

# Public Document Pack



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

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Thursday 8 June 2023

## Notice of Meeting

Dear Member

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

The **Corporate Governance and Audit Committee** will meet in the **Meeting Room 3 - Town Hall, Huddersfield** at **10.00 am** on **Friday 16 June 2023**.

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

A handwritten signature in black ink, appearing to read "Julie Muscroft", on a light-colored background.

**Julie Muscroft**

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

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

## **The Corporate Governance and Audit Committee members are:-**

### **Member**

Councillor James Homewood (Chair)  
Councillor Yusra Hussain  
Councillor Harry McCarthy  
Councillor Melanie Stephen  
Councillor John Taylor  
Councillor Kath Pinnock  
VACANCY-Labour  
Chris Jones (Co-Optee)

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**

B Armer  
D Bellamy  
A Gregg  
D Hall  
R Smith  
M Thompson

#### **Green**

K Allison  
A Cooper  
S Lee-Richards

#### **Independent**

#### **Labour**

B Addy  
A Anwar  
S Hall  
Moore  
M Sokhal E Firth  
T Hawkins

#### **Liberal Democrat**

PA Davies  
J Lawson  
A Munro  
A Marchington  
A Smith  
A Pinnock

### **Ex Officio Members**

Councillor Paul Davies - Cabinet Member, Corporate  
Councillor Elizabeth Smaje - Chair of Overview and Scrutiny Committee  
Councillor Moses Crook – Chair of Standards Committee

# Agenda

## Reports or Explanatory Notes Attached

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**Pages**

**1: Membership of the Committee**

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

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**2: Minutes of Previous Meeting**

1 - 6

To approve the Minutes of the meeting of the Committee held on 12 May 2023.

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**3: Declarations of Interest**

7 - 8

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

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**4: Admission of the Public**

Most debates take place in public. This only changes where there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the agenda which are to be discussed in private, by virtue of the reports containing information which falls within a category of exempt information as contained at Schedule 12A of the Local Government Act 1972.

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**5: Deputations/Petitions**

The Committee will receive any petitions and/or deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also submit a petition at the meeting relating to a matter on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10, Members of the Public must submit a deputation at least three clear working days in advance of the meeting and shall subsequently be notified if the deputation shall be heard. A maximum of four deputations shall be heard at any one meeting..

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## **6: Public Question Time**

To receive any public questions.

In accordance with Council Procedure Rule 11, the period for the asking and answering of public questions shall not exceed 15 minutes.

Any questions must be submitted at least three clear working days in advance of the meeting.

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## **7: Annual Report on Treasury Management 2022/23 (Reference to Council)**

9 - 24

To consider the borrowing and investment performance for 2022/23.

Contact: James Anderson, Head of Accountancy

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## **8: Corporate Customer Standards Interim Report 2022/23**

25 - 34

To consider an update on complaint handling for the year 2022/23.

Contact: Chris Read, Corporate Customer Standards Officer

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Contact Officer: Leigh Webb

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 12 May 2023**

Present: Councillor Yusra Hussain (Chair)  
Councillor Ammar Anwar  
Councillor Adam Gregg  
Councillor Harry McCarthy  
Councillor Kath Pinnock  
Councillor Elizabeth Reynolds  
Councillor John Taylor

In attendance: Councillor Paul Davies (Ex Officio)  
Councillor Elizabeth Smaje (Ex Officio)

Julie Muscroft – Service Director, Legal, Governance and  
Commissioning  
Samantha Lawton – Head of Governance  
Eamonn Croston – Service Director, Finance  
James Anderson – Head of Accountancy  
Aaron Gouldman – Grant Thornton  
Jane Lockwood – Head of Procurement (Virtual)

Apologies: Councillor Joshua Sheard  
Chris Jones – Independent person

**1 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Joshua Sheard, with Councillor Adam Gregg attending as substitute.

**2 Minutes of Previous Meetings**

**RESOLVED:** That the minutes of the meeting held on 21 April 2023 be approved as a correct record.

**3 Declarations of Interest**

No interests were declared.

**4 Admission of the Public**

It was noted that all agenda items would be considered in public.

**5 Deputations/Petitions**

There were no deputations or petitions received.

**6 Public Question Time**

There were no public questions.

**7 Changes to the Council's Constitution (Reference to Annual Council)**

The Committee received a report which set out a number of proposed changes to the constitution, along with details of amendments made since 2022, both on the authority of the Council and by the Monitoring Officer using delegated powers.

The report set out the changes from each section of the Constitution which included a proposed re-focussing of the Policy Framework to focus on the highest level strategies, policies and plans which set the context time direction for delivering our shared outcomes, other strategic plans and programmes as well as continuing to include plans that by law must be adopted by full Council. Full details of the proposed new Policy Framework were appended to the report. The report also highlighted a number of proposed amendments in relation to the Council Procedure Rules (CPR's) which were highlighted in detail within the report and appendices. These changes included a number of amendments to deadlines. In addition, the report highlighted proposed changes to value thresholds in relation to Key Decisions and asset management functions.

During consideration of this item, Councillor John Taylor moved an amendment, seconded by Councillor McCarthy, in relation to a number of proposed changes to the recommendations set out in the report. On being put, this amendment was carried.

During further discussion of this item, Councillor Kath Pinnock raised the issue of the appropriateness of Cabinet Members being appointed to planning committees, with particular reference to the Strategic Planning Committee. Councillor Pinnock moved an amendment, seconded by Councillor Anwar, to restrict Cabinet Members from being appointed to sit on the Strategic Planning Committee. On being put, the amendment was lost.

**RESOLVED:** That the Corporate Governance and Audit Committee:

- a. Notes the changes made to the Constitution in 2022-2023 listed in Appendix 1.
- b. Approves the proposed changes to the Councils constitution as set out in paragraphs 2.07, 2.13, 2.15, 2.21 – 2.42, 2.44 and 2.46 and the accompanying relevant Appendices subject to the following agreed amendments to Appendix 3 and relevant paragraphs:

- (i) CPR 10 (2) para: 2.24 - Deadline for receipt of deputation to be changed to 3 clear working days notice.
- (ii) CPR 10 (4) Suitability of a Deputation shall be determined by the Chief Executive in consultation with the Mayor and redraft the second part of the paragraph below for clarity
- (iii) CPR 10 (5) Remove (5) with consequential amendment to 10 (6) (which becomes 10(5)) and the sub paragraphs to be renumbered accordingly.
- (iv) CPR 10 (8) Remove as provision exists within the current constitutional arrangements and renumber accordingly.

