Work in Progress	**Total**
	£000	£000	£000	**£000**
Balance at 1 April 2021	1,643	3,443	0	**5,086**
Purchases	10,778	4,847	0	**15,625**
Recognised as an expense in the year	-9,948	-8,290	0	**-18,238**
Reversals of write-offs in previous years	105	0	0	**105**
Movement in work in progress	0	0	4,782	**4,782**
Balance at 31 March 2022	**2,578**	**0**	**4,782**	**7,360**

The construction of a new primary school, Brambles Academy, was completed during 2021/22 and was transferred to South Pennines Academies Trust on a long-term lease for a nominal sum.

22 Short Term Debtors

	31 March 2022 £000	31 March 2021 £000
Central government bodies	**24,575**	53,138
Other local authorities	**3,271**	3,182
NHS bodies	**1,664**	4,787
Public corporations & trading funds	**0**	18
Capital debtors	**7,214**	3,900
Payments in advance	**10,276**	8,540
Other entities and individuals	**56,656**	52,332
	103,656	**125,897**
Bad debt provision – Other entities and individuals	**-25,404**	-25,202
Net Short Term Debtors	**78,252**	**100,695**

The decrease of £28.6 million in Central Government bodies is mainly due to an £18.5 million reduction in expanded retail and nursery reliefs as part of the Government's response to the Covid-19 pandemic. Reliefs awarded in 2021/22 were significantly reduced compared to 2020/21 which resulted in having a lesser impact on in year collectable rates. There was also £8.0 million of Covid-19 grants that were included in the short term debtors figure for 2020/21.

23 Cash and Cash Equivalents

	31 March 2022 £000	31 March 2021 £000
Cash held by the Council	**29**	21
Bank overdraft	**-3,935**	-1,059
Instant access deposit accounts/investments that mature within 90 days or less	**68,971**	27,237
Total Cash and Cash Equivalents	**65,065**	**26,199**

24 Short Term Creditors

	31 March 2022 £000	31 March 2021 £000
Central government bodies	**-61,843**	-57,025
Other local authorities	**-3,532**	-2,004
NHS bodies	**-510**	-561
Capital creditors	**-6,298**	-6,031
Accumulated absences	**-14,047**	-12,126
Receipts in advance	**-39,952**	-11,785
Other entities and individuals	**-42,273**	-36,019
Total	**-168,455**	**-125,551**

The increase in receipts in advance of £28.2 million was mainly due to the receipt of £25.6 million Council Tax Energy Rebate grant monies on 30 March 2022.

25 Provisions

	Insurance	Business Rate Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2021	-11,598	-2,583	-500	-14,681
Additional provision made in 2021/22	-2,913	0	-486	-3,399
Amounts used in 2021/22	3,343	990	500	4,833
Amounts reversed in 2021/22	0	0	0	0
Balance at 31 March 2022	**-11,168**	**-1,593**	**-486**	**-13,247**

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2020/21). The short term element of this provision is estimated based on the percentage of claims paid out in the previous year.

Amounts have been set aside on the Council's Financial Resilience Reserve to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

Councils are liable for a share of any repayments to ratepayers as a result of reductions in Rateable Value (RV) arising from successful appeals against rates charged. Appeals are determined by the Valuation Office Agency and can go back a number of years.

The split between long term and short term provisions is as follows:

	Short Term Provisions	Long Term Provisions	Total Provisions
	£000	£000	£000
Balance at 31 March 2022	**-3,629**	**-9,618**	**-13,247**
Balance at 1 April 2021	-4,600	-10,081	-14,681

26 Other Long Term Liabilities

	31 March 2022	31 March 2021
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	**-81,324**	-88,107
Net Liability Related to Defined Benefit Pension Scheme	**-759,731**	-998,570
Long Term Provisions	**-9,618**	-10,081
PFI Deferred Income	**-537**	-1,074
Total	**-851,210**	**-1,097,832**

27 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 10 Adjustments between accounting basis and funding basis under regulations and Note 11 Transfers to and from Earmarked Reserves.

28 Unusable Reserves

Some of the Council's reserves are required to comply with proper accounting practice and are not usable reserves available to meet revenue or capital expenditure. These are listed as follows:

	31 March 2022 £000	31 March 2021 £000
Capital Adjustment Account	**-725,440**	-722,259
Revaluation Reserve	**-257,749**	-192,942
Pensions Reserve	**759,731**	998,570
Financial Instruments Revaluation Reserve	**-1,366**	-1,296
Financial Instruments Adjustment Account	**2,587**	2,838
Pooled Fund Adjustment Account	**-627**	959
Deferred Capital Receipts Reserve	**-3,403**	-3,406
Collection Fund Adjustment Account	**14,116**	35,617
Accumulated Absences Account	**14,047**	12,126
Dedicated Schools Grant Adjustment Account	**22,254**	25,106
Total Unusable Reserves	**-175,850**	**155,313**

The Dedicated Schools Grant Adjustment Account was created on 1 April 2020 following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations. These regulations require the Council to carry forward a deficit on the Dedicated Schools Grant (DSG) from the current and previous years to be dealt with from future DSG income up to 2022/23. The Council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school's budget.

The Dedicated Schools Grant Adjustment Account negative balance of £22.3 million as at 31 March 2022 includes a £22.7 million High Needs deficit carried forward on the Balance Sheet to be funded by future DSG income as per updated statutory guidance. The remaining surplus balance of £0.4 million includes net savings on Early Years and Central School Services budgets in 2021/22.

Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below.

The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property. It also contains the revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2021/22	2020/21
	£000	£000
Balance at 1 April	**-722,259**	-695,084
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	**-9,662**	-7,669
Use of Capital Receipts Reserve to repay debt	**-792**	-753
Use of the Major Repairs Reserve to finance new capital expenditure	**-15,368**	-12,750
Capital grants and contributions credited to the CIES that have been applied to capital financing	**-20,939**	-17,644
Application of grants to capital financing from the Capital Grants Unapplied Account	**-19,799**	-12,269
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	**-10,948**	-11,641
Capital expenditure charged against the General Fund and HRA Balances	**-6,814**	-5,335
	-806,581	-763,145
Charges for depreciation and impairment of non-current assets	**55,208**	53,350
Amortisation of intangible assets	**334**	294
Revaluation losses on PPE	**12,938**	9,645
Revaluation gains on PPE	**-21,164**	-69,446
Movements in the market value of Investment Property	**-3,039**	2,949
Revenue expenditure funded from capital under statute (REFCUS)	**28,343**	14,695
Amounts of non-current assets written off on disposal or sale	**9,997**	47,645
Adjusting amounts written out of the Revaluation Reserve	**-1,835**	-18,491
Deferred Income written down - Waste PFI	**-537**	-537
Long-term debtors written down	**931**	806
Financial Instruments impairment charge	**-35**	-24
Balance at 31 March	**-725,440**	**-722,259**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2021/22	2020/21
	£000	£000
Balance at 1 April	**-192,942**	-189,568
Upward revaluation of assets	**-72,281**	-34,986
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**5,639**	13,122
	-259,584	-211,432
Difference between fair value depreciation and historical cost depreciation	**1,356**	1,471
Accumulated gains on assets sold or scrapped	**479**	17,019
Balance at 31 March	**-257,749**	**-192,942**

Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

			2021/22			2020/21
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**948,835**	**49,735**	**998,570**	775,565	49,185	824,750
Pension cost payable to Pension Fund	**-39,611**	**-3,679**	**-43,290**	-31,983	-3,465	-35,448
Actuarial gain(-)/loss	**-430,796**	**-1,651**	**-432,447**	118,035	2,923	120,958
Reversal of IAS19 entries	**235,892**	**1,006**	**236,898**	87,218	1,092	88,310
Balance at 31 March	**714,320**	**45,411**	**759,731**	**948,835**	**49,735**	**998,570**

29 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2021/22	2020/21
	£000	£000
Interest received	**-1,302**	-1,451
Interest paid	**24,846**	25,235
Dividend received	**-443**	-454

30 Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements

	2021/22	2020/21
	£000	£000
Pension adjustments	**-193,608**	-52,862
Depreciation, impairment and amortisation	**-52,739**	-51,074
Revaluation gains/losses	**11,265**	56,851
Carrying amount of non-current assets sold or de-recognised	**-9,997**	-47,645
Movements on -		
Provisions	**1,433**	-2,145
Inventories	**2,274**	3,048
Revenue debtors (including bad debt provision)	**-26,039**	37,785
Revenue creditors	**-24,817**	-75,315
Other non-cash items	**1,809**	-132
Total non-cash movements	**-290,419**	**-131,489**

31 Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2021/22	2020/21
	£000	£000
Capital grants	**29,707**	29,209
Proceeds from the sale of Property, Plant and Equipment (PPE), Investment Property and Intangible Assets.	**14,153**	7,485
Total	**43,860**	**36,694**

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2021/22				2020/21			
	At 1 April	**Financing cashflows**	**Non cash changes**	**At 31 March**	At 1 April	Financing cashflows	Non cash changes	At 31 March
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Long term borrowing	**375,817**	**66,463**	**2**	**442,282**	373,660	2,156	1	375,817
Short term borrowing	**54,233**	**-23,218**	**0**	**31,015**	57,582	-3,349	0	54,233
PFI & finance lease liabilities	**94,298**	**-6,040**	**0**	**88,258**	100,197	-5,899	0	94,298
Total liabilities from financing activities	**524,348**	**37,205**	**2**	**561,555**	**531,439**	**-7,092**	**1**	**524,348**

32 External Audit Costs

Grant Thornton is the Council's appointed Auditor for the audit of the Statement of Accounts. The fees payable were as follows:

	2021/22	2020/21
	£000	£000
Grant Thornton:		
External audit services – scale fee	**131**	122
External audit services – additional charges	**81**	74
Non audit services	**0**	9
	212	**205**
Mazars:		
Certification of grant claims and returns	**30**	30
	242	**235**
PSAA refund	**0**	-24
Redmond review grant	**-63**	0
Total	**179**	**211**

33 Pooled Funds

Section 75 of the National Health Service Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds allow health bodies and local authorities to work collaboratively to address specific local health issues.

Integrated Community Equipment Service

In 2003/04, the Council in association with the local Clinical Commissioning Groups (CCGs) (formerly Primary Care Trusts) established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions. These are negotiated and agreed between the parties each year. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2021/22	2020/21
	£000	£000
Funding provided to the pooled budget		
Kirklees Council - Adults	-1,826	-1,809
Kirklees Council - Children	-516	-504
Kirklees CCG	-1,683	-1,654
Total Funding	**-4,025**	**-3,967**
Expenditure met from the pooled budget		
Kirklees Council - Adults	1,397	1,297
Kirklees Council - Children	275	255
Kirklees CCG	1,671	1,551
Total Expenditure	**3,343**	**3,103**
Net surplus arising on pooled budget during the year	-682	-864
Council share of the net surplus arising on the pooled budget	-670	-761

Better Care Fund

Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with the local CCGs established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement.

	2021/22	2020/21
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-26,901	-26,901
Kirklees CCG schemes	-31,920	-30,631
Total Funding	**-58,821**	**-57,532**
Expenditure met from the pooled budget		
Kirklees Council	46,779	45,799
Kirklees CCG schemes	12,042	11,733
Total Expenditure	**58,821**	**57,532**
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

34 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more was as follows. This table includes Senior Officers who are disclosed in the next part of the note:

	2021/22		2020/21	
Remuneration Band (£)	**Teachers**	**Other**	Teachers	Other
50,000 - 54,999	91	112	112	48
55,000 - 59,999	65	29	60	16
60,000 - 64,999	46	23	42	18
65,000 - 69,999	30	3	28	11
70,000 - 74,999	24	8	23	4
75,000 - 79,999	12	3	10	5
80,000 - 84,999	5	11	8	4
85,000 - 89,999	5	2	3	2
90,000 - 94,999	3	0	1	0
95,000 - 99,999	0	3	0	2
100,000 - 104,999	1	5	1	7
105,000 - 109,999	0	3	1	0
110,000 - 114,999	0	0	1	0
115,000 - 119,999	1	1	1	1
120,000 - 124,999	0	0	0	1
125,000 - 129,999	1	2	0	1
130,000 - 134,999	0	0	0	2
135,000 - 139,999	0	3	0	0
140,000 - 144,999	0	0	0	0
145,000 - 149,999	0	0	0	0
150,000 - 154,999	0	0	0	0
155,000 - 159,999	0	0	0	0
160,000 - 164,999	0	1	0	0
165,000 - 169,999	0	0	0	1
170,000 - 179,999	0	0	0	0
180,000 - 189,999	0	0	0	0
190,000 - 194,999	0	1	0	0
Total	**284**	**210**	**291**	**123**

The remuneration figures include employee pension contributions and any severance costs but exclude employer's pension contributions.
It should be noted that no employees received redundancy payments in 2021/22 (2020/21 no employees) exceeding the £50,000 remuneration band, who would not normally have done so.

The note excludes employees of Voluntary Aided and Trust Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council.

The following table sets out the remuneration disclosures for the Council's Senior Officers (Directors' Group and Monitoring Officer), whose full time equivalent salary is equal to or more than £50,000 per year. The definition of Senior Officers are those officers who have statutory responsibilities and/or are responsible for strategic decisions in the Council. In line with statutory regulations, officers with a salary of £150,000 or more per year are named.

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions	Employers pension contributions (3)	Total Remuneration including pension contributions
	£	£	£	£	£
2021/22					
Chief Executive – Jacqui Gedman	190,363	0	190,363	30,268	220,631
Strategic Director Adults & Health	137,935	0	137,935	21,932	159,867
Strategic Director Children & Families	138,946	0	138,946	22,092	161,038
Strategic Director Corporate Strategy, Commissioning & Public Health	135,975	0	135,975	21,620	157,595
Strategic Director Environment & Climate Change	127,096	0	127,096	20,208	147,304
Strategic Director Growth & Regeneration	127,003	0	127,003	20,193	147,196
Service Director Governance & Commissioning (Monitoring Officer)	105,162	0	105,162	16,721	121,883
Service Director Finance (s151 Officer)	105,162	0	105,162	16,721	121,883
2020/21					
Chief Executive – Jacqui Gedman	168,903	0	168,903	26,855	195,758
Strategic Director Adults & Health	133,451	0	133,451	21,219	154,670
Strategic Director Children & Families	130,417	0	130,417	20,736	151,153
Strategic Director Corporate Strategy, Commissioning & Public Health	128,539	0	128,539	20,438	148,977
Strategic Director Environment & Climate Change (1)	68,808	0	68,808	10,940	79,748
Strategic Director Growth & Regeneration (2)	61,711	0	61,711	9,812	71,523
Service Director Governance & Commissioning (Monitoring Officer)	101,743	0	101,743	16,177	117,920
Service Director Finance (s151 Officer)	98,825	0	98,825	15,713	114,538

(1) The Strategic Director for Environment & Climate Change commenced on the 10th of September 2020, the annualised salary for 2020/21 is £143,389.
(2) The Strategic Director for Growth & Regeneration commenced on the 21st of September 2020, the annualised salary for 2020/21 is £143,389
(3) No added years pensions were provided for Senior Officers.

It should be noted that the 2020/21 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2021/22 and will exclude those who left the Council in 2020/21. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the Council in the prior year.

Exit Packages and Termination Benefits
Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of their pension.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
2021/22				£000	£000	£000
£0 - £20,000	0	5	5	64	53	11
£20,001 - £40,000	0	1	1	24	24	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**6**	**6**	88	77	11
2020/21						
£0 - £20,000	0	3	3	15	9	6
£20,001 - £40,000	0	3	3	93	93	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**6**	**6**	**108**	**102**	**6**

35 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2021/22 before recoupment			-404,440
Academy and High Needs figure recouped for 2021/22			163,126
Total DSG after recoupment for 2021/22			-241,314
Plus brought forward from 2020/21			0
Less carry forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution for 2021/22	-48,960	-192,354	-241,314
In year adjustments	-12,310	-2,804	-15,114
Final budget distribution for 2021/22	-61,270	-195,158	-256,428
Less actual central expenditure	58,418		58,418
Less actual ISB deployed to schools		195,158	195,158
Plus Local authority contribution for 2021/22	0	0	0
In Year Carry-forward to 2022/23	**-2,852**	**0**	**-2,852**
Plus/Minus Carry-forward to 2022/23 agreed in advance			0
Carry-forward to 2022/23			-2,852
DSG unusable reserve at the end of 2021/22			25,106
Addition to DSG unusable reserve at the end of 2021/22			0
Total of DSG unusable reserve at the end of 2021/22			25,106
Net DSG position at the end of 2021/22			**22,254**

36 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows stakeholders to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to transact freely with the Council.

i) Elected Members and Chief Officers

There were 5 material disclosures to declare for 2021/22, 4 relating to Elected Members and a Chief Officer. The material disclosures are mentioned below. It should be noted that all members' financial and other interests which could conflict with those of the Council are open to public inspection as required by regulation. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

A Councillor was a trustee and chair of Yorkshire Water Community Trust. During 2021/22, the Council made no payments to the trust and received no income from it.

A Councillor was a director of Media Centre Network Ltd. The Council has given a loan to Media Centre Network Ltd. As at 31 March 2022, £0.183 million was outstanding (£0.191 million as at 31 March 2021).

A Councillor was a Director of Kirklees Community Association (KCA). In 2021/22, the Council received £0.266 million income from KCA (£0.079 million in 2020/21).

