

# Public Document Pack



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

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Thursday 29 February 2024

## Notice of Meeting

Dear Member

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

The **Corporate Governance and Audit Committee** will meet in the **Council Chamber - Town Hall, Huddersfield** at **10.00 am** on **Friday 8 March 2024**.

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 Naheed Mather  
Councillor Harry McCarthy  
Councillor Melanie Stephen  
Councillor John Taylor  
Councillor Kath Pinnock  
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

#### **Labour**

B Addy  
S Hall  
P Moore  
M Sokhal E Firth  
T Hawkins  
H Zaman

#### **Liberal Democrat**

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

### **Ex Officio Members**

Councillor Paul Davies  
Councillor Elizabeth Smaje

# Agenda

## Reports or Explanatory Notes Attached

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### Pages

**1: Membership of the Committee**

To receive apologies for absence from those Members who are unable to attend the meeting and details of substitutions and for whom they are attending 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 19<sup>th</sup> January 2024.

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**3: Declaration of Interests**

7 - 8

Members will be asked to say if there are any items on the Agenda in which they have any disclosable pecuniary interests or any other interests, which may prevent them from participating in any discussion of the items or participating in any vote upon the items.

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**4: Admission of the Public**

Most agenda items take place in public. This only changes where there is a need to consider exempt information, as contained at Schedule 12A of the Local Government Act 1972. You will be informed at this point which items are to be recommended for exclusion and to be resolved by the Committee.

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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 in writing, 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 in writing at least three clear working days in advance of the meeting.

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## **7: Representation on Outside Bodies**

9 - 16

To receive an update on representation on outside bodies.

Contact: Leigh Webb, Head of Governance.

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## **8: Annual Governance Statement 2022/23**

17 - 46

To consider the Annual Governance Statement 2022/23.

Contact: Simon Straker, Audit Manager

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

47 - 66

To consider the Audit Progress Report and Sector Update ending March 2024.

Contact: Grant Thornton, External Auditor.

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Contact Officer: Nicola Sylvester

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 19th January 2024**

Present: Councillor James Homewood (Chair)  
Councillor Yusra Hussain  
Councillor Melanie Stephen  
Councillor John Taylor  
Councillor Kath Pinnock  
Councillor Mohan Sokhal  
Chris Jones (Independent Member)

In attendance: Steve Mawson, Chief Executive  
Rachel Spencer-Henshall, Strategic Director, Corporate Strategy  
Tom Brailsford, Strategic Director, Children and Families  
Julie Muscroft, Service Director, Legal Governance and Commissioning  
Leigh Webb, Head of Governance  
James Anderson, Head of Accountancy (Virtual)  
Martin Dearnley, Head of Risk  
Rachel Firth, Finance Manager  
Alice Carruthers, Senior Finance Officer  
Thomas Foster, Grant Thornton (Virtual)  
Aaron Gouldman, Grant Thornton  
Councillor Elizabeth Smaje (Ex-Officio) (Virtually)  
Councillor Graham Turner (Ex-Officio)

Apologies: Councillor Naheed Mather  
Councillor Harry McCarthy

#### **1 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Naheed Mather and Councillor Harry McCarthy.

Councillor Mohan Sokhal substituted on behalf of Councillor Harry McCarthy.

#### **2 Minutes of Previous Meeting**

**RESOLVED:** That the minutes of the meeting held on 24<sup>th</sup> November 2023 be approved as a correct record.

#### **3 Declaration of Interests**

No Interests were declared.

**4 Admission of the Public**

It was noted that Agenda items 13 and 14 would be considered in private session.

**5 Deputations/Petitions**

There were no deputations or petitions received.

**6 Public Question Time**

No public questions were asked.

**7 Auditors Annual Report 2022/23**

The Committee received the Annual Value for Money Report from the Council's Auditors, Grant Thornton, for the year 2022/23.