## Corporate Governance and Audit Committee - 21 April 2023

- (v) CPR 10 (9c) re-draft wording to tighten up, specifically highlighting deputations will not be heard where an issue is to be considered at committee/panel with a published agenda. In relation to planning, licensing and other regulatory matters this sub paragraph is to continue to cover the merit of application and so does not require there to have been a published agenda.
- (vi) CPR 11(1) para 2.28 - Deadline for receipt of public questions to be changed to 3 clear working days.
- (vii) CPR 12 Written questions – para 2.33 be amended to 3 clear working days notice.

c. Notes the changes set out at paragraphs 2.16, 2.17, 2.43, 2.48 and 2.49.

d. Notes that work will continue to keep the Council's Constitution under review.

e. Notes the proposed further work in relation to the Member Officer protocol in paragraph 2.65

f. Recommends to Council that they note and approve (as applicable) the above recommendations and delegate authority to the Service Director – Legal, Governance and Commissioning to make appropriate amendments to the constitution which may be agreed by Council as well as any consequential amendments to the constitution to reflect the changes agreed.

### 8 **Proposed Amendments to Overview and Scrutiny (Reference to Annual Council)**

The Committee received a report from the Head of Governance setting out proposed amendments to the Overview and Scrutiny structure along with an update on the implementation of the recommendations of the Kirklees Democracy Commission in relation to the review of governance models.

The proposals set out in the report included the creation of a new standing Panel to consider issues falling within the Growth and Regeneration Department and the disestablishment of the Corporate Panel, with the remit being transferred largely into the Overview and Scrutiny Management Committee. In terms of the rationale for the proposed changes it was highlighted that the proposed new structure did more closely align with the current departmental structure and Cabinet portfolio areas.

With regard to the implementation of the recommendations of the Democracy Commission's work, the report highlighted the development of a protocol to assist in the development of more pre-decision scrutiny and outlined plans for the delivery of annual scrutiny training.

#### **RESOLVED:**

1. That Corporate Governance and Audit committee recommends to Annual Council the changes as set out in paragraph 3 of the report
2. That the Committee recommend to Council that the Service Director Legal, Governance and Commissioning be delegated with authority to make appropriate changes to the Constitution to reflect the agreed changes to the scrutiny arrangements.

3. That a report reviewing the workings of the new scrutiny arrangements be submitted to this Committee in March 2024.

**9 Proposed Revisions to the Financial Procedure Rules (Reference to Annual Council)**

This Committee received a report setting out information on proposed changes to Financial Procedure Rules for the year 2023/24. The proposed changes related to the revenue and capital budgeting and budgetary control arrangements and minor proposed changes regarding income, and grants. It was reported that the sections affected are most of FPR2, a part of FPR3 and the first clause of FPR 11, and later clauses of section 22. All the text changes were highlighted within Appendix 1 by a table showing them as now and as proposed against each paragraph. The changes proposed in the report were intended to enable the implementation of revenue budget changes in line with the longer-term medium term financial plan, rather than addressing these annually only, starting from the approval of the next year's budget (FPR section 2). Additionally, they will enable greater flexibility in capital planning (FPR section 3) and in changing fees and charges or setting new charges (FPR section 11). It was highlighted that additional reference was also included in order to recognise the requirements of the new Subsidy Control Act 2022.

During discussion of this item the Committee suggested minor changes to wording in the introductory part of section 2 to recognise capital investment.

**RESOLVED:**

1. That the proposed changes to Financial Procedure Rules, as set out in the report, be recommended to Annual Council, subject to the inclusion of the minor amendments set out above relating to the introductory part of Section 2.
2. That authority be delegated to Monitoring Officer to make any consequential changes to Financial Polices and/or constitutional rules.

**10 Proposed Revisions to Contract Procedure Rules (Reference to Annual Council)**

The Committee received a report setting out information on proposed changes to Contract Procedure Rules for the year 2023/24. The Contract Procedure Rules ensured that the Council was acting in line with current legislation and other developments in public law when conducting procurements. The proposed changes within the report related to bonds and guarantees and some additions in relation to Rule 10 executing contracts. It was reported that a more fundamental review of the Contract Procedure Rules would be undertaken at the appropriate time in line with any legislative changes relating to the Procurement Bill.

**RESOLVED:** That proposed changes to Contract Procedure Rules, as set out in the report, be recommended to Annual Council for approval.

**11 Informing the Audit Risk Assessment**

The Committee received a report, requested by the External Auditors, Grant Thornton asking that council officers complete 'Informing the Audit Risk Assessment for Kirklees Council 2022/23' which was attached to the report at Appendix A.



## Corporate Governance and Audit Committee - 21 April 2023

Grant Thornton had also requested that officers complete the 'Accounting Estimate Management Summary Letter' (Appendix B) which covered the use of accounting estimates across key accounting areas.

The Head of Accountancy provided a verbal update in respect of statutory deadlines for producing draft accounts. It was reported that Department for Levelling Up Communities (DLUC) had moved the deadline to 31<sup>st</sup> May. Following discussion with Grant Thornton it has been agreed that Kirklees would work to the original deadline of 30<sup>th</sup> June for producing the draft accounts.

**RESOLVED** – That the Committee is satisfied the assertions to be true (or had no reason to believe they were untrue) and agree to submit the risk assessment document to the external auditors.

### 12 External Audit Progress Report

The Committee received the Audit Progress report up to the period May 2023 from the External Auditors, Grant Thornton. The report included a summary of emerging national issues and developments that may be relevant to the council and included several 'challenge questions' in respect of these emerging issues.

**RESOLVED** – That the External Progress Report April 2022 be noted.

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

Signed: ..... Dated: .....

## NOTES

### Disclosable Pecuniary Interests

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

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

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

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

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

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

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

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

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

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

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or  
if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



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

**Date:** 16 June 2023

**Title of report:** Annual Report on Treasury Management 2022/23

**Purpose of report**

Financial Procedure Rules (Section 9.5) require that the Council receives an annual report on Treasury Management activities for the previous financial year. The report to this committee reviews borrowing and investment performance before it is considered by Cabinet and Council.