A Councillor was a Director of Calderdale and Kirklees Careers Ltd. In 2021/22, the Council made payments of £2.332 million to the Company and received £0.010 million from it.

A Service Director was a Director for a Social Enterprise delivering a range of local Services and facilities for the benefit of residents in a local ward of Huddersfield. In 2021/22 the Council made payments of £0.476 million to the enterprise and received £0.001 million from the enterprise.

5 Councillors were Directors of Kirklees Neighbourhood Housing along with a Senior officer of the Council. The Company is not currently trading and In 2021/22 no transactions took place.

ii) Companies

The Council has a number of interests in companies. The main transactions were as follows (payments and receipts shown gross):

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2021/22	2020/21	**2021/22**	2020/21	**31 March 2022**	31 March 2021
	£000	£000	**£000**	£000	**£000**	£000
Calderdale and Kirklees Careers Service	**-10**	-35	**2,332**	2,259	**-1**	-4
Kirklees Active Leisure	**-1,295**	-616	**6,708**	7,148	**135**	96
Kirklees Community Association	**-266**	-79	**0**	0	**35**	29
Kirklees Theatre Trust	**-16**	-15	**266**	217	**0**	1
North Huddersfield Trust	**-144**	-116	**0**	0	**1**	21
Yorkshire Energy Services	**-19**	-22	**0**	0	**0**	2

The following related party transactions are disclosed elsewhere in the accounts:

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 37).
- NHS Bodies (see Notes 33 and 37).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2021/22 amounted to £19.7 million (2020/21 £19.1 million). Certain Parish Councils have also invested funds with the Council. As at 31 March 2022, £0.352 million (£0.421 million at 31 March 2021) was invested.
- Pension Fund (see Note 41).
- Joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd (see Note 40).

The Council has provided a £3.8 million loan to Kirklees Stadium Development Ltd (KSDL). The recoverability of the loan is uncertain due to a potential restructure of KSDL and an impairment of the loan may be necessary. At the balance sheet date, no impairment has been reflected in the Statement of Accounts.

37 Grant Income

The Council credited the following grants and contributions to the CIES:

	2021/22 £000	2020/21 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant (RSG)	**-13,104**	-13,033
NNDR Top up Grant	**-28,808**	-28,808
PFI Grants	**-11,359**	-11,359
New Homes Grant	**-2,780**	-3,438
Business Rates Relief	**-22,442**	-35,790
Covid-19 Support Grant	**-12,220**	-23,630
Covid-19 SFC Compensation	**-1,296**	-8,671
Covid-19 Tax Loss Compensation	**-380**	-5,002
Covid-19 Local Council Tax Support Scheme	**-5,376**	0
Other Non-Specific Grants (under £2 million)	**-3,413**	-2,897
	-101,178	**-132,628**
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
Standards Fund	**-2,246**	-3,133
Local Transport Plan (LTP)	**-6,227**	-7,906
Other Capital Grants and Contributions (under £2 million)	**-21,771**	-18,707
Total	**-131,422**	**-162,374**
Credited to Services		
Revenue		
Dedicated Schools Grant	**-254,474**	-234,393
DWP – Rent Allowance	**-35,930**	-39,748
DWP – Rent Rebate	**-31,269**	-33,372
Department of Health Grant (Public Health)	**-26,286**	-26,055
Clinical Commissioning Groups (CCGs) – Better Care Fund	**-19,968**	-18,869
Clinical Commissioning Groups (CCGs) – Other	**-12,348**	-14,659
Pupil Premium Grant	**-12,081**	-12,356
PFI Grant (ring fenced to HRA)	**-7,912**	-7,912
Universal Infant Free School Meals Grant	**-3,561**	-3,937
Teachers' Pension Grant	**-255**	-6,229
Social Care Support Grant	**-13,500**	-11,031
Improved Better Care Fund (IBCF)	**-17,298**	-17,298
Covid-19 Grants	**-30,272**	-57,299
Other Revenue Grants and Contributions (under £2 million)	**-31,565**	-27,902
Capital (REFCUS)		
Standards Fund	**-3,766**	-3,563
Disabled Facilities Grant	**-3,624**	-3,624
Various Capital Grants and Contributions (under £2 million)	**-2,248**	-1,608
Total	**-506,357**	**-519,855**
Total Grants in CIES	**-637,779**	**-682,229**

38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2021/22	2020/21
	£000	£000
Opening Capital Financing Requirement	**760,957**	733,203
Capital Investment		
Property, Plant and Equipment	**91,039**	73,913
Investment Property	**4,972**	55
Intangible Assets	**610**	199
Revenue Expenditure Funded from Capital under Statute	**20,053**	14,868
Loans and Investments	**8,577**	4,180
Inventories	**4,847**	3,443
Sources of Finance		
Capital Receipts	**-9,663**	-8,512
Government Grants and Other Contributions	**-40,737**	-29,913
Major Repairs Reserve	**-15,368**	-12,750
Direct Revenue Contributions	**-6,814**	-5,335
To repay debt:		
Minimum Revenue Provision	**-8,027**	-6,634
Major Repairs Reserve	**-2,921**	-5,007
Capital Receipts	**-792**	-753
Closing Capital Financing Requirement	**806,733**	**760,957**
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	**201**	248
Other	**57,315**	39,900
Provision for Repayment of Debt	**-11,740**	-12,394
Increase in Capital Financing Requirement	**45,776**	**27,754**

39 Leases

Council as Lessee

Finance Leases

The Council has a finance lease on Civic Centre 1, the Stadium Pool & Fitness Suite and also on part of Dewsbury Sports Centre. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2022	31 March 2021
Cost or valuation	**£000**	£000
At 1 April	**12,117**	12,232
Additions & Transfers	**2,027**	335
Revaluation increases recognised in the Revaluation Reserve	**2,098**	0
Revaluation decreases recognised in the provision of services	**0**	-450
At 31 March	**16,242**	**12,117**
Depreciation and impairments		
At 1 April	**-142**	-157
Depreciation charge	**-208**	-227
Depreciation written out to the Revaluation Reserve	**141**	0
Depreciation written out to the provision of services	**0**	242
At 31 March	**-209**	**-142**
Net Book Value as at 31 March	**16,033**	**11,975**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance cost that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2022	31 March 2021
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	**1,049**	1,049
Finance costs payable in future years	**6,061**	6,151
Minimum lease payments	**7,110**	**7,200**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000	£000	**£000**	£000
Not later than one year	**90**	90	**0**	0
Later than one year and not later than five years	**360**	360	**0**	0
Later than five years	**6,660**	6,750	**1,049**	1,049
	7,110	**7,200**	**1,049**	**1,049**

Operating Leases
The Council uses vehicles throughout the Kirklees district, financed under the terms of operating leases. The Council is committed at 31 March 2022 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000	£000	**£000**	£000
Not later than one year	**1,125**	1,197	**0**	0
Later than one year and not later than five years	**2,178**	3,303	**0**	0
Later than five years	**0**	0	**0**	0
	3,303	**4,500**	**0**	**0**

Leases and sub lease payments recognised in the year are as follows:

	2021/22	2020/21
	£000	£000
Minimum Lease Payments	**1,207**	950
Contingent Rents	**0**	0
Sub Lease Payments	**0**	0
	1,207	**950**

Council as Lessor

Finance Leases:
The Council leases out large numbers of long land leases on 999 year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2022	31 March 2021
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	**3,404**	3,406
Unearned finance income	**14,290**	14,563
Gross investment in the lease	**17,694**	**17,969**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000	£000	**£000**	£000
Not later than one year	**275**	275	**275**	275
Later than one year and not later than five years	**1,100**	1,100	**1,100**	1,100
Later than five years	**16,319**	16,594	**16,319**	16,594
	17,694	**17,969**	**17,694**	**17,969**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. As there are no contingent rents the minimum lease payments are the same as the gross investment in the leases.

Operating Leases:
The Council leases out property under operating leases for the following purposes:

- For service provision. For example, the Markets' service hires out stalls within Market Halls.
- Receiving income from land and property on a commercial basis.
- Sports facilities to Kirklees Active Leisure (a company that runs community recreation facilities on behalf of the Council). The rentals are at peppercorn rents.
- Various buildings and sites leased to contractors carrying out the Council's PFI schemes. Rentals are at peppercorn rents.

The value of the assets leased out is as follows:

	31 March 2022 £000	31 March 2021 £000
Cost or valuation		
At 1 April	**164,567**	165,448
Additions	**3,046**	875
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	**4,373**	98
Revaluation increases/decreases(-) recognised in provision of services	**1,141**	-1,562
De-recognition - disposals	**-7,839**	-645
De-recognition - other	**0**	0
Other movements in cost or valuation (re-classifications)	**19,327**	353
At 31 March	**184,615**	**164,567**
Depreciation and impairments		
At 1 April	**-9,343**	-8,104
Depreciation and impairment charge for year	**-1,545**	-1,556
Depreciation written out to the Revaluation Reserve	**1,498**	47
Depreciation written out to the Surplus/Deficit to Services	**182**	212
De-recognition - disposals	**7,839**	58
De-recognition - other	**0**	0
At 31 March	**-1,369**	**-9,343**
Net Book Value as at 31 March	**183,246**	**155,224**

The Council received £4.4 million in rent on operating leases in 2021/22 (£4.7 million 2020/21).

The following table shows the future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 March 2022 £000	31 March 2021 £000
Not later than one year	**1,684**	1,592
Later than one year and not later than five years	**2,484**	2,598
Later than five years	**1,589**	1,962
	5,757	**6,152**

40 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – two school, one waste disposal and one housing scheme. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in Note H10 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2022/23	28,940	6,143	6,831	1,686	**43,600**
Between 2023/24 to 2026/27	97,740	20,550	21,312	7,391	**146,993**
Between 2027/28 to 2031/32	86,026	14,988	42,165	8,221	**151,400**
Between 2032/33 to 2034/35	24,867	1,308	19,130	1,776	**47,081**
	237,573	**42,989**	**89,438**	**19,074**	**389,074**

The value of assets held under all schemes:

	2021/22 £000	2020/21 £000
Net Book Value at 1 April	**93,623**	74,659
Additions	**2,657**	1,239
Revaluations net of depreciation written back	**-1,209**	26,533
Disposals	**0**	-6,801
Depreciation	**-593**	-2,007
Net Book Value at 31 March	**94,478**	**93,623**

The value of liabilities for all schemes:

	2021/22 £000	2020/21 £000
At 1 April	**-90,587**	-96,375
Movement in the year	**5,939**	5,788
At 31 March	**-84,648**	**-90,587**

a) Waste Disposal Services

In April 1998, the Council entered into a twenty five year contract for waste disposal services, with Kirklees Waste Services Ltd (now Suez Recycling and Recovery Kirklees Ltd). The contract has now been extended a further two years to 2024/25. The Council leased various sites, including landfill and civic amenity, to the operator and the operator pledged as part of the contract to carry out capital work, which included the building of a new waste to energy plant/recycling centre at Huddersfield and a transfer station at Dewsbury. All assets constructed on leased land come into Council ownership at the end of the contract and these assets must be in a condition which would allow services to continue. Contract payments are part fixed and the other part varies according to tonnages and meeting targets. The Council pays for any additional costs arising from new statutory requirements concerning waste disposal, such as Landfill Tax.

The Council incurred costs of £15.4 million under the contract in 2021/22 (2020/21 £12.9 million) and received £3.2 million in PFI Grant (2020/21 £3.2 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2022/23	13,989	127	1,706	15,822
Between 2023/24 to 2024/25	31,644	0	0	31,644
	45,633	**127**	**1,706**	**47,466**

The estimated payments for service charges are based on expected tonnages and 2021/22 price base. The estimates do not include extra charges arising from changes in statutory regulations.

Under this contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets are effectively financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This balance is released to income and expenditure over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement. The balance as at 31 March 2022 was £0.5 million (31 March 2021 £1.1 million).

The value of assets (other land and buildings) held under this scheme is as follows:

	2021/22 £000	2020/21 £000
Net Book Value at 1 April	**28,890**	14,727
Additions	**1,174**	0
Revaluations net of depreciation written back	**-2,683**	14,903
Depreciation	**-19**	-740
Net Book Value at 31 March	**27,362**	**28,890**

The value of liabilities held under this scheme is as follows:

	2021/22 £000	2020/21 £000
At 1 April	**-3,279**	-4,722
Movement in the year	**1,573**	1,443
At 31 March	**-1,706**	**-3,279**

b) Schools 1

In March 2001, the Council entered into a thirty two and a half year contract with Kirklees Schools Services Ltd for the delivery of services to nineteen of the Council's schools consisting of:

- Initial investment to carry out major repairs and improvements.
- Maintenance of the buildings over the contract period.
- Provision of caretaking and cleaning services for the contract period.

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The operator does have the right to use the assets for appropriate third-party use, outside the times they must be available to meet the Council's requirements. The amount of third-party use varies from asset to asset, but is not significant within the overall context of the contract.

The Council incurred costs of £16.0 million under the contract in 2021/22 (2020/21 £15.9 million) and received £5.9 million in PFI Grant (2020/21 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2022/23	10,740	2,276	1,675	1,350	16,041
Between 2023/24 to 2026/27	46,310	7,822	6,974	5,927	67,033
Between 2027/28 to 2031/32	61,206	5,767	16,483	7,350	90,806
Between 2032/33 to 2033/34	15,951	385	6,258	1,776	24,370
	134,207	**16,250**	**31,390**	**16,403**	**198,250**

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2021/22 £000	2020/21 £000
Net Book Value at 1 April	**46,281**	42,896
Additions	**547**	809
Revaluations	**878**	10,282
Disposals	**0**	-6,801
Depreciation	**-573**	-905
Net Book Value at 31 March	**47,133**	**46,281**

The value of liabilities held under this scheme is as follows:

	2021/22 £000	2020/21 £000
At 1 April	**-32,310**	-33,689
Movement in the year	**920**	1,379
At 31 March	**-31,390**	**-32,310**

c) Schools 2

In March 2005, the Council entered into a PFI contract with QED (KMC) Holdings Ltd for a period until 31 August 2031, for delivery to three of the Council's Special Schools of:

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.
- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The Council incurred costs of £2.8 million under the contract in 2021/22 (£2.8 million in 2020/21) and received £2.2 million in PFI Grant (2020/21 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2022/23	1,328	519	534	336	2,717
Between 2023/24 to 2026/27	5,625	1,678	2,136	1,465	10,904
Between 2027/28 to 2031/32	6,925	778	3,632	871	12,206
	13,878	**2,975**	**6,302**	**2,672**	**25,827**

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with "All items RPI". The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2021/22	2020/21
	£000	£000
Net Book Value at 1 April	**3,954**	3,564
Additions	**736**	182
Revaluations	**-177**	282
Disposals	**0**	0
Depreciation	**0**	-74
Net Book Value at 31 March	**4,513**	**3,954**

The value of liabilities held under this scheme is as follows:

	2021/22	2020/21
	£000	£000
At 1 April	**-6,920**	-7,414
Movement in the year	**618**	494
At 31 March	**-6,302**	**-6,920**

41 Pensions Disclosures

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.
- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2021/22, the Council paid £17.0 million (2020/21 £17.5 million) in respect of teachers' retirement benefits, representing 23.7% (2020/21 23.5%) of pensionable pay. Payments of £1.5 million were owing to the scheme as at 31 March 2022 (31 March 2021 £1.6 million). As a proportion of the total contributions to the scheme during the year ending 31 March 2022, the Council's contribution equated to approximately 0.2% (2020/21 0.2%).
- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2021/22, the Council paid £0.1 million (2020/21 £0.1 million) to the NHSBSA, representing 14.4% (2020/21 14.4%) of pensionable pay. As a proportion of the total contributions to the Scheme during the year ending 31 March 2022, the Council's contribution equated to approximately 0.001% (2020/21 0.001%).