The report set out a summary of the work of the Auditor's with specific regard to financial sustainability, governance and improving economy, efficiency, and effectiveness of the Council. It was reported that significant weakness had been identified in respect of financial sustainability and that the work of the auditor's had identified a risk in the short and medium term with a challenging savings plan currently being developed to enable the Council to set a balanced budget for 2024/25. The report acknowledged that the Council's financial position had worsened during 2023/24, with ongoing cost pressures in areas such as social care, transport, and housing. In addition, the revised medium term financial plan had increased the funding gap that had to be overcome in setting the budget for 2024/25. As the auditors issued their key recommendation in July 2023, it was appropriate to note that the significant weakness in financial sustainability identified at that point remained in place for the current year to which this audit relates (2022/23) and continues in the current year.

The Strategic Director for Children and families explained that the Dedicated Schools Grant (DSG) deficit which had started to build up in 2014, was in regard to the change to the Children and Family Act which give parents the right to request an Educational Health and Care Plan. The change was not funded for Local Authorities' which meant a historical deficit had built up. The Department for Education was working with Local Authorities on delivering better value and the safety valve programme to reduce or write off the deficit.

During consideration of this item, the Committee raised concerns regarding the sharing of information with Committee members, the culture of staff understanding the importance of making savings and working differently with Communities. In response to the issues raised, the Chief Executive advised that consideration would be given to how information could be provided to the Committee without duplicating the work of Scrutiny. With regards to the spending freeze, systems were in place with checks being carried out, and discussions were underway with teams and managers on priorities of the business to make savings. It was observed that the Council needed to change their culture in working with communities to save money.

The Committee sought assurance from the external auditors on how confident they felt that the Council were on track with addressing the significant financial challenges due to the continuing overspend in all areas. Grant Thornton advised that the overspends were relating to 2022/23 financial year and were due to budget,

decisions and pressures that pre-existed the current set of arrangements. It was noted there were measures and arrangements in place to limit overspending in the future.

The Committee noted that this was the last meeting to be attended by Mr Gouldman who was leaving Grant Thornton and thanked him for all the work he had produced and wished him well for the future.

**RESOLVED** - That the report be received and noted.

**8 Treasury Management Strategy and Investment Strategy 2024/25**

The Committee received the Treasury Management Strategy 2024/2025 and associated appendices, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on treasury management. The report provided information regarding (i) the outlook for interest rates and credit risk, and a recommended investment strategy (ii) the current and estimated future levels of Council borrowing (internal and external) and a recommended borrowing strategy (iii) methodologies adopted for providing for the repayment of debt and a recommended policy for calculating minimum revenue provision (iv) 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 and (v) recommended an annual investment strategy(Non-Treasury Investment) for the Council in 2024/25.

The Committee was advised that the report and recommendations were to be submitted to Cabinet on 13 February 2024 and Council on 6 March 2024.

**RESOLVED** - That the Treasury Management Strategy 2024/25 incorporating (i) the borrowing strategy, (ii) the investment strategy, (iii) the policy for provision of repayment of debt (Minimum Revenue Provision) (iv) the treasury management prudential indicators and (v) the investment strategy (non-treasury investments) be referred to Cabinet on 13 February 2024 and the meeting of council on 6 March 2024.

**9 Dates of Council Meetings - 2024/25 Municipal Year (Reference to Council)**

The Committee received a report which set out a provisional schedule of Council meeting dates for the 2024-2025 municipal year. The date of 13<sup>th</sup> November 2024 had been identified for the West Yorkshire Mayor to attend Council.

The Committee voiced concerns that there would be no planned meetings between February 2025 and July 2025 apart from the meetings solely for consideration of the Budget and the AGM.

**RESOLVED –**

- 1) That the schedule of Council meetings for the 2024-25 municipal year be submitted to the meeting of Council on 7 February 2024 with a recommendation of approval,
- 2) That Lead Members be asked to consider a meeting of Council between February and July 2025.

**10 Risk Management Annual Report 2023/24**

The Committee received a report which provided information on the Council's strategy for Risk Management and its governance arrangements to deliver in line with the approved strategy, and to outline priority actions for development during 2024-25.

The Accounts and Audit Regulations 2015 required that a relevant authority must ensure that it had a sound system of internal control which i) facilitated the effective exercise of its functions and the achievement of its aims and objectives, ii) ensured that the financial and operational management of the authority was effective, and iii) included effective arrangements for the management of risk.