<b>Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Not applicable</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	<b>Yes</b>
<b>The Decision - Is it eligible for "call in" by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Service Director</b>	<b>Dean Langton 8 June 2023</b>
<b>Is it also signed off by the Service Director - Finance?</b>	<b>As above</b>
<b>Is it also signed off by the Service Director for Governance and Commissioning Support?</b>	<b>Julie Muscroft 8 June 2023</b>
<b>Cabinet member portfolio</b>	<b>Cllr Paul Davies</b>

**Electoral wards affected:** Not applicable

**Ward councillors consulted:** Not applicable

**Public or private:** Public

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

**1. Summary**

1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 16 February 2022. Investments averaged £61.1 million and were largely deposited in instant access accounts earning an average interest rate of 1.92%.

- 1.2 Total external borrowing at 31 March 2023 increased by £144.9 million to £613.8 million (£468.9 million as at 31 March 2022). The Council took £70.0 million new Government long term loans from the Public Works Loan Board (PWLB) (see paragraph 2.6.3 for more detail) and an additional £35.0 million Local Authority medium term 2 to 3 year loans (see paragraph 2.6.4 for more detail). Temporary borrowing increased for the year by £60.5 million to £82.0 million (£21.5 million 31st March 2022). The average long-term borrowing rate for 2022/23 relating to all long-term debt on the balance sheet was 3.67%. Short-term borrowing rates averaged 1.34%.
- 1.3 In 2017/18 the Council approved a revision to its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007/08 onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.
- 1.4 In updating the approach the Council effectively over-provided in previous years the repayment of debt to the sum of £91.1 million. Within the Treasury Management Strategy 2018/19 the Council set out its approach to unwind this over-provision at £9.1 million each year over the next 10 years, starting from 2017/18 onwards.
- 1.5 Following approval within the 2018/19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP for 2022/23. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The calculation estimated for 2022/23 was £13.7 million. The actual MRP calculation for 2022/23 was £17.2 million and hence the maximum unwind allowable. However, in 2022/23 the actual unwind was in-line with the budget at £13.7 million.
- 1.6 Treasury management costs incurred in the year include £10.8 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

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

### **2.1 Background**

- 2.1.1 The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.
- 2.1.2 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management.
- 2.1.3 In reviewing 2022/23 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 16 February 2022.

## **2.2 Borrowing and Investment Strategy 2022/23**

- 2.2.1 The Council's overall Treasury Management Strategy prioritises security and liquidity of its investments before seeking a higher rate of return. which was adhered to in 2022/23. The Council aims to invest externally, balances of £30 million, largely for the purpose of managing day-to-day cash flow requirements. The investment strategy is designed to minimise risk and the Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.2.2 As outlined in the Treasury Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing.

## **2.3 The Economy and Interest Rates**

- 2.3.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.3.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 2.3.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.
- 2.3.4 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 2.3.5 Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly Gross Domestic Product was soft through the year, registering a 0.1% gain in the April-June period,

before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

- 2.3.6 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.3.7 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.
- 2.3.8 Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.
- 2.3.9 Local Authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of Authorities with specific issues. While Arlingclose's advice for Local Authorities on its counterparty list remains unchanged, a degree of caution is merited with certain Authorities.

## **2.4 Investment Activity**

- 2.4.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- 2.4.2 The Council's treasury management investments totalled £44.0 million as at 31 March 2023 (£78.9 million 31 March 2022). The Council invested an average balance of £61.1 million externally during the year (£37.9 million 2021/22). Interest income of £0.983 million was generated through these investments (£0.034 million 2021/22) and £0.379 million dividend income from the CCLA Property Fund (£0.349 million 2021/22). Appendix 1 shows where investments were held at the beginning of April 2022, the end



of September 2022 and the end of March 2023, by counterparty, by sector and by country. The Council's average lending rate for the year was 1.92% (0.12% 2021/22).

- 2.4.3 The majority of investments were placed in liquid instruments such as instant access bank deposit accounts, DMO (Debt Management Office) and Money Market Funds (MMFs). MMFs offer greater diversification of counterparties, thus lowering risk as well as instant access.
- 2.4.4 The bank rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% to 1.5% at the beginning of April, rose by around 3.5% for overnight and 7 day maturities and 3.3% for 6 to 12 month maturities. By the end of March 2023, the rates on DMO deposits ranged between 4.05% and 4.15%.
- 2.4.5 The Council continues to hold £10 million investment in the Local Authorities Pooled Investment Fund (LAPF). The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2023 there are assets under management of £1,203 million. The Fund aims to provide investors with regular revenue income and long-term price stability and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets but may invest in other assets.
- 2.4.6 The fund returned a gross dividend yield of 3.09% in 2022/23 (3.25% 2021/22), which compares favourably with an average 1.92% on other short-term investments (see paragraph 2.4.2 above). Net income of £0.379 million was received by the Council in 2022/23 (£0.349 million in 2021/22).
- 2.4.7 Rapid rises in yields caused damage to property fund valuations with tighter financial conditions and challenges in some segments of commercial estates such as offices and high street shops which saw commercial property values fall during 2022, with a large fall in the final quarter.
- 2.4.8 Strategic fund investments are made in the knowledge that capital values will move both up and down over time. Unrealised cumulative capital losses of £1.1 million will not have an impact on the General Fund as the Council is utilising a Government statutory override for pooled investment funds. Under the Regulations, gains and losses resulting from unrealised fair value movements, that otherwise must be recognised in the income and expenditure account under IFRS9, are not currently charged to the revenue account, and must be taken into an unusable reserve account.
- 2.4.9 The DHLUC published a consultation on the IFRS9 pooled investment fund statutory override for English Authorities which was due to expire with effect from 31 March 2023. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years.

## **2.5 Borrowing Update**

- 2.5.1 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the Capital Finance Requirement (CFR) and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.5.2 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to

refinance capital expenditure primarily related to the delivery of a Local Authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. There are no aspects of the Council's current multi-year plan that are expected to be in breach of the Code.

- 2.5.3 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 over 3.0pp higher than those at the beginning of April 2022. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. PWLB rates remain volatile and well above historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31 March 2023, 20 years at 4.70% and 30 years at 4.66%.
- 2.5.4 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15 March 2023. The discounted rate is to support Local Authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

## 2.6 Borrowing Activity

- 2.6.1 In terms of borrowing, long-term loans maturing greater than one year totalled £512.8 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £101.0 million (£442.3 million and £26.6 million 31 March 2022), an overall increase of £144.9 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2023.
- 2.6.2 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and longer-term repayment loans.
- 2.6.3 The Council borrowed £70.0 million of new long-term EIP loans from the PWLB in 2022/23. These loans were taken throughout the year.