In addition, the Council has awarded discretionary post-retirement benefits upon early retirement (including to teachers) – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pensions' payments as they eventually fall due.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement:

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2021/22				
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	114,882	0	0	114,882
Past service cost	0	0	0	0
Financing and Investment income and expenditure:				
Net interest expense	21,121	472	1,006	22,599
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**136,003**	**472**	**1,006**	**137,481**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-203,527	0	0	-203,527
Actuarial gains and losses arising on changes in demographic assumptions	-28,080	-329	-670	-29,079
Actuarial gains and losses arising on changes in financial assumptions	-204,012	-505	-1,164	-205,681
Actuarial gains and losses due to liability experience	5,571	86	183	5,840
Total Post Employment Benefit charged to the CIES	**-294,045**	**-276**	**-645**	**-294,966**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-136,003	-472	-1,006	-137,481
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	37,640	1,971	0	39,611
Retirement benefits payable to pensioners	0	0	3,679	3,679

	LGPS		Teachers	Total
	Funded	Unfunded		
2020/21	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	69,540	0	0	69,540
Past service cost	207	0	0	207
Financing and Investment income and expenditure:				
Net interest expense	16,949	522	1,092	18,563
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**86,696**	**522**	**1,092**	**88,310**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-330,788	0	0	-330,788
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	477,101	1,592	3,611	482,304
Actuarial gains and losses due to liability experience	-29,543	-327	-688	-30,558
Total Post Employment Benefit charged to the CIES	**203,466**	**1,787**	**4,015**	**209,268**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-86,696	-522	-1,092	-88,310
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29,945	2,038	0	31,983
Retirement benefits payable to pensioners	0	0	3,465	3,465

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	LGPS		Teachers	Total
	Funded	Unfunded		
2021/22	£000	£000	£000	£000
Opening balance 1 April 2021	-2,865,993	-23,475	-49,735	-2,939,203
Current Service Cost	-114,882	0	0	-114,882
Interest cost	-65,618	-472	-1,006	-67,096
Contributions by scheme participants	-14,988	0	0	-14,988
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	28,080	329	670	29,079
Arising on changes in financial assumptions	204,012	505	1,164	205,681
Due to liability experience	-5,571	-86	-183	-5,840
Benefits/transfers paid	71,073	1,971	3,679	76,723
Past service costs	0	0	0	0
Net increase in liabilities from disposals/acquisitions	-286,969	0	0	-286,969
Closing balance 31 March 2022	**-3,050,856**	**-21,228**	**-45,411**	**-3,117,495**
2020/21				
Opening balance 1 April 2020	-2,347,810	-23,726	-49,185	-2,420,721
Current Service Cost	-69,540	0	0	-69,540
Interest cost	-53,402	-522	-1,092	-55,016
Contributions by scheme participants	-12,588	0	0	-12,588
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	0	0	0	0
Arising on changes in financial assumptions	-477,100	-1,592	-3,611	-482,303
Due to liability experience	29,543	327	688	30,558
Benefits/transfers paid	65,111	2,038	3,465	70,614
Past service costs	-207	0	0	-207
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2021	**-2,865,993**	**-23,475**	**-49,735**	**-2,939,203**

Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS)

	31 March 2022 £000	31 March 2021 £000
Opening balance 1 April	**1,940,636**	1,595,972
Interest income on assets	**44,497**	36,453
Remeasurement gains and losses	**203,527**	330,789
Employer contributions	**37,640**	29,945
Contributions by scheme participants	**14,988**	12,588
Benefits paid	**-71,073**	-65,111
Net increase in assets from disposals/acquisitions	**187,549**	0
Closing balance 31 March	**2,357,764**	**1,940,636**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year showed a return of £248.0 million (2020/21 return of £367.2 million). WYPF does not hold any of the Council's transferable financial instruments as plan assets.

Assets in the LGPS are valued at fair value, principally market value for investments, totalling £17.8 billion for the Fund as a whole at 31 March 2022 (£16.2 billion at 31 March 2021). The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to each employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the total Fund. The Fund is largely liquid and as a consequence there would be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer payment).

The administering authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

The percentage breakdown of Fund assets is as follows:

	Quoted %	Unquoted %	2021/22 Total %	2020/21 Total %
Equity investments	**67.8**	**12.0**	**79.8**	79.7
Government Bonds	**7.4**	**0**	**7.4**	8.3
Other Bonds	**4.8**	**0**	**4.8**	4.6
Property	**1.6**	**2.4**	**4.0**	3.8
Cash/ liquidity	**0**	**2.9**	**2.9**	2.0
Other	**0**	**1.1**	**1.1**	1.6
	81.6	**18.4**	**100.0**	**100.0**

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found on Bradford Councils website at - Bradford.gov.uk/your-council/council-budgets-and spending.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Solutions UK Ltd, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2019.

The principal assumptions used by the actuary have been:

	2021/22			2020/21		
	LGPS		**Teachers**	LGPS		Teachers
	Funded	**Unfunded**		Funded	Unfunded	
Rate of inflation – CPI	**3.00%**	**3.00%**	**3.00%**	2.70%	2.70%	2.70%
Rate of increase in salaries	**4.25%**	**n/a**	**n/a**	3.95%	n/a	n/a
Rate of increase in pensions	**3.00%**	**3.00%**	**3.00%**	2.70%	2.70%	2.70%
Rate for discounting liabilities	**2.70%**	**2.70%**	**2.70%**	2.10%	2.10%	2.10%
Take up of option to convert annual pension into retirement grant	**75%**	**n/a**	**n/a**	75%	n/a	n/a
Mortality assumptions (years):						
Longevity at 65 for current pensioners:						
Men	**21.8**	**21.8**	**21.8**	21.9	21.9	21.9
Women	**24.6**	**24.6**	**24.6**	24.7	24.7	24.7
Longevity at 65 for future pensioners:						
Men	**22.5**	**n/a**	**n/a**	22.6	n/a	n/a
Women	**25.7**	**n/a**	**n/a**	25.8	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that for each change only the assumption being analysed changes, whilst all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £3,050.9 million and for projected service cost is £104.7 million.

	2021/22		2020/21	
Discount rate assumption				
Adjustment to discount rate p.a.	+0.1%	-0.1%	+0.1%	-0.1%
Present value of total obligation £k	2,989,839	3,111,873	2,808,673	2,923,313
% change in present value of total obligation	-2.0%	+2.0%	-2.0%	+2.0%
Projected service cost £k	101,251	108,266	95,783	102,420
Approximate % change in projected service cost	-3.3%	+3.4%	-3.3%	+3.4%
Rate of general increase in salaries				
Adjustment to salary increase rate p.a.	+0.1%	-0.1%	+0.1%	-0.1%
Present value of total obligation £k	3,060,009	3,041,703	2,874,591	2,860,261
% change in present value of total obligation	+0.3%	-0.3%	+0.3%	-0.2%
Projected service cost £k	104,706	104,706	99,052	99,052
Approximate % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption				
Adjustment to pension increase rate p.a.	+0.1%	-0.1%	+0.1%	-0.1%
Present value of total obligation £k	3,102,721	2,998,991	2,914,715	2,817,271
% change in present value of total obligation	+1.7%	-1.7%	+1.7%	-1.7%
Projected service cost £k	108,266	101,251	102,420	95,783
Approximate % change in projected service cost	+3.4%	-3.3%	+3.4%	-3.3%
Post retirement mortality assumption*				
Adjustment to longevity	-1 Year	+1 Year	-1 Year	+1 Year
Present value of total obligation £k	3,157,636	2,944,076	2,972,035	2,762,817
% change in present value of total obligation	+3.5%	-3.5%	+3.7%	-3.6%
Projected service cost £k	108,999	100,518	103,212	94,991
Approximate % change in projected service cost	+4.1%	-4.0%	+4.2%	-4.1%
*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.				

Asset and Liability Matching Strategy

	2021/22	2020/21	2019/20	2018/19	2017/18
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS Funded	**-3,050,856**	-2,865,993	-2,347,810	-2,413,147	-2,213,824
LGPS Unfunded	**-21,228**	-23,475	-23,726	-28,619	-29,181
Teachers	**-45,411**	-49,735	-49,185	-56,257	-56,604
Fair value of assets in the LGPS	**2,357,764**	1,940,636	1,595,972	1,759,889	1,687,827
Deficit in the scheme:					
LGPS Funded	**-693,092**	-925,360	-751,838	-653,258	-525,997
LGPS Unfunded	**-21,228**	-23,475	-23,726	-28,619	-29,181
Teachers	**-45,411**	-49,735	-49,185	-56,257	-56,604
Total	**-759,731**	**-998,570**	**-824,749**	**-738,134**	**-611,782**

The net liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £759.7 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Funding is only required to be raised to cover the unfunded benefits when the pensions are actually paid.

It should be noted that the net liability is volatile as:

- The liabilities are linked to yields on AA-rated corporate bonds
- A significant proportion of the assets of the scheme are invested in equities.

Changes in equity markets in conjunction with any volatility on the discount rate, leads to volatility in the funded status of the pension plan. This volatility also affects actuarial gains and losses in Other Comprehensive Income.

An asset-liability matching strategy aims to match the amount and timing of cash inflows from plan assets with those of cash outflows form the defined benefit obligation. WYPF does not currently have any formal asset liability matching strategies in place such as annuities or longevity swaps to manage risk, although it does review the mix of assets held after each triennial valuation, to ensure there is an appropriate balance between the expected return from those assets and the risk that outcomes will not meet expectations.

WYPF aim to reach 100% funding over a period of time and therefore the assets built up will be able to meet all present and future liabilities. The way in which WYPF seeks to achieve this is set out in their Funding Strategy Statement (FSS), which in turn also refers to the Statement of Investment Principles (SIP) governing the asset mix which WYPF would seek to hold at any time.

Both the Funding Strategy Statement and Statement of Investment Principles can be found on WYPFs website.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2023 is £33.5 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

GROUP ACCOUNTS

INTRODUCTION

The increasing diversity of service delivery vehicles used by local authorities over recent years has resulted in a requirement to produce Group Accounts. Rather than just using traditional types of service provision, many local authorities now form or invest in separate companies in the public and private sector. As these companies and investments are separate entities, they are not considered in the accounts of the Council. This can result in accounts that do not give a full picture of the services provided and the risks, rewards and costs taken on as a result.

The Group Accounts include:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Notes to the Accounts**

The Council's Group Accounts for 2021/22 are made up of the accounts of the Council and a joint venture (Kirklees Stadium Development Limited). KSDL is consolidated on the Equity method. The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Stadium Development Limited (KSDL)
The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2022.

In 2021/22, based on the Council's interest and after adjusting for the valuation of the stadium, in line with the Group's accounting policies, the Company made an operating deficit of £0.1 million, (operating deficit £0.2 million 2020/21). Similarly, as at 31 March 2022, the Company had net assets of £17.6 million (£17.3 million at 31 March 2021).

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement sets out the accounting cost of the Group providing services in accordance with generally accepted accounting practices. This may be different from the accounting cost.

	2021/22			2020/21		
	Gross Exp £000	**Gross Income £000**	**Net Exp £000**	Gross Exp £000	Gross Income £000	Net Exp £000
Children & Families	**428,931**	**-310,740**	**118,191**	402,361	-296,647	105,714
Adults & Health	**242,172**	**-120,039**	**122,133**	224,716	-112,134	112,582
Growth & Regeneration	**56,386**	**-21,001**	**35,385**	41,455	-17,757	23,698
Environment & Climate Change	**118,861**	**-33,973**	**84,888**	88,477	-39,778	48,699
Corporate Strategy, Commissioning & Public Health	**291,567**	**-122,730**	**168,837**	189,517	-149,895	39,622
Central Budgets	**33,360**	**-1,911**	**31,449**	26,543	-4,975	21,568
HRA	**80,462**	**-107,103**	**-26,641**	30,980	-130,974	-99,994
Subsidiary (KNH)	**0**	**0**	**0**	60,112	-2,112	58,000
Cost of Services	**1,251,739**	**-717,497**	**534,242**	**1,064,161**	**-754,272**	**309,889**
Other operating expenditure			**730**			43,541
Financing and investment income and expenditure			**38,259**			45,189
Taxation and non-specific grant income			**-371,980**			-370,170
Surplus(-)/Deficit on Provision of Services			**201,251**			**28,449**
Joint venture accounted for on an equity basis			**292**			261
Tax expenses of subsidiary and joint venture			**0**			8
Group Surplus(-)/Deficit			**201,543**			**28,718**
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			**-66,642**			-21,864
Impairment losses on non-current assets to the Revaluation Reserve			**0**			0
Surplus on revaluation of available for sale financial assets			**-69**			-57
Re measurements of the net defined benefit liability			**-432,447**			149,709
Share of other comprehensive income and expenditure of joint venture			**-620**			0
Other Comprehensive Income and Expenditure			**-499,778**			**127,788**
Total Comprehensive Income and Expenditure			**-298,235**			**156,506**

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movements in year on the different reserves held by the Group, analysed between usable reserves and unusable reserves.

	General Fund Balances £000	Housing Revenue Account £000	Useable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000
2021/22									
Balance at 31 March 2021	-197,353	-58,418	-56,889	-312,660	155,313	-157,347	95,918	-16,866	-78,295
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	218,121	-16,870	0	201,251	-499,158	-297,907	292	-620	-298,235
Adjustments between group and Council accounts	0	-4,360	0	-4,360	100,735	96,375	-96,409	40	6
Adjustments between accounting & funding basis under regulations	-187,561	24,954	-1,028	-163,635	67,260	-96,375	0	0	-96,375
Net Increase(-)/Decrease	**30,560**	**3,724**	**-1,028**	**33,256**	**-331,163**	**-297,907**	**-96,117**	**-580**	**-394,604**
Balance at 31 March 2022 carried forward	**-166,793**	**-54,694**	**-57,917**	**-279,404**	**-175,850**	**-455,254**	**-199**	**-17,446**	**-472,899**
2020/21									
Balance at 31 March 2020	-113,442	-61,018	-51,623	-226,083	-51,693	-277,776	59,740	-16,765	-234,801
Reporting of Schools Budget Deficit to new DSG Adjustment Account at 1 April 2020	-14,396	0	0	-14,396	14,396	0	0	0	0
Restated balance at 1 April 2020	**-127,838**	**-61,018**	**-51,623**	**-240,479**	**-37,297**	**-277,776**	**59,740**	**-16,765**	**-234,801**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure	59,139	-90,134	0	-30,995	99,037	68,042	88,464	0	156,506
Adjustments between group and Council accounts	14,313	38,074	0	52,387	0	52,387	-52,286	-101	0
Adjustments between accounting & funding basis under regulations	-142,967	54,660	-5,266	-93,573	93,573	0	0	0	0
Net Increase(-)/Decrease	-69,515	2,600	-5,266	-72,181	192,610	120,429	36,178	-101	156,506
Balance at 31 March 2021 carried forward	**-197,353**	**-58,418**	**-56,889**	**-312,660**	**155,313**	**-157,347**	**95,918**	**-16,866**	**-78,295**

GROUP BALANCE SHEET

This Group Balance Sheet summarises the financial position of the Group. It shows the value of the Group assets and liabilities at the end of the financial year.

	31 March 2022 £000	31 March 2021 £000	Note
Property, Plant & Equipment	**1,589,513**	1,488,017	
Heritage Assets	**55,156**	55,166	
Investment Property	**103,670**	97,335	
Intangible Assets	**770**	493	
Long Term Investments	**15,134**	13,477	
Investments in Joint Venture	**17,645**	17,317	
Long Term Debtors	**36,534**	28,853	
Long Term Assets	**1,818,422**	**1,700,658**	
Inventories	**7,360**	9,424	
Short Term Debtors	**78,252**	100,070	
Assets Held for Sale	**7,325**	6,250	
Cash and Cash Equivalents	**65,065**	27,527	
Current Assets	**158,002**	**143,271**	
Short Term Borrowing	**-31,015**	-54,233	
Short Term Creditors	**-168,455**	-127,514	
Other Short Term Liabilities	**-6,934**	-6,191	
Provisions	**-3,629**	-4,600	
Current Liabilities	**-210,033**	**-192,538**	
Long Term Borrowing	**-442,282**	-375,817	
Other Long Term Liabilities	**-851,210**	-1,197,279	
Long Term Liabilities	**-1,293,492**	**-1,573,096**	
Net Assets	**472,899**	**78,295**	
Usable Reserves	**-279,603**	-216,742	
Unusable Reserves	**-193,296**	138,447	**G2**
Total Reserves	**-472,899**	**-78,295**	

Notes to the Group Accounts

The Council has only included notes which are materially different from the single entity disclosure notes.

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IFRS10 Consolidated Financial Statements and IFRS11 Joint Arrangements.

Companies do have some scope to adopt different accounting policies under UK GAAP and therefore adjustments must be made to the company figures and policies where necessary in order to bring them into line with the reporting authority's policies.

The accounting polices used in the Group Accounts are the same as those for the single entity accounts unless otherwise stated.

Tangible Fixed Assets

The Code requires that the reporting authority and its companies share the same accounting policies in relation to measurement, recognition, valuation and depreciation of fixed assets. These policies are detailed in the single entity accounting policies.

The stadium has been revalued to a Depreciated Replacement Cost basis for the purpose of consolidation to the Group on a consistent basis with the Council's accounting policy. Using the Equity method for joint venture consolidation, this is reported in the "Investments in Joint Venture" row in the Group Balance Sheet.

G2 Unusable Reserves

The following table provides details of the unusable reserves of the Group:

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	0	-725,439	-725,439
Revaluation Reserve	-13,213	-257,749	-270,962
Pensions Reserve	0	759,731	759,731
Other	-4,233	47,607	43,374
Balance at 31 March 2022	**-17,446**	**-175,850**	**-193,296**
Capital Adjustment Account	0	-722,259	-722,259
Revaluation Reserve	-12,593	-192,942	-205,535
Pensions Reserve	0	998,570	998,570
Other	-4,273	71,944	67,671
Balance at 31 March 2021	**-16,866**	**155,313**	**138,447**

G3 Related Party Transactions

The notes below disclose the related party transactions between the Council and KSDL.

Kirklees Stadium Development Limited

During 2021/22 the Council incurred costs of £0.03 million in relation to services provided by KSDL.