The report explained that robust risk management was a central feature of good governance and the Council's approach to risk management had built on the success of the previous year with proactive risk management continuing. Although significant progress had been made, there remained a level of inconsistency in the extent that risk management was embedded within the day-to-day operations and the culture of the council. It was still necessary to drive greater improvements which needed to be both realistic and proportionate as set out in the report.

During consideration of this item, the Committee asked questions on how the risk framework was used at a strategic level, what happened if a risk remained unchanged for 12 months, and how the framework was used to inform decision making. It was noted that there was a risk assessment matrix that informed the scoring of all risks. Unchanged scores were something that were to be looked into, with a formal review forced for high rated risks, and that all controls for risk should remain the same, even when the outcome was different. The Committee also recommended that risks, controls, and actions were to be split out in future reports.

**RESOLVED-**

- 1) That the report be received and noted
- 2) That the committee be content with the risk management process as described, and currently operated.

**11 Quarterly Report of Internal Audit Q3 2023/24**

The Committee received a report relating to the internal audit work in quarter 3 of 2023/24.

The report set out the work of Internal Audit completed October to December 2023, including the remainder of work relating to the previous year's plan, along with that for the current year approved at the April 2023 and September 2023 meetings. All work had reached a finalised state. Except where shown otherwise, management had accepted the findings and agreed to implement/investigate the recommendations. A number of audits were awaiting finalisation and were to be reported in the next quarter.



**RESOLVED-**

- 1) That the Internal Audit Quarterly Report be noted and that no further action was sought on any matter identified.
- 2) That it be noted that there has been no Regulation of Investigatory Powers Act activity during the period quarter 3 2023/24.

**12 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 stated in the undermentioned minutes.

**13 Risk Management Annual Report 2023/24**

The Committee noted the exempt information, which was an appendix to agenda item 10.

**14 Quarterly Report of Internal Audit Q3 2023/24**

The Committee noted the exempt information, which was an appendix to agenda item 11.

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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.



**REPORT TITLE: UPDATE ON REPRESENTATION ON OUTSIDE BODIES**

<b>Meeting:</b>	<b>Corporate Governance and Audit Committee</b>
<b>Date:</b>	<b>8<sup>th</sup> March 2024</b>
<b>Cabinet Member</b> (if applicable)	<b>Not applicable</b>
<b>Key Decision Eligible for Call In</b>	<b>No as it is not an executive matter</b>
<b>Purpose of Report</b> To note the updated representation on Outside Bodies.	
<b>Recommendations</b> <ul style="list-style-type: none"> <li>That, in order to formalise the latest changes to the Council's Outside Body representation, the detail in the attached spreadsheet (Appendix 1) be noted.</li> </ul> <b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>To formally note the latest changes to the Council's Outside Body representation.</li> </ul>	
<b>Resource Implications:</b>  Not applicable.	
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	Rachel Spencer-Henshall – 27-2-24
<b>Is it also signed off by the Service Director for Finance?</b>	No financial implications – for information only
<b>Is it also signed off by the Service Director for Legal, Governance and Commissioning?</b>	Julie Muscroft – 26-2-24

**Electoral wards affected: All wards affected**

**Ward councillors consulted: Not applicable**

**Public or private: Public**

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

## **1. Executive Summary**

- 1.1 The Service Director, Legal, Governance & Commissioning has delegated authority, in consultation with Group Business Managers, to receive and process nominations to Outside Bodies. Any changes in the Council's representation on Outside Bodies are reported to this Committee for information.
- 1.2 Since the last update to Committee, changes to the Council's Outside Body representation have occurred and have been incorporated into the Council's database of outside body representation. The changes for the municipal year 2023-2024 have been incorporated in the attached spreadsheet (Appendix 1).

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

Under Section F of Part 3 of the Constitution, Scheme of Delegation to Officers, the Service Director - Legal, Governance and Commissioning has delegated authority in respect of the determination (in consultation with Group Business Managers) of nominations to outside bodies in circumstances where the Council or, in default, the Corporate Governance & Audit Committee have agreed in principle to nominate representatives and the political ratios.

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

Not applicable.

## **4. Consultation**

Not applicable.

## **5. Engagement**

Not applicable.