	<b>Amount £m</b>	<b>Rate %</b>	<b>Start date</b>	<b>Maturity date</b>
PWLB (538379)	20.0	2.60	9 Aug 22	9 Aug 42
PWLB (594601)	15.0	4.10	31 Jan 23	31 Jan 38
PWLB (594848)	15.0	3.99	1 Feb 23	1 Feb 37
PWLB (608189)	20.0	4.15	21 Mar 23	21 Mar 38
<b>Total</b>	<b>70.0</b>			

An EIP loan pays back principal over the life of the loan, and the interest associated with the loan goes down as the principal outstanding reduces.

- 2.6.4 As the bank base rate rose significantly during the period along with PWLB rates, the Council took advantage of medium-term loans over a 2 to 3 year time frame, achieving slightly lower interest rates for the period compared to the PWLB and securing the funds needed. The table below shows £35.0 million of loans taken during 2022/23, there is a further 3 year loan of £5.0 million taken in 2021/22 still outstanding at 31 March 2023.



\* This is the amount the Council still needs to borrow to fund its capital programme (and which is currently being funded from internal resources such as reserves and working capital)

2.6.9 In terms of debt rescheduling, the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity in 2022/23.

2.6.10 The average long-term borrowing rate for 2022/23 for the Council's long-term loans outstanding was 3.67% (3.84% 2021/22).

## **2.7 Trends in treasury management activity**

2.7.1 Appendix 4 shows the Council's borrowing and investment trends over the last 6 years. This highlights the current trend of borrowing shorter and longer term to fund cashflow.

## **2.8 Risk and Compliance Issues**

2.8.1 The Council reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, including the prudential indicators. Details can be found in Appendix 5. Indicators relating to affordability and prudence are highlighted in this appendix.

2.8.2 When the Council has received unexpected monies late in the day, officers have no alternative but to put the monies into the Barclays Business Reserve Account overnight. The largest daily amount deposited in this account overnight as a result of unexpected late receipts was £2.1 million. Whilst this is not an ideal situation, the Council is still within investment limits as per the Treasury Management Strategy which is set at £10.0 million per counterparty.

2.8.3 In line with Council Treasury Management Strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.

2.8.4 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.

2.8.5 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2022/23. Training was provided to Members in November 2022.

## **Looking ahead – Treasury Management developments in 2023/24**

### **2.9 Re-financing/re-payment of current Long-Term Borrowing**

2.9.1 As outlined within the Council approved Treasury Management Strategy 2023/24, the Council will continue to look to repay existing long-term debt when the opportunity arises where it becomes beneficial for the Council to do so.

2.9.2 Council officers will liaise with the Council's external Treasury Management advisors, Arlingclose, to review lender options, and proceed if they are considered to be in the longer-term best interests of the Council.

## **2.10 Loan Funding Sources**

2.10.1 The Council may be presented with additional sources of long-term funding at certain points in time, beyond those currently listed in the Council's current Treasury Management Strategy. These may be at preferential rates of interest and therefore the Service Director Finance (Section 151 Officer) will look to maximise the use of source funds when it is preferential to do so.

## **2.11 Investment Opportunities**

2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2023/24 continues to place emphasis on the security and liquidity of the Council's balances.

2.11.2 The investment in the CCLA property fund (see paragraphs 2.4.5 to 2.4.9) is part of a longer-term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a longer period total returns will exceed cash interest rates.

## **2.12 New Borrowing**

2.12.1 As mentioned previously, the Council has an increasing CFR due to the capital programme. The Council's current approach to fund the capital plan is to use a combination of short and longer-term borrowing. Unfortunately borrowing rates remain high and are likely to continue to rise in the near term. As short and medium-term rates remain slightly lower over a shorter time frame compared to longer-term, the Council will continue to borrow this way to minimise borrowing costs, although resulting in a higher proportion of debt that is not fixed over longer periods.

2.12.2 The base rate is expected to continue to rise during 2023/24. Long-term PWLB loans will be taken if gilt yields drop and the opportunity to take those fixed rate loans are presented.

2.12.3 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing will be maintained considering the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

2.12.4 As noted in the recent 2023/24 Treasury Management Strategy report, the Council will also consider the opportunity to 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. Again, this would only be undertaken after having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

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

**3.1 Working with People – N/A**

**3.2 Working with Partners – N/A**

- 3.3 Place Based Working – N/A**
- 3.4 Climate Change and Air Quality – 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) – Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.**
- 4. Consultees and their opinions**
- None.
- 5. Next steps and timelines**
- 5.1 Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet and Council in June/July 2023 as part of the overall financial outturn and rollover report 2022/23.
- 6. Officer recommendations and reasons**
- 6.1 CGAC are asked to note the treasury management performance in 2022/23 as set out in this report, prior to its submission to Cabinet and Council;
- 7. Cabinet portfolio holder’s recommendations**
- The Cabinet portfolio holder notes the borrowing and investment performance as detailed in this report.
- 8. Contact officer**
- |                |                     |
|----------------|---------------------|
| James Anderson | Head of Accountancy |
| Rachel Firth   | Finance Manager     |
- 9. Background Papers and History of Decisions**
- CIPFA’s Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition  
 CIPFA’s Prudential Code for Capital Finance in Local Authorities 2021 edition  
 Public Works Loan Board Website.  
 Treasury Management 2022/23 Strategy Report approved by Council on 16 February 2022.
- 10. Service Director responsible**
- |              |              |
|--------------|--------------|
| Dean Langton | 01484 221000 |
|--------------|--------------|