The Council loaned £3.8 million to KSDL on a short-term basis in 2021/22 (2020/21 nil). At 31 March 2022 the total amount owed to the Council is £4.0 million.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2021/22	2020/21	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	**29,266**	26,992	
Supervision and management	**29,796**	27,413	
Special services	**1,731**	1,644	
Rent, rates, taxes and other charges	**974**	772	
Depreciation of non-current assets	**18,289**	17,757	**H1**
Debt management costs	**22**	25	
Movement in the allowance for bad debts	**384**	735	
Total Expenditure	**80,462**	**75,338**	
Income			
Dwelling rents	**-80,110**	-79,333	
Non-dwelling rents	**-186**	-226	
Charges for services and facilities	**-2,584**	-2,559	
Grants and contributions	**-7,912**	-7,912	**H10**
Revaluation gains on Property, Plant and Equipment	**-16,311**	-47,228	**H1**
Total Income	**-107,103**	**-137,258**	
Net Income of HRA Services as included in the CIES	**-26,641**	-61,920	
HRA share of Corporate & Democratic Core	**156**	154	
HRA share of Non-distributed costs	**26**	26	
Net Income of HRA Services	**-26,459**	**-61,740**	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	**-2,334**	-1,264	**H4**
Interest payable and similar charges	**11,124**	11,636	
Interest and investment income	**-58**	-97	**H1**
Income and expenditure in relation to Investment Properties and changes in fair value	**1,226**	-386	
Capital grants and contributions receivable	**-369**	-209	
Surplus for the year on HRA services	**-16,870**	**-52,060**	

MOVEMENT ON THE HRA STATEMENT

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2021/22		2020/21		Notes
	£000	**£000**	£000	£000	
Balance on the HRA at the end of the previous year		**-58,418**		-61,018	
Surplus for the year on the HRA Income and Expenditure Statement		**-16,870**		-52,060	
Adjustments involving the Capital Adjustment Account:					
Net revaluation gains on PPE	**14,669**		47,226		**H1**
Movements in the market value of Investment Property	**0**		-41		
Capital grants and contributions applied	**369**		209		
Amounts of non-current assets written off on disposal or sale	**-7,073**		-4,138		**H4**
Capital expenditure charged against balances	**4,590**		3,317		
Provision for the financing of capital investment	**3,027**	**15,582**	2,720	49,293	
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	**9,478**		5,450		**H4**
Contribution towards administrative costs of asset disposals	**-71**	**9,407**	-48	5,402	
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		**-35**		-35	
Adjustments involving the KNH Surplus Reserve					
Transfer from General Fund to HRA		**-4,360**		0	
Increase(-)/decrease in the year on the HRA		**3,724**		2,600	
Balance at the end of the current year		**-54,694**		-58,418	

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for Council dwellings in 2021/22 is £17.9 million (2020/21 £17.6 million).

The revaluation of the HRA was carried out on the 31 December 2021 by the DVS Valuation Office Agency.

Revaluations of Council dwellings during the year resulted in a £70.3 million gain (2020/21 £47.2 million gain) – of which a £45.1 million increase at the formal valuation date of 31 December 2021 and an estimated increase of £25.2 million from January – March 2022 based on an increase of 3.4% as advised by the DVS Valuation Office Agency. The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41% (2020/21 41% as adjusted by the valuer).

There was a revaluation loss on Investment Properties of £1.642 million in 2021/22 (2020/21 £0.043 million loss).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Assets Under Construction	Investment Properties	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2021	720,632	4,267	4,467	813	7,847	738,026
Additions	19,245	0	0	2,979	0	22,224
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	39,666	0	38	0	0	39,704
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	12,744	0	8	0	-1,642	11,110
De-recognition - disposals	-2,806	-4,267	0	0	0	-7,073
Assets reclassified to(-)/ from Held for Sale	-5,245	5,245	0	0	0	0
Other movements	0	0	0	405	0	405
At 31 March 2022	**784,236**	**5,245**	**4,513**	**4,197**	**6,205**	**804,396**
Accumulated Depreciation and Impairment						
At 1 April 2021	0	0	0	0	0	0
Depreciation charge	-17,931	0	-358	0	0	-18,289
Depreciation written out to the Revaluation Reserve	14,289	0	356	0	0	14,645
Depreciation written out to Surplus on the Provision of Services	3,642	0	2	0	0	3,644
At 31 March 2022	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value						
at 31 March 2022	**784,236**	**5,245**	**4,513**	**4,197**	**6,205**	**804,396**
at 1 April 2021	720,632	4,267	4,467	813	7,847	738,026

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 31 December 2021 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £1,851 million. The difference between this and the Balance Sheet value reflects the economic cost of providing Council housing at less than open market rents.

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal in 2021/22 was £2.3 million (2020/21 gain £1.3 million).

H5 Major Repairs Reserve

Statutory regulation requires that a Major Repairs Reserve is maintained. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance new capital expenditure on HRA assets or repay HRA debt.

	2021/22	2020/21
	£000	£000
Balance at 1 April	**0**	0
Amount equivalent to depreciation	**-18,289**	-17,757
	-18,289	**-17,757**
Financing of new capital expenditure	**15,368**	12,750
Used to repay debt	**2,921**	5,007
Balance at 31 March	**0**	**0**

H6 Capital Expenditure and Sources of Finance

	2021/22	2020/21
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	**22,417**	17,675
Total Capital Expenditure	**22,417**	**17,675**
Financed by:		
Finance Lease (PFI)	**-200**	-248
Major Repairs Reserve	**-15,368**	-12,750
Capital Receipts	**-1,889**	-1,151
Capital Grant and Contributions	**-370**	-209
HRA RCCO/Reserves	**-4,590**	-3,317
Total Sources of Finance	**-22,417**	**-17,675**

H7 Capital Receipts

	2021/22	2020/21
	£000	£000
Capital receipts from sales of:		
Dwellings	**-9,453**	-5,385
Land	**-20**	0
Clawback of legal title on Right to Buy sales	**-5**	-65
Capital receipts from mortgage repayments	**0**	0
	-9,478	**-5,450**
Contribution to Housing Pooled Capital Receipts	**2,013**	2,108
Disposal costs	**72**	48
Usable capital receipts	**-7,393**	**-3,294**

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement.

H8 Housing Stock

The Council's housing stock at 31 March 2022 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,774	5,253	4,183	319	12,529
Flats/ Bedsits and Maisonettes	6,966	2,353	101	0	9,420
	9,740	7,606	4,284	319	21,949
By Age	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,338	5,049	1,503	639	12,529
Flats/ Bedsits and Maisonettes	188	2,318	3,812	3,102	9,420
	5,526	7,367	5,315	3,741	21,949

H9 Rent Arrears

Net rent arrears have decreased over the year, as follows:

	2021/22	2020/21
	£000	£000
Rent Arrears	**4,672**	4,754
Less Bad Debt Provision	**-1,559**	-1,503
Net Rent Arrears	**3,113**	**3,251**

H10 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites. The operator is obliged to hand over the housing units in a specified condition at the end of the contract for no incremental consideration.

The Council incurred costs of £9.5 million under the contract in 2021/22 (2020/21 £9.3 million) and received £7.9 million in PFI Grant (2020/21 £7.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments of Liability	Total
	£000	£000	£000	£000
In 2022/23	2,882	3,221	2,916	9,019
Between 2023/24 and 2026/27	14,161	11,050	12,202	37,413
Between 2027/28 and 2031/32	17,895	8,443	22,050	48,388
Between 2032/33 and 2034/35	8,916	923	12,872	22,711
Total	**43,854**	**23,637**	**50,040**	**117,531**

Part of the contract is indexed annually in line with RPI (assumed to be 2.5% throughout the life of the contract).

The value of assets (Council Dwellings) held under this scheme is as follows:

	2021/22	2020/21
	£000	£000
Net Book Value at 1 April	**14,498**	13,472
Additions	**201**	248
Revaluations net of depreciation written back	**773**	1,066
Depreciation	**0**	-288
Net Book Value at 31 March	**15,472**	**14,498**

The value of liabilities held under this scheme is as follows:

	2021/22	2020/21
	£000	£000
At 1 April	**-48,077**	-50,549
Movement in the year	**2,826**	2,472
At 31 March	**-45,251**	**-48,077**

COLLECTION FUND STATEMENT

The Collection Fund Statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic (Business) Rates.

	2021/22			2020/21			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	Note
	£000	£000	£000	£000	£000	£000	
Income							
Income from Council Tax		-232,631	-232,631		-217,471	-217,471	C1
Income Collectable from Business Ratepayers	-80,809		-80,809	-54,951		-54,951	C2
Contributions towards previous years' Collection Fund deficit	-50,443	-2,469	-52,912	0	0	0	
General fund Contribution for discretionary discounts	0	-2,800	-2,800	0	-4,548	-4,548	
Total Income	-131,252	-237,900	-369,152	-54,951	-222,019	-276,970	
Expenditure							
Precepts and demands -							
Central Government	49,328		49,328	52,599		52,599	
Kirklees Council	48,341	197,123	245,464	51,547	190,484	242,031	
West Yorkshire Fire and Rescue	987	8,006	8,993	1,052	7,958	9,010	
West Yorkshire Police		25,180	25,180		23,716	23,716	
Allowance for impairment of debt	-3,728	3,139	-589	8,380	3,729	12,109	
Provision for Appeals	-2,021	0	-2,021	2,692	0	2,692	
Cost of collection	587		587	586		586	
Transitional Protection Payment	1,508		1,508	1,696		1,696	
Designated Areas	252		252	157		157	
Distribution of previous year's Collection Fund surplus	0	0	0	3,957	68	4,025	
Total Expenditure	95,254	233,448	328,702	122,666	225,955	348,621	
Surplus(-)/Deficit	-35,998	-4,452	-40,450	67,715	3,936	71,651	
Balance at 1 April	63,341	5,303	68,644	-4,374	1,367	-3,007	
Balance at 31 March	27,343	851	28,194	63,341	5,303	68,644	C3

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

The Council Tax is charged on a series of property valuation bands. These bands, the charges due for the year and the average Council Tax are shown below.

Estimated at the start of the year						
	2021/22				2020/21	
Number of Chargeable Dwellings	**Band D Equivalent Dwellings**	**Average Council Tax**	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
72	40	1,073.61	A (5/9)	70	39	1,021.47
54,082	36,055	1,288.33	A (6/9)	54,518	36,345	1,225.76
28,057	21,822	1,503.05	B (7/9)	28,189	21,925	1,430.05
27,782	24,695	1,717.77	C (8/9)	27,802	24,713	1,634.35
15,336	15,336	1,932.49	D (9/9)	15,210	15,210	1,838.64
11,146	13,623	2,361.93	E (11/9)	11,046	13,501	2,247.23
5,084	7,344	2,791.37	F (13/9)	5,017	7,247	2,655.81
2,055	3,426	3,220.82	G (15/9)	2,034	3,389	3,064.40
109	218	3,864.98	H (18/9)	109	218	3,677.28
	122,559		Total		122,587	
	-3,381		Estimated losses on collection		-1,759	
	119,178		Council Tax Base		**120,828**	

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 51.2p (2020/21 51.2p) and the small business non-domestic rating multiplier of 49.9p (2020/21 49.9p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2021/22	2020/21
	£000	£000
Non-domestic rate income 2021/22 (average rateable value £283,701,999)	**-141,567**	
Non-domestic rate income 2020/21 (average rateable value £286,732,293)		-143,079
Allowance and other adjustments (net)	**60,758**	88,128
	-80,809	**-54,951**

The actual non-domestic rateable value at 31 March 2022 was £283,872,779 (£286,230,899 at 31 March 2021).

Kirklees has been part of a Leeds City Region (LCR) business rates pool since April 2013. It pools the business rates income of member authorities, which includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds, Harrogate and York (tariff authorities). Leeds are the lead authority for the administration of the LCR Pool. For 2019/20 and 2020/21 the pool was expanded, with a combined LCR and North Yorkshire pool being approved by Government, but the pool reverted to its original LCR membership of West Yorkshire authorities plus Harrogate and York in 2021/22.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2021/22. As part of the 2022/23 Local Government Finance Settlement, Government confirmed a further 50% pool application for 2022/23 was successful.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. The overall pool position for 2021/22 has yet to be determined, but as in previous years any gain will be utilised for the benefit of all pool members.

C3 Movement on Balances

The balance on the Collection Fund relates to Council Tax, Community Charge and Business Rates. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, West Yorkshire Police Authority and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. That part of the balance which relates to Business Rates will be shared between the Council, Central Government and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2021	Share of 2021/22 Surplus (-)/ Deficit	**31 March 2022**
	£000	£000	**£000**
Council Tax and Community Charge			
Kirklees Council: Community Charge	-10	0	**-10**
Council Tax	4,554	-3,810	**744**
Collection Fund Adjustment Account - Council Tax	4,544	-3,810	**734**
West Yorkshire Police Authority - Council Tax	570	-483	**87**
West Yorkshire Fire and Rescue Authority - Council Tax	189	-159	**30**
	5,303	**-4,452**	**851**
Business Rates			
Kirklees Council - Business Rates	30,933	-17,535	**13,398**
Collection Fund Adjustment Account - Business Rates	30,933	-17,535	**13,398**
Central Government - Business Rates	31,775	-18,103	**13,672**
West Yorkshire Fire and Rescue Authority - Business Rates	633	-360	**273**
	63,341	**-35,998**	**27,343**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Business Rates deficit for 2021/22 is again larger than in previous years. This is primarily as a result of businesses being awarded expanded retail and nursery reliefs in 2021/22 totalling around £10.5 million, as part of the Governments response to the Covid-19 pandemic. These reliefs were not anticipated on the 2021/22 NNDR1 Government return submitted to Central Government in January 2021. This Government return informed the Council's Budget setting for 2021/22.

The reliefs effectively reduce the net amount the Council can collect from businesses, and as the precept amounts cannot be changed the result is a considerable deficit. However, these reliefs are funded by MHCLG through Section 31 Grants. These grants have been received in 2021/22 and have been transferred to the Council's earmarked reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2022/23.

A further relief announced in March 2021 but for which guidance was only issued in December 2021 was the Covid-19 Additional Relief Fund (CARF). The Council was awarded £7.4 million of CARF grant. However, given the timing of the award and the requirements to apply the reliefs to businesses, it was not utilised in 2021/22. As the CARF grant was received on account and as it will not be reconciled until 2022/23, the grant is held as a creditor on the Council's Balance Sheet.

The financial year 2021/22 marked the second year of charges relating to the phasing of Collection Fund deficits. The intention to implement the three year local tax Collection Fund deficit phasing was announced by the Secretary of State in July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations amended the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the 'exceptional amount' (i.e relating to Covid-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

Glossary of Terms

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts
These are the proceeds from the sale of capital assets.

Cash Equivalents
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks.

Contingent Asset
A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability
A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core
Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost
The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme
A scheme in which retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciated Replacement Cost
A method of valuation which provides a recognised proxy for the market value of specialised properties. It is an estimate of the market value for the existing use of land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV – SH)
Existing Use Value for Social Housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following assumptions:

- The property will continue to be let by a body and used for social housing;
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably hinder the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements;
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let then, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund
This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets
A type of asset which is kept primarily for its contribution to knowledge and culture. Examples of heritage assets include museum artefacts, paintings, sculptures and civic regalia.

Housing Revenue Account (HRA)
This fulfils the statutory obligation for Councils to account separately for the provision of Council houses. The Local Government and Housing Act 1989 ring fenced the HRA so that no subsidy can be received from the General Fund.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets
Intangible assets are assets which do not have a physical form e.g. externally purchased software.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Leasing
A method of financing capital expenditure which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset. A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Live Condition – Grant
Live conditions are those conditions that specify that a grant must be used for a specific purpose and if it isn’t used for that purpose, the grant funding must be returned to the giver.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Domestic Rates (also known as Business Rates)
This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

Non-distributed Costs
These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Past Service (Pensions) Costs
Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Precept
This is a charge levied by a local authority which is collected on its behalf by another authority (for example, the Police or Fire Authority). It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provisions
These are liabilities of uncertain timing or amount.

Related Parties
Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure
This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Settlements and Curtailments (Pensions)
Settlements and curtailments are non-periodic costs. They are events that change the pensions' liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Soft Loans
Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the Council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

Usable Reserves
These represent reserves available to support revenue and capital expenditure and are divided as follows:

- General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.
- Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.
- Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.
- Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.
- Major Repairs Reserve – The Council is required by regulations to maintain this reserve. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.
- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met.

These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account **-** This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve **-** This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.
- Dedicated School Grant Adjustment Account - A temporary ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council's General Fund Earmarked reserves.

Kirklees Council

Annual Governance Statement 2021/22

February 2023

Overall Conclusion & Opinion

We have considered carefully the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation during 2022/23 and beyond in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Shabir Pandor, Leader of the Council

Jacqui Gedman, Chief Executive

Significant Governance Issues during 2021/22

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2020/21 Statement and some new areas of potential concern. Any of these that meets one or more of the following criteria (suggested by CIPFA / SOLACE) has been regarded as significant and included in this Statement:

A) It undermines / threatens the achievement of organisational objectives
B) It is a significant failure to meet the principles of good governance
C) It is an area of significant concern to an inspector, external audit, or regulator
D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee (CGAC) has recommended it be included
E) It is an issue of public or stakeholder concern
F) It is an issue that cuts across the organisation and requires cooperation to address it

Progress with the Significant Governance Issues in last year's Statement

Our previous Statements recognise that many issues are complex, and sometimes not solely entirely under the Council's direct control. These often take longer than one year to address and embed remedial action. Therefore, some of these may feature in one form or another for a longer period, even if some aspects can be resolved during the year. This has been reflected in what remains to be done, as shown in the table over the page. Nevertheless, good governance will always be subject to actions that seek continuous improvement.

Good progress has been made since the 2020/21 Statement in addressing several of the Issues highlighted in it and consequently these have been omitted from the current Statement, as they no longer represent a threat to the organisation. Similarly, where there has been a change of focus or circumstance this has resulted in several being combined and revised herein.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
1	The Corporate Planning process needs further strengthening with improved linkages to	Delivery of key Council objectives could be undermined.	The refreshed Corporate Plan, *Our Council Plan 2021/23*, was agreed as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal place	An Annual Planning Cycle has been agreed, which will lead to the publishing of the next revision to the Council Plan in January 2023. This will reflect

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
	both revenue and capital resource allocation and performance measures to ensure delivery of key Council objectives. (A, B, F)		for people to live, work and grow up in. It includes clear statements of priorities and actions to achieve them and is subject to regular performance reporting on which the Leader and Cabinet are held to account by Scrutiny and Council. The Medium-Term Financial Plan 2020-23 (revenue), Capital Plan (2020-25) and the subsequent budget planning cycles for the financial years 2021/22 and 2022/23 have been aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements regarding outcome-based budgeting remains a "work in progress" in the 2022/23 budget exercise (early 2022).	the Administration's priorities and the impact on the organisation and its finances post pandemic. It will recognise other national and international pressures -particularly inflation and the impact of the Cost of Living Crisis for residents and staff. Ongoing work is already informing the 2023/24 budget process. Ongoing review of the Council's challenging in-year 2022/23 financial position, including impact of unprecedented cost of living inflationary and other pressures organisation wide, management actions and updated financial strategies, and a financial governance framework that supports deliverable cost reduction/base budget savings plans: both current year and future years. To develop a more robust, intelligence-led performance management mechanism (using quantitative and qualitative indicators) across the organisation

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
				aligned with the annual planning cycle to drive resource allocation aligned to priority outcomes and to monitor their delivery. An aligned Communications Strategy will be further developed and agreed, including the engagement of all Members.
2	Delivery of the Council's Transformation Activities. (A, F)	Work is ongoing corporately to embed innovation and change to help ensure key priorities can be achieved.	The priority transformation programmes, to which transformation resources are allocated, have been updated to areas of priority based on need and scale of challenge.	The focus is on ensuring these priorities are further shaped and delivered over the coming years to produce better outcomes and increasing prioritisation focus on the delivery of future significant cashable savings / cost avoidance.
3	Strengthen and develop Partnership Governance and new relationships. (A, E, F)	Key outcomes require significant input from partners and others.	Partnership governance has improved at an Executive and 'anchor institution' (key public and private sector partners) level. Uncertainties have arisen associated with changed ways of working with newly emerging / re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership /influencing /integration perspective, especially regional funders and partners, including the	Continue to develop further developments to partnership working, recognising the different perspective of those partners with their own resources, and those who are dependent partially, or wholly, on the council for funding, and to reflect these developing relationships with increased visibility at Cabinet level through six monthly assurance reporting on the Council's key

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			West Yorkshire Mayor and Combined Authority. Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health & Wellbeing Board and matters arising from the Integrated Care Strategy.	partnerships and associated parties.
4	Continue to Strengthen Risk Management. (B, C, D)	To ensure sufficient organisational resilience to resist the type of failings experienced in the local authority sector and beyond.	Work has been ongoing to improve the quality of directorate-based risk arrangements and risk elevation. An initial corporate Assurance Framework and culture has been developed in connection with all key and emerging business risks, including learning the lessons from historically different service delivery.	Embed the changes made during the year and new assurance arrangements to deliver greater knowledge and active choices about risk, appetite, and options. Establish and embed a corporate assurance process to provide oversight of the corporate risk management process.
5	Employee recruitment & retention pressures (A, F)	People resources is a vital part of being able to deliver the key outcomes for the Council.	National and local challenges continue in one of the toughest labour markets for 50 years. There are many hard to fill roles, including highways engineering, social workers and care staff, and HGV drivers, where additional focus and support over and above the People Strategy programme of work has been introduced. The refreshed People Strategy work programme has continued aiming at various retention related initiatives and market	Recognising the labour market challenges the budget identified £4.7m for workforce planning. Action plans at service level needs to be completed and consolidated into a coherent arrangement. To ensure that budgets to support workforce planning are prioritised, an assurance process will require fully costed, evidence-based business cases to be scrutinised, prioritised

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			supplements, plus a longer term "grow your own" approach via apprenticeships etc.	and approved by the Executive Team. Personnel Committee will maintain oversight of this activity and receive updates and assurance on the effectiveness of relevant strategies adopted. Retention strategies need to be embedded and deployed effectively.
6	Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers. (B, C, F)	Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities.	Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council considered the adoption of the LGA Model Code of Conduct. Following a thorough analysis, the Standards Committee concluded the best fit for the Council would be to produce our own hybrid version and this was adopted by the Council in December 2021. Consideration of proposals to review options around committee structures.	A programme of Member Training to reflect on the New Code and work of the Standards Committee. Consolidate findings from internal and external sources into an options paper for decision. Implementing a new operating model that takes us to service delivery at a less centralised level and ensuring that all staff understand the role they play in Place-Based Working as council officers.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			Implementation of the reviews. Work has been ongoing to develop and embed place-based working.	
7	Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents. (A, C, E)	Work is ongoing to embed innovation and change but it has not yet reached a *business as usual* state.	Following transfer of the ALMO, a report from an external consultant in summer 2021 identified a number of areas of improvement placing significant risk on the Council, namely: • Poor data integrity and lack of system integration • Overdue delivery of fire safety remedial actions • Water Hygiene: lack of visibility of risk across domestic dwellings, completion of communal re-inspection programmes and review dwellings included, completion of remedial actions • Asbestos management: poor data management, completion of inspection and re-inspection programme. An Action Plan of 55 recommendations was formulated, of which 76% had been implemented by the end of 2021. Cabinet was informed that overall, the improvement plan remained on programme as we continue to complete	Continue prioritised delivery of the Action Plan to ensure completion by the programmed date of March 2024. Data integrity has been strengthened for building safety in particular data for fire safety with interim IT solutions and all high-risk fire safety remedial actions have been completed. Asbestos and re-inspection programmes are now in place and being competed to target with any remedial works identified completed promptly to ensure continued compliance. This is now 80% complete and the outstanding high-risk actions are now complete. The remaining actions, due to their complexity, are the subject of commissions with external consultants to ensure the management plans for

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			recommendations by priority and key areas of the improvement plan. The remaining actions due to their scale and complexity are being progressed with support from corporate enablers e.g., IT, Data and Intelligence and Transformation colleagues. The estimated completion date of the overall plan is March 24. Given the priority relating to overdue Fire Risk Assessment (FRA) remedial actions, we also track the completion of every high priority action and those to high rise blocks notified to the Regulator. Of the outstanding 1,164 high risk remediation actions at the time of the review, 1,118 have been completed with the balance in procurement or in contract. The low and medium rise FRA actions are currently at the early stages of contract negotiation. The outcome of these will determine the programme. Discussions with the Regulator in summer 2022 recognised the good progress being made, at a challenging time for the housing sector, that there was still work to be done to deliver the recommendations of the review and agreed to continue to receive monthly updates on progress. Good	each of the Big 6 compliance areas are reviewed including process maps. Also, a separate commission to enable data validation to increase the integrity of the data held on building safety. These contracts are due to be awarded at the start of 2023. The low-rise contract for low and medium risk actions had been tendered and preferred contractor identified, however due to the nature contract discussions had to be mutually abandoned to avoid commercial and procurement risk to both parties. This now being re-packaged and being prepared for re-procurement and so the programme will extend beyond March 2024. The scope of the overall transformation programme has been agreed and workstream leads identified with the priorities focused on compliance and process redesign in conjunction with the commissions for management plans and data validation.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2021/22	Further Action in 2022/23
			progress is being made and there are regular programmes of inspection and re-inspection for all 6 building safety workstreams including asbestos and water hygiene whilst, the early work on strengthening processes and data integrity is supporting a stronger internal framework of assurance.	Replacement of the housing management system is well progressed following a pause for review post transfer. This is due to go live in late summer 2023. Continued dialogue with the Regulator who has had monthly updates and meetings with the Service Director.
8	Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption. (B, D)	A key pillar to sound financial governance.	The Counter Fraud Strategy is being revised to fully reflect the national recommended approach and CIPFA Code of Practice. The Corporate Fraud Team transferred to Internal Audit on 1 April 2022.	Adopt and embed the revised Strategy. Prioritise investigative work and report outcomes to ET and CGAC. Develop and commence training and awareness raising amongst key operational staff.

New Issues

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into exiting or slightly refocussed Issues brought forward from last year's Statement.

Governance Issue / Theme	Reason for Inclusion	Action Required in 2022/23
Cost of Living Crisis The impact on residents and the Council itself from the current and projected levels of price inflation on key commodities is such that many of the key objectives may not be able to be achieved as planned, as the focus of many residents changes to meeting basic requirements in terms of food, heat and travel in particular and potentially significantly increased resident, business and community demand for Council services. This in turn may impact on the Council's main income streams and in its expenditure plans to support the most vulnerable members of the community. (A, E, F)	Could prevent achievement of key objectives	There will be an increased focus through the Council's formal decision-making processes on understanding what the impact of any council policy, or change to policy, will have on the financial wellbeing of residents and other stakeholders within the area. Ensure timely and effective strategic communication to all residents, prompt delivery of existing support and advice of all aid and benefit take-up that is available, and ensure sufficient capacity and infrastructure within the Council, anchor partner and community support organisations, to deliver timely and effective support to scale. Ensure cost of living pressures, alongside the impact of the Government 2023/24 financial settlement. are factored into updated financial, performance and risk management reports into the corporate member arena in a timely fashion, and to aid current and future decision-making to respond to emerging and significantly increased organisational challenges accordingly. In year mitigation actions to be

		taken to manage budget overspends likely as a result of increased inflation and energy costs. Ensure the Council has robust governance to support the delivery of sustainable medium term financial strategies and plans in light of cost of living impacted financial challenges, and that will ensure the Council can statutorily continue to live within its available financial means, for the foreseeable future.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress during 2022/23.

Statement Scope

Kirklees Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016.* A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council

This Statement explains how the Council has complied with the Code during 2021/22 and up to the date that the Statement of Accounts is approved (February 2023) and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2021/22 and those which are planned or ongoing in 2022/23.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it engages with, leads and accounts to its communities. Effective governance should enable the Council to monitor the achievement of its strategic objectives and to assess if this has led to the delivery of appropriate services and value for money.

System of internal control are a significant part of any organisations governance framework, designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and provide reasonable, but not absolute, assurance of effectiveness.

The key parts of the governance framework

- A Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- A Council Constitution.
- A Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objective
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.
- Oversight and delivery of the Council Transformation Programme, including several officer boards as described in the Constitution, notably the Children's Board.
- Statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the *CIPFA Statement on The Role of the Chief Financial Officer in Local Authorities (2014).*
- Codes of conduct defining the standards of behaviour for Members and employees

- An Anti-Fraud & Anti-Corruption Policy and arrangements that endeavour to comply with the CIPFA Code and best practice
- A Risk Management Strategy
- Systems of financial and business internal control
- An internal audit section, which is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- Whistle blowing arrangements
- A complaints system for residents and service users
- Business continuity arrangements
- A senior manager to act as the *Caldicott Guardian* to protect the confidentiality of patient and service-user information
- A Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer (Monitoring Officer)
- Arrangements to manage other parts of the Council's (financial) Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

2021/22 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by several sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- The Executive (Cabinet)
- The Corporate Governance & Audit Committee (CGAC)
- The Overview & Scrutiny Committee; and
- The Standards Committee.

The main parts of the review process are described below:

1. Annual Review of effectiveness of the system of internal control

   In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS), the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and monitor progress with this objective, and this will be monitored by the CGAC.

In December 2022, an external assessment as part of a regional peer review process concluded that Internal Audit “Generally Conforms” to PSIAS, this being the highest level of compliance opinion.

2. Head of Audit and Risk’s Annual Assurance Opinion

Other than in respect of a small number of control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall, the Council’s systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

3. External Auditor’s Review

During the year the External Auditor’s Annual Report included

- an unqualified opinion on the Council's 2020/21 financial statements; and
- an unqualified value for money conclusion, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. Corporate Governance & Audit Committee (CGAC)

The Committee considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2021/22 the CGAC reviewed a number of aspects of the Council’s governance arrangements and noted or approved revisions or made recommendations to Council as appropriate.

CGAC also received assurance from various 2021/22 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to conduct their role, training sessions are provided at various intervals, and this includes treasury management, over which the Committee has corporate oversight.

5 Overview & Scrutiny Management Committee

During 2021/22 the Committee and its four Panels reviewed a number of aspects of the Council’s governance arrangements and key issues faced and strategies and responses to manage these.

6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct in addition to an evaluation of the merits of adopting the LGA Code of Conduct which resulted in a hybrid version being adopted.

7 Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

The CFO and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code, and he has undertaken to review how overall arrangements can be strengthened further in line with recommendations made in the report.

8 External Inspections & Peer Reviews

A central repository of the outcome and future timetable of all external inspections, audits, accreditations and reviews has been established during the year by colleagues in the Policy Team from information provided by Service Directors. Areas for improvement and recommendations to be implemented can be identified quickly and progress monitored accordingly to ensure complete corporate oversight, including any areas that may represent significant governance issues for inclusion herein. All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

9 Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium-Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

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Date:

Dear Sirs

Kirklees Metropolitan Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Kirklees Metropolitan Council and its subsidiary undertaking Kirklees Stadium Development Ltd for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land, buildings & investment property valuation and pension liability valuation. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end and are disclosure misclassifications only. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters:

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management:

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Corporate Governance and Audit Committee at its meeting on 10 February 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

Appendix – Schedule of unadjusted errors

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Balance Sheet Bank overdraft should be identified separately on the balance as a liability rather than netted off the cash balance.	0	Dr Cash 3.935m Cr Bank Overdraft (3.935m)	0	Not material and classification only with no overall impact
IFRS 9 adjustment We identified an instance where an 'expected credit loss' assessment wasn't made, resulting in a £3.8m debtor adjustment.	Dr Expense £3.8m	Cr Receivables (long term) (£3.8m)	0	Not material
Total	£3.8m	(£3.8m)	£3.8m	

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Name of meeting: Corporate Governance and Audit Committee

Date: 10 February 2023

Title of report: Dates of Council Meetings – 2023 to 2024 Municipal Year

Purpose of report: Reference to Council – 22 February 2023

To determine dates and times for meetings of Council for the 2023-2024 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 Council's Forward Plan (key decisions and private reports)?	No
The Decision - Is it eligible for "call in" by Scrutiny?	No
Signed off by Director Is it also signed off by the Service Director for Financial Management, IT, Risk and Performance? Is it also signed off by the Service Director - Legal Governance and Commissioning	Rachel Spencer-Henshall 31.1.23 N/A Julie Muscroft 1.2.23
Cabinet Member portfolio	Not applicable

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or Private Status: Public

GDPR Implications: Not applicable

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. Council Procedure Rule 5(6) sets out the requirement that the Elected Mayor of West Yorkshire Combined Authority shall attend at least one meeting each municipal year.

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

The meeting of Annual Council, scheduled for 22 May 2024, will commence (with a civic ceremony) at 12.30pm.

Date	Council Meeting
2023	
Wednesday 12th July	Holding Executive to Account
Wednesday 13th September	Key Discussion
Wednesday 18th October	Holding Executive to Account
Wednesday 15th November	Key Discussion
Wednesday 13th December	Holding Executive to Account
2024	
Wednesday 17th January	Key Discussion
Wednesday 7th February	Holding Executive to Account
Wednesday 6th March	Budget Council
Wednesday 22nd 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 Council on 22 February 2023 seeking approval of the proposed dates for the 2023-2024 municipal year.

6. Officer recommendation

1) That the schedule of Council meetings for the 2023-2024 municipal year be submitted to the meeting of Council on 22 February 2023 with a recommendation of approval

2) That the requirements of Council Procedure Rule 5(6) will be complied with either by adding an additional meeting date, or being included within one of the meetings listed.

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

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Kirklees COUNCIL

Name of meeting: **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

Date: **10 FEBRUARY 2023**

Title of report: **RISK MANAGEMENT UPDATE**

Purpose of report:

To provide information on the Council's Risk Management Statement and its arrangements for Corporate Risk Management

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? Decisions having a particularly significant effect on a single ward may also be treated as if they were key decisions.	**Not Applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Not Applicable**
The Decision - Is it eligible for call in by Scrutiny?	**Not Applicable**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	**Not Applicable** **Yes 01 02 23** **Yes 01 02 23**
Cabinet member portfolio	**Cllr Paul Davies**

Electoral wards affected: **N/A**

Ward councillors consulted: **N/A**

Public or private:
Part of the appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the

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

Has GDPR been considered?   N/A

1. Summary

1.1. The Council has an established risk management process, which has been to an extent successful in generating strategic level risk information, for use as a part of corporate planning, and has also generated some risk information for senior managers and members, although it has been more mixed in its success at Directorate level. The Annual Governance Statement recognises this as a potential area for improvement.

1.2. During the year, an officer dedicated to providing a more systematic and strategic approach to risk management has been employed, and lots of progress has been made in improving engagement and reporting, although a full cultural change is likely to take rather longer.