**APPENDIX 1**

Kirklees Council Investments 2022/23											
Counterparty	Credit Rating Mar 2023*	1 April 2022				30 September 2022			31 March 2023		
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
<b>Specified Investments</b>											
Barclays	Bank	F1/A+	0.0	N/A	Instant Access	0.0	N/A	Instant Access	0.5	3.57%	Instant Access
Aberdeen Standard	MMF**	AAAmmf	8.9	0.51%	Instant Access	10.0	2.14%	Instant Access	0.2	4.06%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.51%	Instant Access	10.0	1.94%	Instant Access	8.3	4.12%	Instant Access
Deutsche	MMF**	AAAmmf	0.0	0.49%	Instant Access	0.0	1.78%	Instant Access	10.0	4.16%	Instant Access
Goldman Sachs	MMF**	AAAmmf	3.3	0.48%	Instant Access	7.3	1.97%	Instant Access	0.0	4.01%	Instant Access
PCC for Devon & Cornwall	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
PCC for Dorset	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Leeds City Council	Local Authority		0.0	N/A	Local Authority	5.0	2.00%	Local Authority	0.0	N/A	Local Authority
PCC for West Yorkshire	Local Authority		0.0	N/A	Local Authority	3.0	2.20%	Local Authority	5.0	4.65%	Local Authority
Northamptonshire Council	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	5.0	4.50%	Local Authority
PCC for West Mercia	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	3.0	4.60%	Local Authority
PCC for Warwickshire	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	2.0	4.60%	Local Authority
Debt Management Office	Cent Govt		26.7	0.55%	Cent Govt	36.0	2.02%	Cent Govt	0.0	N/A	Cent Govt
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			<b>78.9</b>			<b>81.3</b>			<b>44.0</b>		
<b>Sector Analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
Bank			0.0	0%		0.0	0%		0.5	1%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
Local Authorities/Cent Govt			46.7	59%		44.0	54%		15.0	34%	
Property Fund			10.0	13%		10.0	12%		10.0	23%	
			<b>78.9</b>	<b>100%</b>		<b>81.3</b>	<b>100%</b>		<b>44.0</b>	<b>100%</b>	
<b>Country analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
UK			56.7	72%		54.0	66%		25.5	58%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
			<b>78.9</b>	<b>100%</b>		<b>81.3</b>	<b>100%</b>		<b>44.0</b>	<b>100%</b>	

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

**Key – Fitch’s credit ratings:**

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



## Appendix 2

### Long-term loans repaid and short-term loans outstanding 31 March 2023

#### Long-term loans repaid during 2022/23

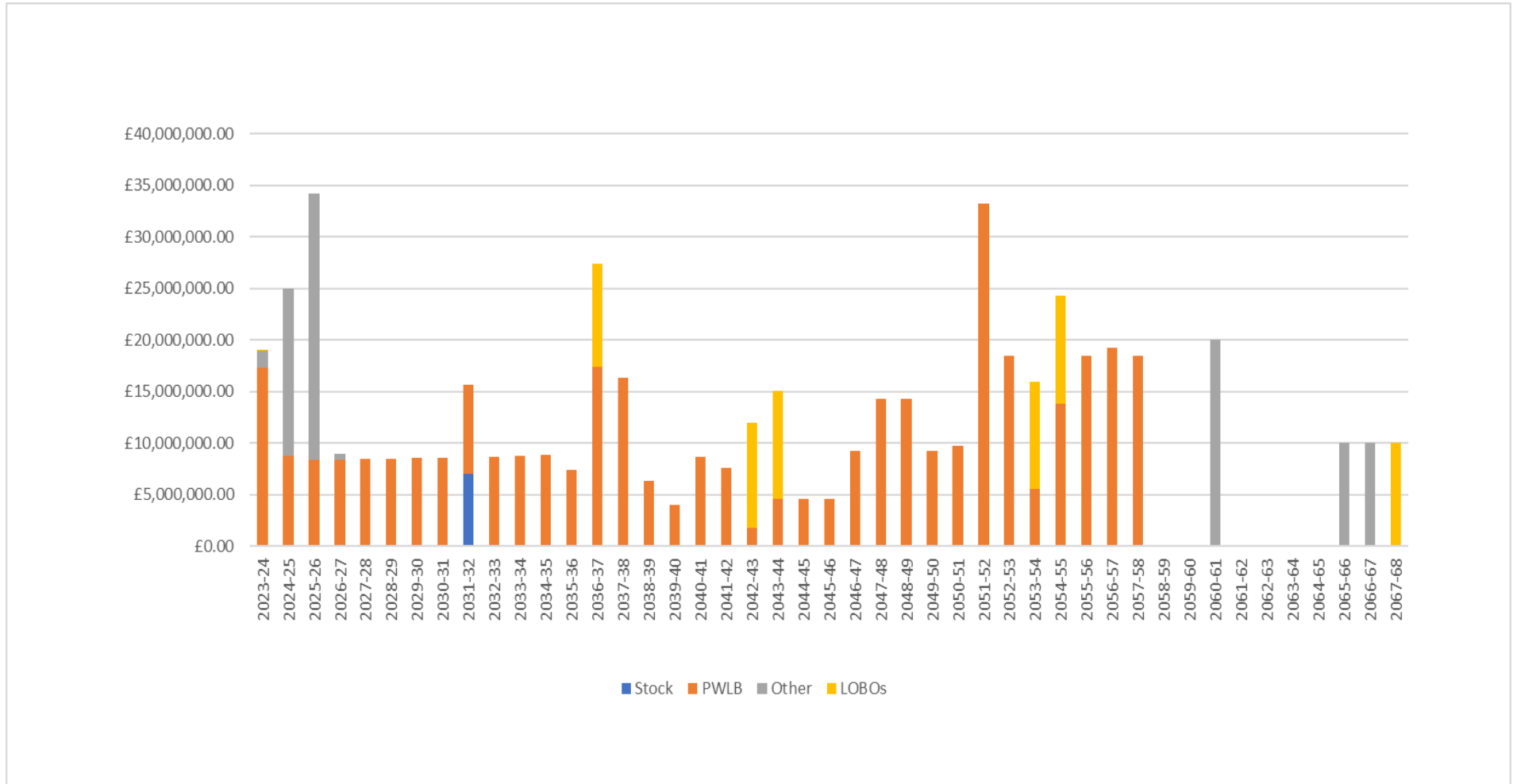
	Amount £000s	Rate %	Date repaid
<b>Repayments on annuity loans</b>			
PWLB (496956)	404	4.58	29 Sep 22
PWLB (496956)	413	4.58	29 Mar 23
<b>Repayments on EIP loans</b>			
PWLB (340221)	250	1.63	27 Apr 22
PWLB (439173)	250	1.66	17 May 22
PWLB (373440)	250	1.46	12 Jul 22
PWLB (487385)	250	2.28	22 Aug 22
PWLB (313112)	250	1.64	5 Sep 22
PWLB (493145)	250	1.98	9 Sep 22
PWLB (340221)	250	1.63	27 Oct 22
PWLB (439173)	250	1.66	17 Nov 22
PWLB (373440)	250	1.46	12 Jan 23
PWLB (538379)	500	2.60	9 Feb 23
PWLB (487385)	250	2.28	21 Feb 23
PWLB (313112)	250	1.64	6 Mar 23
PWLB (493145)	250	1.98	9 Mar 23
<b>Total</b>	<b>4,317</b>		

#### Short-term loans outstanding 31 March 2023

	Amount £000s	Rate %	Length (days)
<b>Temporary borrowing from the Money Market</b>			
West Yorkshire Combined Authority	10,000	0.80	276
West Sussex County Council	5,000	4.05	365
East Suffolk Council	5,000	3.60	182
South Lanarkshire Council	5,000	3.45	121
West Yorkshire Combined Authority	5,000	4.00	350
Spelthorne Borough Council	5,000	3.55	90
West Yorkshire Combined Authority	5,000	3.70	181
Warwickshire County Council	5,000	4.00	364
Rotherham Metropolitan Council	5,000	4.25	33
Ashfield District Council	5,000	4.55	92
Warwickshire County Council	5,000	4.50	364
Portsmouth City Council	5,000	4.50	61
Medium-term loans due to mature in the next twelve months	15,000		
Local lenders/Trust Funds	2,027		
<b>Total Temporary borrowing</b>	<b>82,027</b>		
Long-term loans due to mature in the next twelve months	18,997		
<b>Total</b>	<b>101,024</b>		

**Kirklees Council Loan Maturity Profile (All Debt)**

**Appendix 3**



**Appendix 4**

**Kirklees Council - Borrowing and Investment Trends**

<b>At 31 March</b>	<b>2023 £m</b>	<b>2022 £m</b>	<b>2021 £m</b>	<b>2020 £m</b>	<b>2019 £m</b>	<b>2018 £m</b>
Investments	44.0	78.9	37.1	52.0	39.1	36.1
ST Borrowing (excl interest accrued)	101.0	26.6	50.0	53.2	11.8	20.8
LT Borrowing	512.8	442.3	375.8	373.7	384.1	392.4
<b>Total Borrowing</b>	<b>613.8</b>	<b>468.9</b>	<b>425.8</b>	<b>426.9</b>	<b>395.9</b>	<b>413.2</b>
<b>Net debt position</b>	<b>569.8</b>	<b>390.0</b>	<b>388.7</b>	<b>374.9</b>	<b>356.8</b>	<b>377.1</b>
<u>Capital Financing Requirement (excl PFI)</u>						
General Fund	617.0	556.1	500.1	461.6	436.6	420.3
HRA	168.0	166.0	170.3	175.3	175.3	182.8
<b>Total CFR</b>	<b>785.0</b>	<b>722.1</b>	<b>670.4</b>	<b>636.9</b>	<b>611.9</b>	<b>603.1</b>
Less deferred liabilities (non PFI)	3.5	3.6	3.6	3.7	3.9	4.1
<b>Borrowing CFR</b>	<b>781.5</b>	<b>718.5</b>	<b>666.8</b>	<b>633.2</b>	<b>608.0</b>	<b>599.0</b>
Balances "internally invested"	167.7	249.6	241.0	206.3	212.1	185.8
Ave Kirklees' investment rate for financial year	1.9%	0.1%	0.1%	0.7%	0.7%	0.3%
Ave Base rate (Bank of England)	2.3%	0.2%	0.1%	0.7%	0.7%	0.3%
Ave LT Borrowing rate (1)	3.8%	1.9%	2.3%	2.4%	2.5%	2.5%

(1) Based on average PWLB rate throughout the year on a 25 to 30 year loan (less 0.2% PWLB certainty rate) repayable on maturity

## **APPENDIX 5**

### **Treasury Management Prudential Indicators**

#### **Interest Rate Exposures**

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2022/23	Actual 2022/23
Interest at fixed rates as a percentage of net interest payments	60% - 100%	88%
Interest at variable rates as a percentage of net interest payments	0% - 40%	12%

The interest payments were within the limits set.

#### **Maturity Structure of Borrowing**

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2022/23	Actual Levels 2022/23
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	5%
2 years to 5 years	0% - 60%	11%
5 years to 10 years	0% - 80%	11%
More than 10 years	20% - 100%	69%

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

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

The Council has not invested any sums longer than 364 days.



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

**Date:** 16 June 2023

**Title of report:** Corporate Customer Standards Interim Report 2022-23

**Purpose of report:**

To provide an update of Corporate Customer Standards to Corporate Governance and Audit Committee on complaint handling for the year 2022-23, ahead of the Local Government Ombudsman Annual Report which is published at the end of July.

The report offers some typical examples of complaints learning and further discusses how the corporate customer standards complaints process is looking to develop and improve over the next couple of years.

For Corporate Governance and Audit Committee to consider the content of the report, and to advise if they have any comment on the work plans moving forward.

<b>Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards?</b>	<b>No</b> .
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	Julie Muscroft 06/06/23
<b>Is it also signed off by the Service Director for Finance IT and Transactional Services?</b>	Not applicable
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning Support?</b>	Julie Muscroft 06/06/23
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Paul Davies</b>

**Electoral wards affected:** all

**Ward councillors consulted:** none

**Public or private:** **Public**

**Has GDPR been considered?** **Yes.** No personal data is included in the report.

## **1 Introduction: who are Corporate Customer Standards.**

1.1 The Corporate Customer Standards function considers customer complaint matters at the final internal stage of the complaints process (available to view at Appendix 1). liaises with the Local Government Ombudsman, helps to co-ordinate Whistleblowing concerns and offers services advice on complaint handling, learning and remedy.

1.2 The team consists of 2.5 FTE during the year 2022/3. It will be expanded to 3.5 FTE.

1.3 Each year a full report for Corporate Governance and Audit Committee to consider performance for the previous year is produced – linked with the Local Government Ombudsman Annual Report which is published late in July. The Corporate Customer Standards Officer also reports on an interim basis to CGAC. This provides a commentary on ongoing performance and covers other areas of interest.

1.4 Note there are separate teams which handle statutory children service complaints and housing complaints which might be considered by the Housing Ombudsman. The full year report looks to incorporate outcomes from these sections also.