1.3. The report below provides additional information

2. Information required to take a decision

2.1 The approved Risk Management Strategy requires all Services to maintain an up-to-date risk register, which are reviewed on a regular basis and as a minimum quarterly. The Service and / or Directorate level risk registers are submitted on a quarterly basis for review and challenge by relevant officers, and then used to inform the Corporate Risk Matrix and an Emerging Risk List.

2.2 The Risk Panel, with representatives of all services, meets on a quarterly basis to update the Corporate Risk Matrix and Emerging Risk List. The updated reports are then presented to the Executive Team for further review and challenge, following the same quarterly reporting cycle. The risk reports are discussed in other Member forums, either on a formal or informal basis, including the Corporate Scrutiny Panel which has informally reviewed the matrices on several occasions during the year.

2.3 During 2022 the Council's Risk Assessment Matrix was reviewed and relaunched to ensure a consistent approach to risk scoring, including the assessment of both 'Likelihood' and 'Impact' throughout the Council. This enables risks that have very different causes and / or impacts to be compared and can inform the allocation of resources to mitigate different risks.

2.4 The Corporate Risk Matrix has been structured to group risks into 10 Key Corporate Risks (KCRs) which are listed below. This provides a stable framework for reporting at a summary level, whilst allowing for the inclusion and removal of lower-level risks as determined by internal and external factors.

KCR 1	Financial Sustainability
KCR 2	Effective Governance
KCR 3	Statutory Obligations
KCR 4	Third Party Relationship Management
KCR 5	Workforce Development
KCR 6	Safeguarding
KCR 7	Resilient Operational Processes
KCR 8	Climate Change

KCR 9	Community Wellbeing & Resilience
KCR 10	Physical Assets & Infrastructure

Project Risks are assessed through established project governance reporting frameworks and therefore the decision has been taken to not duplicate this reporting as part of Corporate Risk reporting suite. However, it should be noted that KCR 2 Effective Governance includes a risk concerning organisational capacity and the council wide change delivery programme.

2.5 Work continues to embed effective risk management processes across the Council. Whilst good progress has been made across all areas of the organisation it remains the case that there are varying levels of engagement from service directors and heads of service. Opportunities continue to be used to highlight the benefits of integrating risk management into business-as-usual management processes, rather than it being perceived as a discrete activity.

2.6 In the previous annual update to the Corporate Governance & Audit Committee (November 2021), the intention to recruit resource with a specific remit to deliver improvement in risk management practice was outlined. As noted in the introduction, this officer is now in place and successfully driving engagement with risk management processes across the organisation and providing additional guidance and support where a need is identified.

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

2.8 The focus for 2023-2024 is to continue to maintain effective management of risk across the council, and drive improvements in certain areas. There are specific areas of focus for the coming year:

Challenge and evidencing of documented mitigating controls to ensure they are operating effectively and consistently.
Identification and tracking of further actions that are required to reduce risk exposure, including clarity of ownership/ responsibility and agreed delivery timelines.
Consider the appropriate reporting mechanism for ‘Issues under management’, where risks have crystallised and are now being actively managed.
Review the differing processes for completion of ‘Horizon scanning’ activity and consider the benefit of integrating into quarterly risk reporting. e.g., Ombudsman findings, changes in legislative / regulatory requirements, professional / member organisations, insight from local / national networks.
Explore in more detail with senior managers and Members the concepts of risk appetite, and the opportunities and threats which may follow from a change in approach.
valid.

2.9 The Corporate Risk Matrix identifies the ongoing risks and issues many of which are common to any large local authority (and large organisation). The Q2 22-23 version is attached as Appendix 1 (public)

2.10 The Emerging Risks and challenges report lists items of note or concern that do not feature in the Corporate Risk Matrix but that those charged with governance need awareness of. Actions in place to monitor and / or address these Emerging Risks are detailed and the extent and appropriateness of these actions is asked to be considered. These risks are aligned to the 10 Key Corporate Risks. (Appendix 2 - private)

3. Implications for the Council

3.1 Working with People

No direct impact although risks impact on the entire organisation, and effect this category

3.2 Working with Partners

No direct impact although risks impact on the entire organisation, and effect this category

3.3 Place Based Working

No direct impact although risks impact on the entire organisation, and effect this category

3.4 Climate Change and Air Quality

No direct impact although risks impact on the entire organisation and effect this category.

3.4 Improving outcomes for children

No direct impact although risks impact on the entire organisation, and effect this category

3.5 Financial Implications for the people living or working in Kirklees

No direct impact although risks impact on the entire organisation, and effect this category

3.6 Other (e.g., Integrated Impact Assessment (IIA)/Legal/Financial or Human Resources)

No direct impact although risks impact on the entire organisation, and particularly affect this category, as the crystallisation of most risk will have a financial impact, and on occasions legal impacts.

4. Consultation

None on this report directly. The reports created through the risk management process are subject to a complex interactive consultation process as described in this report

5. Engagement

Not applicable

6. Next steps and timelines

Not applicable directly

7. CGAC are asked to

(a) Indicate if they are content with the risk management processes as described, and currently operated.
(b) Make comments on the risk information included in the reports within the appendix, or on any risks not addressed here

8. **Contact officer**

M E Dearnley Head of Risk
martin.dearnley@ kirklees.gov.uk.
01484 221000

9. Background Papers and History of Decisions

Risk management strategy 2018

10. Service Director responsible

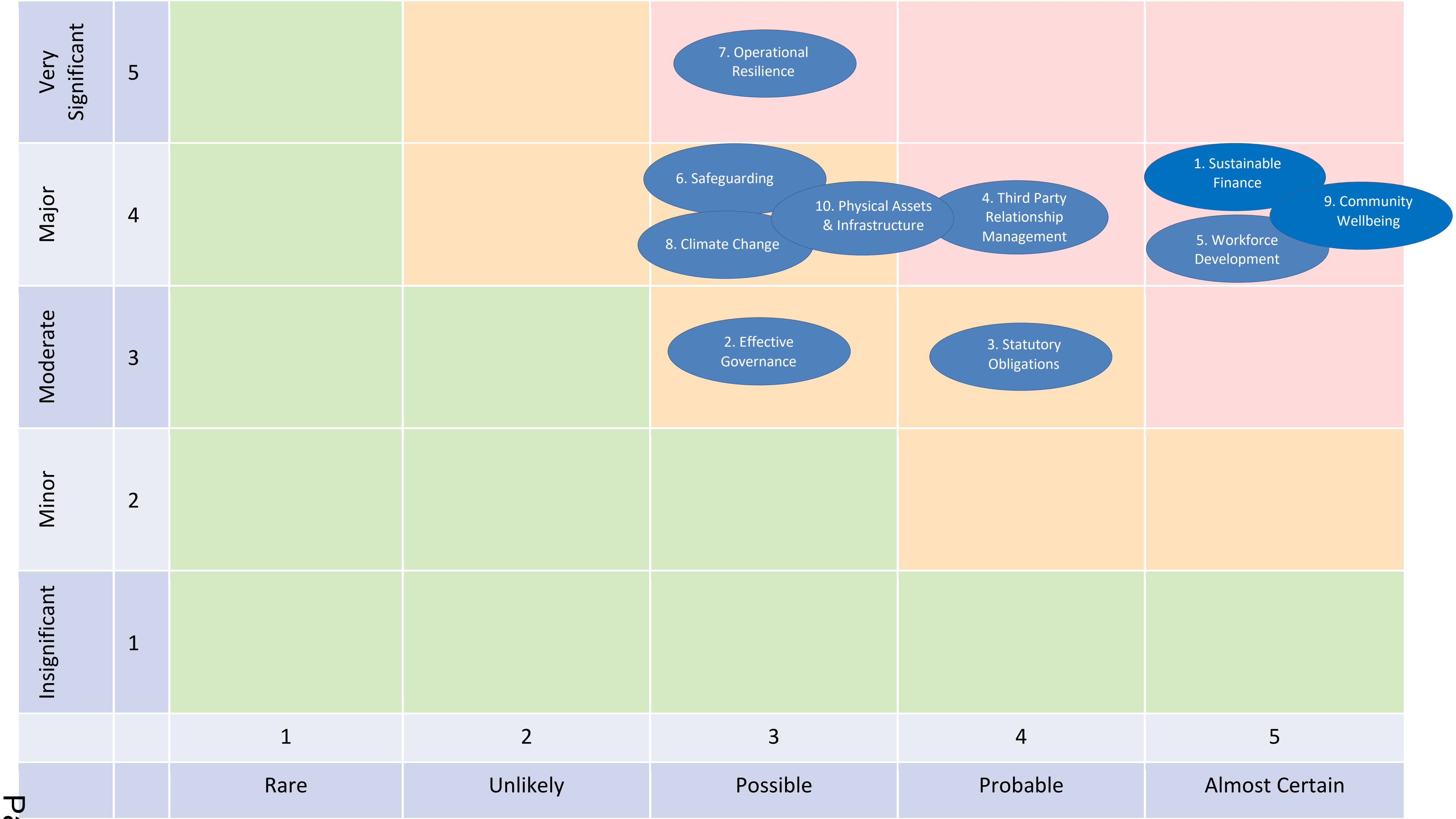
J Muscroft, Service Director Legal Governance and Commissioning
E Croston, Service Director Finance

<u>Appendices</u>

Appendix 1	Risk Map
Appendix 2	Corporate Risk Matrix (public)
Appendix 2	Emerging Risks (private)

KIRKLEES COUNCIL RISK MANAGEMENT **APPENDIX 1**

RISK HEAT MAP & SUMMARY



Where Risks have changed probability and / or impact score their previous position is shown by the grey circle

		Previous quarter	This quarter	Drivers of change
KCR 1	**Sustainable Finance**		20 (5x4)	Whilst the Council has robust financial controls in place external market conditions, specifically the inflationary environment, is resulting in above budget cost increases. Capital programme review ongoing in light of increased borrowing costs. The cost of living crisis is increasing the demand for services and impacting on residents / businesses ability to service payments due.
KCR 2	**Governance Frameworks**		9 (3x3)	There have been improvements in officer adherence to agreed governance processes / timescales. New DPO is now in post, with SARs backlog being actively managed and progress reported on a monthly basis to the ICO. Work on Cabinet / Committee structure is progressing in line with original plan.
KCR 3	**Statutory Obligations**		12 (4x3)	Increasing uncertainty on the legislative agenda across the short to medium term. Widespread calls continue to extend the implementation timeline for the proposed reforms to adult social care. Expectation that the Elections Act will require amended processes for May 2023 and Protect Duty (PAL) will come into force in Summer 2023.
KCR 4	**Third Party Management & Oversight**		16 (4x4)	Continued strong engagement and representation with partner agencies. Collaborative approach with suppliers to work together to manage inflation driven cost increases. Consider if there is read across of high level findings from Internal Audit of KIHCP to other similar programmes.
KCR 5	**Workforce Development**		20 (5x4)	Challenging market conditions are presenting a significant risk to both recruitment and retention success. The risk of industrial action over pay is flagged as an emerging risk. Turnover has risen to pre-pandemic levels. Salaries are becoming increasingly out of line with market norms / candidate expectations.
KCR 6	**Safeguarding**		12 (3x4)	Robust processes and procedures and effective working with strategic partners ensures appropriate escalation and intervention as required. The 2022 JTAI inspection observed there is a well embedded strategic partnership approach to CSE & CCE. Note reduction in score due to re-baselining and not material reduction in risk.
KCR 7	**Operational Resilience**		15 (3x5)	Governance and oversight controls are working effectively. The potential impact of a successful cyber attack is so severe that the risk remains reporting as 'red', despite the operation of the preventative controls that are in place. Online accident and incident reporting system now in place.
KCR 8	**Climate Change**		12 (3x4)	Team have been successful in securing external WYCA gainshare and grant funding for service priority projects and staff resources. The Climate Change Action Plan is progressing through governance with approval at Cabinet and full Council in due course
KCR 9	**Community Wellbeing**		20 (5x4)	The cost of living crisis continues to impact directly on our communities. Planning underway for winter interventions when further increases in fuel costs are expected. Direct financial support continues to be provided through the Household Support Fund, with signposting to existing sources of support (eg FSM).
KCR 10	**Physical Assets & Infrastructure**		12 (3x4)	Embedded assurance activity across both residential and corporate assets continues to control and manage inherent risks associated with property ownership and management. Work underway to validate residential stock quality data is progressing in line with agreed plan.

KEY CORPORATE RISK MATRIX OCTOBER 2022

KCR 1	Financial Sustainability	Previous	Current
Risk Owner: CEO	Risk Type: Financial		⬆

Risk of failing to maintain a sustainable financial position due to the Council facing ongoing financial pressures with multiple causes; Government funding cuts, the impact and subsequent recovery from Covid-19, and the macroeconomic situation which is driving increases in both demand for services and costs to deliver services, as well as increasing borrowing costs across the financial plan period.

Q3 rationale for change: Whilst the Council has robust financial controls in place, external market conditions, specifically the inflationary environment, is resulting in above budget cost increases for directly purchased materials / services and those contracted through third parties. Capital programme review is ongoing in light of increased borrowing costs. The cost of living crisis is increasing the demand for services and impacting on residents / businesses ability to service payments due. The risk therefore remains rated as high and is increasing.

Sources of risk Mitigating controls / actions		**Responsible Officer**	**Previous**	**Current**
1.1	**Failure to achieve the budget impacts more generally on the councils finances with the necessity for unintended savings from elsewhere to ensure financial stability**	**Director of Finance**	**4x5=20**	**4x5=20**
1.1.1	Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level including quarterly reporting to Cabinet / ET and escalation processes as required	Embedded		
1.1.2	Agreed 5 year plan including both capital and revenue spend was agreed in Q1 2022.			
1.1.3	Forecasts reviewed and updated on a monthly basis with updated year end position	Ongoing affordability review of Capital Plan		
1.1.4	Ongoing budget monitoring takes place in conjunction with budget holders			
1.1.5	Regular meetings and ongoing engagement as required between Service Directors and Finance			
1.1.6	Internal Finance business meetings to share knowledge and best practice take place fortnightly			
1.1.7	Virements are used where appropriate to ensure budgets and spend are aligned accurately			
1.1.8	Where appropriate reserves can be released to balance the budget			
1.1.9	Separate process for HRA business plan setting, monitoring and updating however subject to same robust controls			
1.2	**Inflationary pressures are resulting in cost increases, which impact on the council directly, and on the ability of contractors to deliver activities of the specified quality at the agreed price**	**Head of Finance / Procurement / Contract Managers**	**4x4=16**	**5x4=20**
1.2.1	Ongoing and effective communication with service providers and suppliers about likely impact on prices (e.g., 5-year expectation of cost increases by one quarter on construction projects)			
1.2.2	Contract procedure rules followed, investigate where opportunity exists to renegotiate or retender contracts			

1.2.3	Ensure that budgets anticipate likely cost impacts with reasonable allowances built into budget costings to cover inflation risk. Recognise that even where inflation linked cost impacts are permitted contractually, they may not be acceptable politically / reputationally (eg. Rental increase of CPI+1% for HRA allowable) Government consultation on rental cap at 5%. HRA.			
1.2.4	Regular review of priorities and available resources, informed by ongoing monitoring of expenditure and updated forecast position			
1.2.5	Ongoing review of project business cases to consider how changes to assumed costs (borrowing / raw materials / contractor) impact overall viability. Similarly, to revisit benefits case where project outcomes deliver reduced energy consumption.	Head of Commercial Services		
1.3	**The council has significant financial risks related to increasing (above budget) demand for services: currently felt most acutely across Complex Adult Care, Childrens Care Service and Educational High Need Provision**	**Head of Finance**	**4x5 = 20**	**4x5=20**
1.3.1	Dedicated Finance Managers for each service area and dedicated income management teams			
1.3.2	Maximisation of available income sources – ensuring accuracy in charging and collection processes			
1.3.3	There are regular links to performance meetings, monitoring KPIs and contract compliance			
1.3.4	Investment in technology or operational delivery arrangements also helps mitigate cost pressures or new legislative requirements.			
1.3.5	Responsibility for budgetary control aligned to Strategic and Service Directors.			
1.3.6	Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs			
1.3.7	Seek to recover additional costs where budgets held by other parties or partners			
1.3.8	Utilise supplementary resources to cushion impact of cuts and invest to save			
1.3.9	Assess grant related risks and seek to mitigate (with the grant regime)			
1.4	**The risk of a reduction in expected income as both tenants, residents and businesses are struggling with the 'cost of living' and unable to meet financial commitments resulting in a failure to meet budgeted income targets for Council Tax, Business Rates and other payments.**	**Head of Welfare and Exchequer**	**3x4=12**	**4x4=16**
1.4.1	Continue to migrate customers to cheaper, more effective methods of payment (e.g. Direct Debit).			
1.4.2	Process work in timely manner ensuring that correct bills are issued to customers as soon as possible.			
1.4.3	Timely payment of benefit – ensure benefit workloads are managed effectively and kept to a minimum.			
1.4.4	Adhere to the recovery timetable for issuing reminders and summonses.			
1.4.5	Continue to drive 'digital by design' improvement of business processes to reduce waste and deliver improved processing times			
1.4.6	Increase workforce flexibility to ensure resourcing and demand are aligned			
1.5	**Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.**	**Head of Accountancy**	**2x4= 8**	**2x4=8**
1.5.1	Treasury management policy which sets out the policies and objectives of its treasury management activities and treasury management practices, how those policies and objectives will be achieved and how treasury management will be managed and controlled.			
1.5.2	Treasury management strategy and plan recommended to and approved by the Corporate Governance & Audit Committee and Cabinet			

1.5.3	Report to Council (via the Corporate Governance & Audit Committee and Cabinet) at least once in relation to treasury management activity during the year			
1.5.4	Keeping updated in relation to rate changes			
1.6	**Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances.**	**Head of Accountancy / Insurance Manager**	**2x4=8**	**2x4=8**
1.6.1	Ensure adequacy of financial revenue reserves to protect the council's financial exposure and maintain effective management to minimise impact on the council essential services.			
1.6.2	Actively consider the appropriate treatment for known risks, accepting that insurance provided by 3rd party may not always be the optimum solution.			
1.6.3	Maintain awareness of risk activity that the insurance market is unwilling to cover and developments of offerings in this area. Eg: Combustible composite panelling (cladding), Cyber attacks			
1a ER	**Unregulated Housing Providers**	**SD Adults & Health**	**Raised April 22**	
1b ER	**Safety Valve Commitments (Funding to support SEND transformation activity)**	**SD Children & Families**	**Raised July 22**	

KCR 2	Effective Governance	Previous	Current
Risk Owner: SD Corporate Strategy, Commissioning & Public Health	**Risk Type: Compliance / Legal / Reputational**		➡
Failure to effectively design, implement and maintain fit for purpose governance frameworks could lead to statutory breaches, poor allocation of resources and reputational damage for the Council. Given the breadth of activity and speed of delivery it is crucial that decision making and service delivery activity is well controlled to demonstrate value for money and be sufficiently agile to respond to resetting of priorities at a strategic or operational level. Q3 update: There have been improvements in officer adherence to agreed governance processes / timescales, due to implementation of communication / training plan. New DPO is now post, with SARs backlog being actively managed and progress reported on a monthly basis to the ICO. Work on Cabinet / Committee structure is progressing in line with original plan. Previously flagged emerging risks are being well managed. Propose no change to previous rating.			

Sources of risk and Mitigating controls / actions		**Responsible Officer**	**Previous**	**Current**
2.1	**The council's arrangements to effectively design, implement and monitor adherence to policies are inadequate, leading to the potential for failure, error, illegality or delay**	**Head of Governance**	**2x5 = 10**	**2x3=6**
2.1.1	Agenda planning process is embedded with regular reminders issued			
2.1.2	Scheme of delegations has been approved			
2.1.3	General online and bespoke training available on CPRs, FPRs, Working in a Political Environment and Decision Making			
2.1.4	Effective challenge (between officers, officers and members, and between member), with sufficient time for adequate consideration and scrutiny (e.g. timely publication of Key Decision Notices)			
2.1.5	Carefully following all rules and requirements, particularly those related to Financial Procedures Rules and Contract Procedure Rules			
2.1.6	Clear processes for recording officer decisions are in place, with an increase in the number of decisions that are being recorded			
2.1.7	Series of SLT briefings have taken place to ensure requirements are understood			
2.2	**Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines.**	**Head of Governance**	**3x4=12**	**3x4=12**
2.2.1	Thorough, understandable information governance policy and supporting procedures that are clearly communicated to workforce and councillors			
2.2.2	IG Guides have been developed and are published on the Intranet. These cover topics such as DPIAs, privacy notices and information security			
2.2.3	Sharepoint site developed to host templates and provide additional guidance			
2.2.4	Development and maintenance of data retention schedules within operational areas			
2.2.5	Established process for recording and assessing potential data breaches, including process for reporting to ICO if required			
2.2.6	Council has a Senior Information Risk Owner (SIRO) officer and a Data Protection Officer (DPO) supported by an Information Governance Board			

2.2.7	GDPR training is included as part of induction training for all relevant roles			
2.2.8	Ongoing development and implementation of training programme(s) to meet the needs of officers and members to continue to embed processes and maintain awareness			
2.3	**Failure to administer elections (parish / local / parliamentary) in line with required legislation / guidance (eg. Elections Act 2022).**	**Head of Governance**	**NEW**	**3x4=12**
2.3.1	Established elections team in place to assess requirements and implement necessary changes			
	Working collaboratively with other LAs to understand likely implications and to share approach			
2.3.2	Awaiting final [legislation] detailing changes that must be enacted prior to May 2023 election period. Draft [legislation] reviewed and planning underway. Will require significant communications strategy, changes to operational processes and therefore financial implications.			
	Initiating working groups to address specific strands of changes (eg IT working group for development of voter registration portal)			
2.4	**Failure to implement effective controls to prevent and identify fraudulent activity resulting in potential misuse of council resources leading to unfair outcomes for service users, poor value for money and reputational damage**	**Head of IA and Risk**	**NEW**	**3x4=12**
2.4.1	Development and approval of revised Fraud Strategy			
2.4.2	Relaunch Fraud Risk Panel to provide cross service oversight of fraud risks and mitigants	First meeting Q1 2023		
2.5	**Insufficient visibility of the council-wide change delivery programme incorporating both transformation and project activity, concerns that the organisational capacity to deliver is insufficient to cope with the ambitious change agenda, coupled with challenging 'steady state' conditions.**	**SD Strategy & Innovation**	**NEW**	**3x3=9**
2.5.1	Corporate Transformation priorities are required to follow agreed project methodology			
2.5.2.	Clear and effective governance models and reporting routes in place, for Corporate Transformation Priorities, to include • Individual Programme Board meetings, as appropriate • Corporate Transformation Priorities are considered at Monthly Modern Organisation Board and/or Bi-Monthly TPB meetings. Programme risks reviewed with opportunity to escalate specific high risks for consideration and discussion • Programme Assurance Sessions for corporate transformation led priorities, enabling opportunity for challenge and support on risk management • Corporate PMO to have oversight of Corporate Transformation Priorities performance and progress tracking			
2.5.3	Implementation of robust benefits realisation planning to ensure that both financial and non-financial outcomes are delivered in line with expectations, across all in-view programmes			
2a ER	**Project / Service handover**	**SD Growth & Regeneration**	**Raised: July 22**	

KCR 3	**Statutory Obligations**		**Previous**	**Current**
Risk Owner: Chief Executive		**Risk Type: Legal / Compliance**		➡

The risk that the Council, or their delivery partners, are unable to meet statutory obligations due to changes in funding models and / or changes external market conditions (difficulty in recruiting, increasing costs inc NMW) or the emergence of new, unfunded government burdens. Where statutory obligations are delivered by external bodies (eg. West Yorkshire Joint Services) the process for obtaining ongoing assurance must be agreed and monitored through robust governance frameworks.

Q3 update: Increasing uncertainty on the legislative agenda across the short to medium term. Widespread calls continue to extend the implementation timeline for the proposed reforms to adult social care (Care Act), currently October 2023. Expectation that the Elections Act will require amended processes for May 2023 and Protect Duty (PAL) will come into force in Summer 2023.

Sources of risk and Mitigating controls / actions		**Responsible Officer**	Previous	Current
3.1	**Statutory obligations create additional resource requirements that are not covered by existing government / other funding allocations and impact on the councils current policies and strategies.**	**CEO / ET**	**4x3=12**	**4x3=12**
3.1.1	Horizon scanning and work to ensure that the local impacts of national legislation, or other changes are fully understood as soon as practical			
3.1.2	Strategic Leaders participate in regional and national forums. Joint responses to emerging issues are coordinated through these forums			
3.1.3	Continue to lobby, through appropriate mechanisms, for additional resources e.g., Local Government Association (LGA)			
3.1.4	Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources			
3.1.5	Understand, scenario plan and monitor financial implications so that budgets can anticipate likely impacts			
3.1.6	Lobby for appropriate shares of NI levies for local authorities- or similar funding.			
3.2	**Failure to complete adequate assurance where responsibility to deliver statutory obligation has been [transferred] to external organisations**	**CEO / ET**	**3x3=9**	**3x3=9**
3.2.1	Robust governance framework in place to monitor adherence to obligations that have been transferred eg. WYJS			
3a ER	**Sustainability of the Care market**	**SD Adults & Health**	**Raised: April 22**	

KCR 4	**Third Party Relationship Management**		**Previous**	**Current**
Risk Owner: Chief Executive		**Risk Type: Operational / Reputational / Financial**	**NEW**	➡
Failure to develop and manage relationships with third parties (including grant awarding bodies and government agencies) to ensure council priorities are considered and outcomes delivered. Provision of services to residents and communities is no longer the sole preserve of 'the council', from the allocation of funding to end user delivery it is to be expected that there will be a multitude of third parties involved. These range from other public sector bodies, private suppliers / contractors, commercial partners to voluntary organisations. It is imperative that the Council nurture and maintain effective and influential working relationships with these third parties demonstrating robust governance and oversight. Q3 Update: Continued strong engagement and representation with partner agencies. Collaborative approach with suppliers to work together to manage inflation driven cost increases. Consider if there is read across of high level findings from Internal Audit of KIHCP to other similar programmes.				

Sources of risk and Mitigating controls / actions		**Responsible Officer**	**Previous**	**Current**
4.1	**Risk of low levels of interest from suppliers in renewing contracts / tendering for contracts resulting in reduced competition and potentially poor-quality service. Risk of contractor failure resulting in impacts on service**	**Head of Procurement**	5x4=20	5x4=20
4.1.1	Proactively encourage and stimulate interest in tendering for council contracts by developing and publishing market position statements and procurement pipeline opportunities, undertake regular dialogue with market.			
4.1.3	Ensure sufficient time is allocated to procurement activities to allow for pre-market engagement (where appropriate) and to allow time for potential suppliers to submit bids within timescales			
4.1.4	Recognise and mitigate for differing sources of risk such as reliance on single suppliers and contracting with firms that derive large proportions of their business from the public sector			
4.1.5	Commission effectively; ensuring specifications are fit fur purpose			
4.1.6	Instigate early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements			
4.1.7	Undertake robust contract management - ensuring suppliers are performing and delivering against any key performance indicators and plans in place to manage external pressures such as changes to NMW, recruitment / retention challenges, supply chain disruption			
4.1.8	Adhere to payment terms to maintain adequate cash flow for smaller contractors			
4.1.9	The new Kirklees Procurement Strategy 2022-2026 and Action Plan details how KC will become an attractive partner to do business with, whilst maximising the economic, social and environmental benefits through our approach to social value	In progress		
4.1.10	Adherence to procurement processes, including the agreed governance framework, to ensure the risks associated with approvals are documented and escalated appropriately			

4.2	**Risk that external agencies become increasingly influential and impose additional governance arrangements / policy and processes on to KC leading to protracted decision / delivery timelines, conflicting priorities, extra costs and political pressure, including but not limited to:** • **West Yorkshire Combined Authority (WYCA)/Leeds City Region Local Enterprise Partnership (LEP)** • **West Yorkshire Police and Crime Commissioner** • **WYJS** • **Government departments e.g. DLUHC, BEIS**	**CEO / ET**	**NEW**	**4x3=12**
4.2.1	Maintain senior officer engagement eg, Strategic Director currently Chair of 'Directors of Development' group,			
4.2.2	Ensure that Kirklees are represented on all relevant boards and relevant officer groups with appropriate briefing			
4.2.3	Ensure effective use of WY Chief Executives and WY Leaders groups to escalate issues / concerns			
4.2.4	Work with partners to co-design governance processes / funding agreements etc.. to reduce the risk of additional and unnecessary provisions which add cost or delays			
4.3	**NHS West Yorkshire Integrated Care Board / Kirklees Integrated Care Board**	**SD Adults & Health**	**NEW**	
4a ER	**Associated Parties**	**SD Growth & Regeneration**	**Raised: July 2022**	

KCR 5	**Workforce Development**	**Previous**	**Current**
Risk Owner: SD Corporate Strategy, Commissioning and Public Health	**Risk Type: Colleague / Operational**		↑

Risk that delivery of services is negatively impacted through a reduction in number and / or capability of council workforce. We are reliant on maintaining a suitably qualified, capable and motivated workforce in order to meet the expectations of our partners and communities.

Q3 update: Challenging market conditions are being experienced across the public and private sector and are presenting a significant risk to both recruitment and retention success. The risk of industrial action over pay is flagged as an emerging risk with various other public services discussing increasing likelihood of strike action over the coming months. Turnover has risen to pre-pandemic levels. Whilst sickness levels have stabilised since last quarter any resurgence of Covid and / or winter flu and resulting absence will place further pressure on front line colleagues. Salaries are becoming increasingly out of line with market norms / candidate expectations.

Sources of risk and Mitigating controls / actions		**Responsible Officer**	**Previous**	**Current**
5.1	**Failure to deliver the recruitment requirements to resource council roles, primarily due to salary expectations or role specifications, leading to increasing numbers of agency / contracted staff with resulting financial and operational implications.**	**Head of People Services**	4x4 = 16	5x4 = 20
5.1.1	Recruitment strategy to promote the range of employee benefits and emphasise the job satisfaction factors, specifically from service employment			
5.1.2	Recruitment initiatives include working with the job centre, launch of careers site (2021), working with employment and skills and social media campaigns. Two council recruitment events taking place in Q4 and continuing to drive place-based initiatives such as outreach through libraries.			
5.1.3	Embedding flexibility into the recruitment process where possible and responding to changing candidate expectations. Eg. Application form has been further simplified.			
5.1.4	Engage and encourage younger people through targeted apprenticeships, training and career development opportunities as well as support into employment programmes (Project Search, Kickstart and work experience)	Active YEN		
5.2	**The risk of failing to retain a motivated, sustainable and diverse workforce, appropriately skilled to meet the demands of the council / government agenda.**	**Head of People Services**	4x4 = 16	5x4 = 20
5.2.1	Refreshed People Strategy now in place, with regular monitoring of workforce data at ET and SLTs	Ongoing – monthly reporting in place		
5.2.2	Appropriate oversight and scrutiny in place through updates provided to Personnel Committee and Corporate Scrutiny Panel (August 22), specifically on recruitment and retention challenges	Ad hoc		
5.2.3	Dedicated resource is in place to support services with the most acute need, utilising more creative approaches such as talent banks, alternative advertising approaches and bespoke events.			
5.2.4	Ongoing pilot activity to trial workforce planning approaches and utilise benchmarking data across Adults, Growth & Regeneration, Communities, Catering & Cleaning	Outcome of pilots to be reviewed		
5.2.5	My Learning (MiPod Xtra replacement) has now launched making learning easier to access for everyone. My Space, new employee portal launched, making accessing employee content easier from personal devices	Complete		

5.2.6	Development of a workforce planning approach to consider long term plans as well as short term solutions; fully utilise the Timewise accreditation in promoting the council as a Flexible Employer.		
5.2.7	Focus on Mental Health Awareness, including stress, with promotion of Wellbeing surveys, Wellbeing network and dedicated support service		
5.2.8	Revitalising exit interviews and developing 'stay' interviews to drive understanding	Target date Q1 2023	
5.2.9	Create a commercial strategy linked to income generation from schools, given the future government's White Paper agenda of academisation in order to future proof our business.		
5a ER	**Industrial Action**	**SD Governance & Commissioning**	**Raised: July 22**

KCR 6	Safeguarding		Previous	Current
Risk Owner: SD Children & Families and SD Adults & Health		Risk Type: Reputational		➡

Failure to keep vulnerable people in our communities safe from harm is a key priority for the Council. The consequence of a safeguarding failure are serious and long-lasting at both an individual and organisational level.

Q3 update: It should be noted that whilst the risk assessment scores have reduced across all safeguarding risks this reflects a re-baselining against the revised risk assessment matrix, to accurately reflect the current risk. There has not been a material in quarter reduction in risk exposure. Robust processes and procedures and effective working with strategic partners ensures appropriate escalation and intervention as required. The 2022 JTAI inspection observed there is a well embedded strategic partnership approach to CSE & CCE.