## **2 Performance 2022/3**

### **2.1 Local Government Ombudsman**

2.1.1 The strongest sanction that may be imposed by the Local Government Ombudsman is a formal report, which is published with associated press releases. A formal report is required to be considered by councillors and service improvements are presented, discussed and agreed. For the year 2022/3, the Ombudsman published over 40 formal reports against individual councils.

2.1.2 During the year 2022/3, Kirklees did not receive a formal report from the Local Government Ombudsman. The last formal Ombudsman report received was in October 2018, and as at the date of writing this report, no formal report is pending.

2.1.3 The Ombudsman divides the complaints they receive into those that merit further detailed investigation (and separate out those more minor issues and complaints where it seems clear the council has acted appropriately are discounted). From those detailed investigations, the Ombudsman determine where fault was identified and produce a council percentage upheld figure.

2.1.4 There is also a value in more simply monitoring the overall number of complaints received by the Ombudsman where they have made a determination (i.e.

the resident approach to the Ombudsman is not considered “premature”, where the council’s internal complaints process is yet to be exhausted).

2.1.5 Although the Ombudsman’s formal report is not yet available, data for 2022/3 is available, where the full number of complaints considered by the Ombudsman are recorded.

**Number of Ombudsman complaints received 01 April – 31 March for 2021/2 and 2022/3 – Findings listed on their website**

<b>Council Area</b>	<b>2022-3</b>	<b>2021-2</b>	<b>Change in caseload</b>	<b>Numbers upheld 2022-3 (% of cases received)</b>
<b>Kirklees</b>	49 (14.9% of WY Totals)	63 (21.3% of WY Totals)	- 14 (28% drop)	10 (20% of Kirklees cases received)
<b>Calderdale</b>	41	32	+ 9 (28% increase)	14 (34%)
<b>Leeds</b>	113	94	+19 (20% increase)	36 (32%)
<b>Wakefield</b>	31	41	- 10 (32% drop)	8 (26%)
<b>Bradford</b>	95	71	+ 24 (34% increase)	25 (26%)
<b>Total</b>	329	301	28	93

**2.2 Number of complaints received by the Local Government Ombudsman**

2.2.1 This year, Kirklees experienced a notable reduction in the number of Ombudsman determinations for our area. Wakefield presented a similar fall in numbers, whereas the other 3 West Yorkshire councils showed a significant increase.

**2.3 Numbers upheld by the Local Government Ombudsman**

2.3.1 It is also worth noting that in 2022/3 Kirklees had the lowest (of West Yorkshire) proportion of complaints received where the Ombudsman identified fault and error. For Kirklees there were 10 complaint cases where fault was identified (20 for 2021/2 - although those figures were skewed with covid grant complaints as there were 9 business grant cases last year).

2.3.2 While the council is not complacent about its complaints handling, the figures indicate the complaints handling process works effectively.

## **2.4 Ombudsman History and comparison to West Yorkshire**

2.4.1 Over the past decade, Kirklees has consistently received between 17-21% of the West Yorkshire Ombudsman complaints, whereas the Kirklees share of the West Yorkshire population is around 20%.

2.4.2 This year, 15% of the Ombudsman West Yorkshire complaints relate to Kirklees, which means that in 2022/3, the Ombudsman received around a quarter fewer Kirklees complaints, than might be anticipated by population (15% v 20%).

2.4.3 Taking out covid related complaints for 2021-2, there is on reflection some indication of the number of Kirklees complaints falling at that time too, although overall total numbers of complaints in Kirklees (including Covid) was at 21% of the West Yorkshire share.

2.4.4 We have not asked those residents who have decided not to progress their complaint to the Ombudsman for their reasons, but factors might include:

- A simple workflow issue within the Ombudsman Service in the period following covid restrictions. However, while the Ombudsman did experience a backlog of work at one point, it seems unlikely that different councils in the same region might be affected significantly differently.
- In our complaint responses, we always seek to explain the legislative position and the council's responsibility, and then plot how the service has responded against that measure. We believe this is a restorative approach which involves the resident by transparently sharing what our role and responsibility is, and whether we have met it. This approach may reduce complaint numbers progressing to the Ombudsman. We have sought to expand upon this type of response in recent years.
- Kirklees has undertaken more work to seek to remedy complaints as the Ombudsman might as part of the internal complaints process. In 2021/2 Kirklees achieved a much better than average score from the Ombudsman on this measure (30% as opposed to 11% on average), where the Ombudsman recognised fault but also found the council had already offered a satisfactory remedy. This approach also might have had an impact upon residents progressing matters to the Ombudsman.
- Public service generally has gained a poor reputation over recent years and perhaps residents do not have faith that anything would be achieved by complaining (although we would expect that to be an impact on all councils more evenly). Likewise there is no indication that fault is found more often in Kirklees.
- Since January, we have seen a slight upswing in numbers of complaints. Since Jan 1<sup>st</sup> to 18<sup>th</sup> April 2023 (the most recent date published by the



Ombudsman at the point of preparing the report), Kirklees had received 21 of 119 West Yorkshire complaints (17%). Clearly the small numbers involved makes it difficult to reach a definitive conclusion yet.

## 2.5 Kirklees Council Ombudsman complaints by service area

Service Area	2021-22	2022-23
Environment	8	8
Adults	7	12
Housing	2	2
Planning	18	8
Childrens	6	4
Highways	3	1
Education	3	8
Tax and Benefits	31	5
Other	6	1

2.5.1 It is worth noting that Tax and Benefits decreased significantly as the majority of covid complaints in 2021/2 were about business covid grants. The highest increase this year was within Adult Services, but the numbers of overall increase (5 complaints) does not appear statistically significant at this point, although further monitoring will take place.

## 2.6 Third Stage and Pre-Third Stage Complaints

2.6.1 In 2022/23, there were approximately 55 complaints at third stage of the internal complaints process. In 2021/22 we received 83 (although around 15 of these were Covid 19 related). The drop in numbers therefore would seem to mirror the drop in cases progressing to the Local Government Ombudsman.

2.6.2 More work is being undertaken to support services at first and second stage in the process, and again, this may be having an impact on the numbers of complaints reaching third stage, if services are more actively considering remedy at an earlier point.

2.6.3 Some services (such as refuse) have invested in their complaints management process, ensuring more residents receive active response, and where repeat complaints (missed bins for example) are more actively monitored sooner. This is having a very positive impact upon complaints being resolved at an earlier point. It is intended to present more information on this in the full report.