Sources of risk and Mitigating controls / actions		**Responsible Officer** Target Date	**Previous**	**Current**
6.1	**The council does not adequately safeguard children because of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.**	**SD Children & Families**	3x4=12	2x4=8
6.1.1	Disclosure & Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated			
6.1.2	Robust Safeguarding board partnership is in place, shared accountability across key strategic partners ensures oversight and management of safeguarding risks			
6.1.3	Effective management of social work (and related services); rapid response to any issues identified and from any Safeguarding Practice Reviews (Children), Ofsted focus visits have evidenced practice is improved with no children considered at risk of significant harm. LADO procedures, process and training issues have been addressed as a result of the 2019 Ofsted inspection.			
6.1.4	16+ Unregistered/unregulated provision procedure in place and communicated to staff mitigates against inappropriate use of the above provision.			
6.1.5	Continued focus on strengthening practice - Recording Assessment and Planning with regular, high quality supervisions in place.			
6.1.6	Recruitment practices and a focus on developing staff has stabilised the social care workforce and addressed capacity issues.			
6.1.7	Monthly directorate wide QA meetings focusing on key areas, giving assurance of grip, management oversight, quality of practice and performance.			
6.1.8	Service Practice learning days and auditing in place contributing to children's services objective of being a learning organisation			
6.2	**The council does not adequately safeguard vulnerable adults, and those subject to elder abuse, because of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.**	**SD Adults & Health**	**4x5=20**	**4x4=16**
6.2.1	Staff training, supervision, safeguarding and Self Neglect Policies kept up to date and communicated.			
6.2.2	Active management of cases with media interest, Adults have an Escalation pathway monitored by Safeguarding Service manager.			
6.2.3	Completion of the development of the Corporate Safeguarding Policy (approved by Cabinet March 2022)			

6.2.4	Self-neglect policy and pathway			
6.2.5	Ongoing awareness raising through functions such as Safeguarding Week, training and briefings			
6.2.6	Adults Survivors team in place to work with adult survivors of CSE.			
6.2.7	Adults continue to review and prioritise risk and actively work with staff in monitoring workloads during workload management conversations.			
6.2.8	Responded to recruitment and retention issues recruitment drive, Rolling adverts, jobs fairs and offering certain roles a retention payment			
6.2.9	Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes			
6.2.10	Adults Safeguarding Board has its own risk register.			
6.2.11	Risk Escalation Conference for Self-Neglect cases which is multi-agency focused.			
6.2.12	Additional work to ensure that corporate safeguarding activities include appropriate control arrangements. Comprehensive audit programmes ensure quality oversight (such as effective record keeping, risk management and decision making)			
6.2.13	Adult's representation on all strategic and operational groups related to safeguarding (such as Prevent, Domestic Abuse and Modern Day Slavery)			
6.2.14	PIPOT Process in Place			
6.3	**Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters.**	**SD Children & Families**	**4x4=16**	**2x4=8**
6.3.1	Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required.			
6.3.2	Two exploitation subgroups that focus on strategic and operational matters relating to the exploitation of children are in place which has mitigated resource demands to address consequential matters.			
6.3.3	Risk matrix and risk management approach implemented with the police and partners.			
6.3.4	Provision of support pathways to assist victims			
6.3.5	Understand relationship with the Prevent strategy, and issues linked to counter terrorism			
6.3.6	Continue to monitor external developments and engage with other LA's / relevant bodies			
6a ER	**Shortage of Approved Mental Health Professionals AMHPs in the Out of Hours service.**	**SD Adults & Health**	**Raised: April 22**	

KCR 7	**Resilient Operational Processes**		**Previous**	**Current**
Risk Owner: SD Corporate Strategy, Commissioning & Public Health		**Risk Type: Operational**		➡
Failure to develop and maintain resilient operational processes and controls resulting in an inability to keep our communities and colleagues safe. Q3 update: No change – governance and oversight controls are working effectively. Online accident and incident reporting system now in place to ensure accurate recording of lessons learnt activity completed and any additional training provided to relevant colleagues. The potential impact of a successful cyber attack is so severe that the risk remains reporting as 'red', despite the operation of the preventative controls that are in place.				

Sources of risk and Mitigating controls / actions		**Responsible Officer** Target Date	**Previous**	**Current**
7.1	**The risk that the Council's incident management / emergency planning is insufficient to manage a serious incident or series of related incidents leading to short term or prolonged impacts on the Kirklees community and Council employees and operations. Potential risk causes include, but are not limited to: Weather related events; Industrial accident; Infectious disease outbreak; Terrorist attack**	**Head of Health Protection**	**4x4=16**	**4x4=16**
7.1.1	The Council has an embedded emergency management system that aligns to National guidance, including annual assurance audit under EPRR core competencies assessment.			
7.1.2	All our plans are subject to regular review as per work programme. We also regularly train people in their roles and test these via exercises.			
7.1.3	Governance is provided via Kirklees Health Protection Board.			
7.1.4	Debriefing following incidents so that lessons can be identified, and plans modified where necessary.			
7.2	**The risk of a data breach and / or impaired system functionality caused by a malicious cyber-attack leading to inability to deliver council services, costs to recover / compensate and associated reputational damage**	**Head of Technology**	**5x5=25**	**5x5=25**
7.2.1	Cyber Strategy approved by ET and IG Board being implemented by IT Service			
7.2.2	Comprehensive training plan in place to cover new starters and refresher training on an annual basis			
7.2.3	Recognising and understanding "cloud" based products and the advantages and risks that they provide			
7.2.4	Business continuity procedures (in various scenarios) including recognising that some solutions may involve a return to paper-based solutions and records			
7.2.5	Proactive management of cyber issues, including additional web controls			
7.2.6	Adherence to NCSC guidance			
7.3	**Health and safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive with the potential for prosecution and reputational damage .reputational damage And the potential of prosecution and corporate /personal liability) (and particularly issues of fire safety)**	**Head of Public Health**	**2x4=8**	**2x4=8**
7.3.1	Regular monitoring through Health and Safety Oversight Board			
7.3.2	Completion of Bi-annual corporate performance reports			

7.3.3	Audit of the health and safety management systems of Services within the Council, carried out in accordance with HSE guidance Successful Health and Safety Management (HSG (65)	
7.3.4	Management review and inspection of high risk premises at 3 yearly intervals and medium risk premises at 5 year intervals.	
7.3.5	Online accident and incident reporting system (Claim Control) has recently been launched to provide statistical information to managers at agreed intervals. Accident reports monitored and followed up and or investigated as necessary.	
7.3.6	Mandatory health and safety training matrix developed to specify the minimum level of training dependent on role within the Council. A well-managed training programme will help to develop a positive health and safety culture as well as helping to ensure that the Council meets its legal duty to protect its employees	

KCR 8	Climate Change		Previous	Current
Risk Owner: SD Environment & Climate Change		**Risk Type: Operational / Reputational**		
Failure to consider and adequately respond to Climate Change both at an immediate operational level and as longer-term strategic risk resulting in insufficient resilience to climate events with consequential local environmental / community impacts (eg. Flood risk) financial impacts (predominantly restrictions on funding) and reputational damage. Q3 Update: Team have been successful in securing external WYCA gainshare and grant funding for service priority projects and staff resources. The Climate Change Action Plan is progressing through governance with approval at Cabinet and full Council in due course. Guidance for residents and employees was issued to ensure people remained safe during the extreme heat in July / August.				

Sources of risk and Mitigating controls / actions		**Responsible Officer** Target Date	**Previous**	**Current**
8.1	**Failure to identify, prioritise and implement adaptation measures resulting in low levels of climate change resilience**	**SD Environmental Strategy & Climate Change**	4x5=20	
8.1.1	Operational and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding, winter maintenance budgets are supported by bad weather contingency, gritting deployment plans etc..)			
8.1.2	Investment in flood management			
8.1.3	Awareness of local consequences such as ensuring appropriate levels of energy efficiency in residential and commercial property, and the financial consequences			
8.1.4	Consultant-led work, due to be completed by August 22, to understand Kirklees' climate change risks and vulnerabilities and identifying possible adaptation measures.			
8.2	**Risk that net zero net zero climate commitments are not achieved due to scope and scale of programme exceeding the funding and delivery capability that is currently allocated. Grants increasingly require demonstration of climate commitments, impacting on funding available and statutory obligations relating to climate change are becoming more stringent.**	**SD Environmental Strategy & Climate Change**	4x5=20	3x4=12
8.2.1	PCAN (Placed-Based Climate Action Network) and UoL led work, completed in Jan 22, outlining the pathways to Net Zero for Kirklees, in-line with the districts 2038 net zero target and UK's 2050 net zero target.	Complete		
8.2.2	Lobbying for financial and other government support in relation to the costs of meeting obligations			
8.2.3	Climate Change engagement underway to inform the Action Plan, including a resident survey alongside workshops with Council and non-Council stakeholders. The results for which will be published as part of the Autumn 22 Action Plan.			
8.2.4	Phase 2 Climate Change Action Plan to be published in Autumn 2022, detailing how we will become carbon neutral and climate ready by 2038			

KCR 9	**Community Wellbeing & Resilience**		**Previous**	**Current**
Risk Owner: SD Adults & Health		**Risk Type: Operational / Reputational**		
Risk of declining community wellbeing & resilience caused by lack of engagement with communities directly and partner organisations, insufficient understanding of community needs and wants, poorly targeted interventions / service developments, persistent reduction in funding. Q3 update: The cost of living crisis continues to impact directly on our communities. Planning underway for winter interventions when further increases in fuel costs are expected. Direct financial support continues to be provided through the Household Support Fund, with signposting to existing sources of support (eg FSM). Cost of Living Action Plan being developed.				
Sources of risk and Mitigating controls / actions		**Responsible Officer** Target Date	**Previous**	**Current**
9.1	**Failure to address matters of violent extremism and related safer stronger community factors, including criminal exploitation, or national or international incidents (e.g., terrorism), create significant community tension, with the risk of public disorder, and threats to councillors going about their duties.**	**Service Director Customer & Communities**	3x5=15	3x5=15
9.1.1	Dedicated community tensions monitoring process and a clear procedure to process intelligence related to protests and tensions. Procedure includes Police and Emergency planning colleagues.			
9.1.2	Weekly tensions monitoring meetings are held with all relevant partners, would move to daily if required			
9.1.3	Prevent Action Plan addresses community engagement, critical thinking and ideological issues and seeks to mitigate risk			
9.1.4	The implementation of the Inclusive Communities Framework to build resilience to extremist narratives			
9.1.5	The Cohesion Team engage with communities and enable opportunities for communities to build relationships and mix to counter extremist narratives			
9.1.6	Protect and Prepare obligations to mitigate terrorism risk on publicly accessible locations (PAL). The Protect Duty will introduce additional responsibilities with a short implementation date anticipated.	Implementation date TBC – August 2023?		
9.1.7	Assurance processes re ensuring appropriate understanding associated with the use of public and client access to the internet (terrorism and extremism related)			
9.2	**The impact of the "cost of living crisis" (specifically inflationary pressure leading to increased prices for food and fuel) on individuals, the community, partners and the business sector, and on their priorities, and their consequent demands for council service. Impact on the voluntary sectors may reduce their ability to support communities, with a consequent impact on the council.**	**Service Director Customer & Communities**	4x4=16	4x4=16
9.2.1	Direct financial support being allocated through the Household Support Fund and discretionary energy rebate fund. It is anticipated that there will be a further allocation of funding to the Household Support Fund.			
9.2.2	Continuation and signposting of existing support through Council Tax Reduction Scheme, Free School Meals (inc holiday support), Housing Benefit etc…			
9.2.3	Local Cost of Living campaign has detailed the various national and local sources of support available to residents. This is available digitally, but has also taken a place-based approach and worked with local community organisations, frontline			

	services, healthcare providers etc to ensure that physical leaflets are also available in order to support and facilitate conversations.		
9.2.4	Cost of Living event took place in July with over 70 attendees across VCSE, council and Cllrs. Several organisations made links to wider partnerships and shared ideas for better communication and cross working in local areas.		
9.2.5	Local Welfare team fund 3 foodbanks in Kirklees to ensure residents can access crisis food. Working in partnership with the Bread and Butter Thing to provide a place-based response to food access, currently in the process of setting up 5 local hubs in areas of Kirklees which have high levels of deprivation. It is expected that an additional 5 hubs will be funded.		
9.2.6	Exploration of upskilling front line workforce to have brief intervention conversations - in order to provide appropriate support and signposting.		
9.2.7	The Suicide prevention action group have prioritised cost of living/economical adversity as a significant risk factor for suicide prevention. Making suicide prevention part of everyone's responsibility (awareness raising, training and knowledge of where to signpost) is key		
9.2.8	Council officers are working with colleagues from the VCS to ensure a coordinated and joined up approach where possible, and to reflect the fact that VCS are often best placed to deliver place based community support.		
9.2.9	Cost Of Living Action Plan currently being developed between Public Health and Policy. This will reflect the short to medium / long term actions which the LA are facilitating to support people in crisis as well as to increase long term economic development		
9.2.10	Working in partnership with regional colleagues in order to develop a regional Cost of Living action plan and supporting regional groups		
9a ER	**Risks associated with expedited process for Ukranian refugees**	**Head of Communities**	**Raised: April 22**
9b ER	**Change in consumer habits**	**SD Adults & Health**	**Raised: April 22**
9c ER	**Heightened infectious disease risk**	**Head of Health Protection**	**Raised: April 22**
9d ER	**Dispersed asylum seekers triggering increase in community tension**	**Head of Communities**	**Raised: Oct 22**
9e ER	**Increase in fuel poverty resulting in no energy supply to residential properties**	**Director of Homes & Neighborhoods**	**Raised: Oct 22**

KCR 10	**Physical Assets and Infrastructure**			**Previous**	**Current**
Risk Owner: SD Growth & Regeneration		**Risk Type: Compliance / Reputational**			↓
The exposure to increased liabilities arising from property ownership and management, including both the councils residential portfolio and corporate portfolio (inc schools, community buildings) with reputational and financial implications. Q3 update: Embedded assurance activity across both residential and corporate assets continues to control and manage inherent risks associated with property ownership and management. Work underway to validate residential stock quality data is progressing in line with agreed plan.					
Sources of risk and Mitigating controls / actions			**Responsible Officer** Target Date	**Previous**	**Current**
10.1	**Exposure to increased liabilities arising from the Council's ownership and management of corporate assets, including dangerous structures and asbestos, cladding and fire controls with reputational and financial implications**		**Head of Property**	**3x4=12**	**3x4=12**
10.1.1	Corporate Compliance Board established, with escalation to the Health & Safety Oversight Board				
10.1.2	Compliance testing matrix in place identifying sources of risk, test requirement as detailed in legislation and test frequency		Dependency with 10.1.6		
10.1.3	Asbestos and Legionella currently reported as AMBER within H&S Risk Report				
10.1.4	Embedded programme of fire risk assessments, inspections and audits in place, as documented in Corporate Fire Safety Policy. New fire log has been produced for site trial before full roll out.				
10.1.5	Routine servicing and cleansing regimes in place with site audits continuing to fill data gaps. Further work on collation of data to be continued into 2023.		Ongoing into 2023		
10.1.6	Corporate compliance guide being created to develop all servicing regimes and reasoning to allow areas that are more at risk to be addressed first		In progress		
10.2	**Exposure to increased liabilities arising from residential property ownership and management, including dangerous structures and asbestos, cladding and fire controls with reputational and financial implications.**		**Head of Assurance**	**4x5=20**	**3x5=15**
10.2.1	Building Safety Assurance Board (Housing) established to provide oversight of controls and governance in place, reporting into the Housing Advisory Board and the Health & Safety Oversight Board				
10.2.2	Regular onsite audits, detailed training programme and dedicated HSE team ensure robust H&S culture with officers clear on duties related to H&S compliance				
10.2.3	Fire Risk Assessment (FRAs) remedial actions continue to progress. Of the outstanding 1164 high risk remediation actions at the time of the review, 1118 have been completed with the balance in procurement or in contract. The low and medium rise FRA actions are currently at the early stages of contract negotiation. The outcome of these will determine the programme.		March 2024 overall completion date		
10.2.4	Comprehensive and accurate stock condition data is available to inform programmes of work and ensure high risk items are addressed as a priority		In progress		
10a ER	**Ensuring housing stock meets the Decent Home Standard (DHS)**		**Head of Asset Management**	**Raised: July 22**	

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Kirklees COUNCIL

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

Date: **10 February 2023**

Title of report: **IT Audit Controls Update**

Purpose of report: To provide an update on IT audit controls

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? Decisions having a particularly significant effect on a single ward may also be treated as if they were key decisions.	**No**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Key Decision – No** **Private Appendix – Yes**
The Decision - Is it eligible for call in by Scrutiny?	**Not Applicable** If no give the reason why not
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	**Rachel Spencer Henshall** **Eamonn Croston** **Julie Muscroft**
Cabinet member portfolio	**Cllr Paul Davies, Cabinet Member Corporate**

Electoral wards affected: **All**

Ward councillors consulted: **None**

Public or private: **Public with private appendix.**

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

Has GDPR been considered?

Yes

1. Summary

1.1 The Corporate Governance and Audit Committee on 2nd December 2022, considered a report on IT controls submitted as a part of their 2021/22 audit review, by Grant Thornton, the external auditor.

1.2 The committee asked that the Head of Technology be invited to speak with them, to answer questions related to the matter raised by the auditor.

1.3 As a part of this work, internal audit has reviewed arrangements, and found that with the exception of one minor issue, strong progress has been made.

1.4 The internal audit report on this matter is attached as a private appendix.

2 Information required to take a decision

Not applicable

3 Implications for the Council

3.1 Working with People

None directly

3.2 Working with Partners

None directly

3.3 Place Based Working

None directly

3.4 Climate Change and Air Quality

None directly

3.5 Improving outcomes for children

None directly

3.6 Financial Implications for the people living or working in Kirklees

None directly

3.7 Other (eg Integrated Impact Assessment (IIA)/Legal/Financial or Human Resources) Consultees and their opinions

Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis.

4 Consultation

Audit, IT and Grant Thornton, the external auditor.

5 Engagement

Not applicable.

6 Next steps and timelines

To consider if the committee is satisfied following discussion with the Head of Technology.

7 Officer recommendations and reasons

Members are asked to note the Internal Audit report and to determine if following the discussion with the Head of Technology they require any additional activity.

8 Cabinet Portfolio Holder's recommendations

Not applicable.

9 Contact officer

Terence Hudson, Head of Technology (01484 221000)
Martin Dearnley, Head of Risk & Internal Audit (01484 221000)

10 Background Papers and History of Decisions

Report of External Auditor Grant Thornton 2/12/22

11 Service Director responsible

Andy Simcox, Service Director for Strategy and Innovation

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