## 3 Learning from complaints

3.1 As a matter of course, learning and implications are considered when receiving a complaint. When error is identified, the Local Government Ombudsman expects an apology to be provided, some consideration around service improvement

to take place, and to suggest how the fault will be remedied to broadly place the resident into the position they should have been in as if the error had not occurred.

3.2 Many of the complaints we receive are around concerns about communication (not being clear about process, not being kept up to date), and around delay and not keeping to deadlines.

3.3 The following is a snapshot of the types of learning we identify from complaint handling. It is not an exhaustive list, and it should be noted that in many instances services identify learning and rectify complaints before they are presented to the third stage of the complaints process and the Local Government Ombudsman.

- This year monthly meetings take place with the Senior Finance Officer responsible for maintaining the councils risk log, so as to cross reference any wider implications from complaint handling.
- We monitor national ombudsman formal findings and consider whether they may have an impact on Kirklees. In a recent example for another council, the Ombudsman found a lack of suitable training on hidden disabilities for managers and staff in a service assessing support packages. While Kirklees had obtained external specialist training for its staff, there were some gaps in the recording of relevant training, and the information contained in that council's report was able to be fed into a wider piece of work on ensuring appropriate training, and creating a monitoring record to demonstrate the learning, for our staff and managers.
- Services have been advised the Ombudsman is increasingly considering human rights, and that council departments should have a record that they actively considered human rights when reviewing a complex situation. This has helped to ensure some complex complaints have been more appropriately considered.
- A number of services have recruited new senior managers, either from within or from other councils. Advice and training has been provided to reinforce the complaints process to help ensure complaints are considered appropriately, and residents correctly guided through the complaints process.
- A schools admissions complaint required the service to scrutinise and review their policy on applications for the child to be schooled in class a year later than usual, and how they considered the request and explained their reasoning. Recent new government guidance has clarified the position further.
- A complaint about a blue badge application highlighted the difference in qualification period the service should grant, depending on the type of qualification for the badge (whether it is assessed on physical need or through the type of benefit claimed). It led to the service requesting clarification from other councils and the government department, to check it was assessing the cases accurately, and it highlighted that difference in process.

- A complaint about applications to obtain permission to undertake works to reduce a protected tree, has led to a review of the standard wording of the notification letters, the advice that the service provides to residents, and to provide a clarification on the formal appeals process against the decisions taken.

## **4 Complaint handling improvements**

4.1 The council has agreed to increase the capacity of the Corporate Customer Standards function. We intend the increased staffing will provide the following benefits: -

- Peaks and troughs of work means there are periods where the council does not respond to third stage complaint enquiries in deadline. The additional capacity is intended to improve on overall complaint response times at third stage.
- Residents think more positively about the complaints process if they have had opportunity to explain their complaint in detail and feel their concerns have been listened to. While some complaints are straightforward and some residents are happy not to have telephone or face to face contact, it is intended to offer more time to residents to listen to and better understand their complaints. This will allow complaint responses to better answer some more of the queries residents may have, and will hopefully reduce numbers going onto the Ombudsman.
- Consideration (where it is beneficial to do so, and all parties agree) to merging the complaints process so as to facilitate a discussion between residents and services with involvement from Corporate Customer Standards. This will enable the concerns raised and how the service has responded to be discussed at a meeting, and the outcomes recorded as the complaint response. There will be some complaints and situations where this approach is less relevant (perhaps where there is little room for discussion), but a trial will see if it assists.
- Analysis of the time spent assisting services on pre-third stage advice, and to look to see how the process can be made more effective, and perhaps share learning with complaints handlers across the council. Clearly it is better for all concerned, if a complaint is resolved at its earliest point.
- Work is ongoing with the Restorative Practice team to improve the approach to complaint handling. We intend to update CGAC with information on this at our next presentation.
- Guidance notes for colleagues on certain complaint handling areas – for example, unreasonable or challenging behaviour, being recorded etc. will be updated. This should help enable a more consistent approach for these more difficult areas of work.

## **5 Implications for the Council**

**5.1 Working with People** – It's important that consumer satisfaction is monitored and understood; the complaints process is a part of this.

**5.2 Working with Partners** – None directly; issues arising with partners would be resolved by them; Council /partner relationship issues are resolved outside of this process

**5.3 Place Based Working** – None directly

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

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

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

**5.7 Other (e.g., Legal/Financial or Human Resources)**- Understanding where and how complaints arise is an important part of delivering better services. This often involves the service directly complained about, and support services

## **6 Consultees and their opinions**

**6.1** Executive Team have been consulted on this report. Heads of service / directors are involved in complaints about their service area.

## **7 Next steps and timelines**

**7.1** To consider if any additional information is sought. The full annual report should be available for CGAC in September 2023

## **8 Officer recommendations and reasons**

**8.1** Members are asked to note the report

## **9 Cabinet portfolio holder's recommendations**

**9.1** Not applicable

## **10 Contact officer**

**10.1** Chris Read (01484 221000)

## **11 Background Papers and History of Decisions**

**11.1** Ombudsman's reports are available online

## **12 Service Director responsible**

**12.1** Julie Muscroft (01484 221000)

## **Appendix 1: The Council's Complaints Procedure**

The council's complaint process for 2022-23 has three internal stages.

**First stage** – the complainant initially contacts the council to express dissatisfaction about the service they have received. Many of these complaints are resolved by front line staff immediately, as errors are spotted corrected and an apology offered, or an explanation is given to explain the situation to justify why the situation is accurate.

**Second stage** – this is where the complainant remains dissatisfied, and the complaint is referred to a senior manager within the appropriate service to consider.

**Third stage** – the Corporate Customer Standards Officer will review the actions taken by the service on behalf of the Council and Chief Executive and consider whether anything further can be done to resolve the complaint. The Local Government Ombudsman requires the council to give the complaint a final review before they may become involved with it.

Some complaints do not progress through the council's standard complaints procedure; these are usually complaints where a formal review process applies such as complaints relating to Childrens and Adults Services and Housing Benefit assessment complaints. The Ombudsman will consider some complaints before third stage review if they are considered urgent (for example school admission appeals).

Complaint stages are sometimes merged depending on the type of complaint received to ensure matters are dealt with effectively and to ensure the complainant can progress to the Ombudsman as quickly as possible if the issue appears unresolvable.

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