## **6. Options**

Not applicable.

## **7. Next steps and timelines**

The Outside Body representation will continue to be monitored and any further changes will be reported to Corporate Governance and Audit Committee on an annual basis.

## **8. Contact officer**

Sheila Dykes/Helen Kilroy 01484 221000

Email: [Sheila.Dykes@kirklees.gov.uk](mailto:Sheila.Dykes@kirklees.gov.uk) / [Helen.Kilroy@kirklees.gov.uk](mailto:Helen.Kilroy@kirklees.gov.uk)

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

None

## **10. Appendices**

Appendix 1 – Changes to outside body representation for 2023-24.

## **11. Service Director responsible**

Julie Muscroft, Service Director for Legal, Governance and Commissioning.

Name of Body	No of Reps	CURRENT MEMBER 23/24
<b>JOINT AUTHORITIES - PRESCRIBED PLACES</b>		
West Yorkshire Combined Authority (West Yorkshire)	1 + sub WYCA appoint 3 additional members for political balance from across WY councils.	<b>Cllr Cathy Scott (Spokesperson)</b> <b>(Cllr Paul Davies - Sub)</b>
West Yorkshire Combined Authority - Governance and Audit Committee	1	<b>Cllr Cathy Scott</b> <b>(Cllr Paul Davies - Sub)</b>
West Yorkshire Combined Authority - Transport Committee		<b>Cllr Matthew McLoughlin</b> (Transport Engagement Lead and Spokesperson) <b>Cllr Moses Crook</b> (Transport Portfolio Holder) <b>Cllr Manisha Kaushik</b> (Ordinary Member) <b>Cllr Martyn Bolt</b> (Ordinary Member)  <b>Cllr Eric Firth</b> (Deputy Chair)
West Yorkshire Combined Authority - <b>Corporate</b> Overview and Scrutiny Committee	3	<b>Cllr Masood Ahmed</b> <b>Cllr Susan Lee-Richards</b> <b>(Sub Cllr Andrew Cooper)</b>
West Yorkshire Combined Authority - <b>Economy</b> Overview and Scrutiny Committee	3	<b>Cllr Manisha Kaushik</b> <b>Cllr Yusra Hussain</b> <b>Cllr Richard Smith</b>
West Yorkshire Combined Authority - <b>Transport and Infrastructure</b> Overview and Scrutiny Committee	3	<b>Cllr Harry McCarthy</b> <b>Cllr Mark Thompson</b> <b>Cllr Andrew Pinnock</b> <b>(Sub Cllr Anthony Smith)</b>
WYCA Leeds City Region Enterprise Partnership (LEP) Board	1 + sub	<b>Cllr Cathy Scott</b> <b>Cllr Graham Turner (Sub)</b>
Business, Economy and Innovation Committee (WYCA)	1	<b>Cllr Graham Turner</b>
Climate, Energy and Environment Committee (WYCA)	1	<b>Cllr Andrew Cooper</b>
Place, Regeneration and Housing Committee (WYCA)	1	<b>Cllr Moses Crook</b>
Employment and Skills Cttee (WYCA)	1	<b>Cllr Elizabeth Reynolds</b> <b>*Cllr Cathy Scott</b>
Culture, Heritage and Sports Committee	1	<b>Cllr Aafaq Butt</b>
Finance, Resources and Corporate Committee (WYCA)	1	<b>Cllr Cathy Scott</b>
West Yorkshire Police and Crime Panel	3	<b>Cllr Gwen Lowe (Spokesperson)</b> <b>Cllr Anthony Smith</b> <b>Cllr Susan Lee-Richards</b>
West Yorkshire Fire and Rescue Authority	4	<b>Cllr Tyler Hawkins</b> <b>Cllr Darren O'Donovan (Chair &amp; Spokesperson)</b> <b>Cllr Habiban Zaman</b> <b>Cllr David Hall</b>
Local Government Association - General Assembly	4	<b>Cllr Cathy Scott</b> <b>(Cllr Paul Davies Sub)</b> <b>Cllr David Hall</b> <b>(Cllr John Taylor Sub)</b> <b>Cllr John Lawson</b> <b>(Cllr TBC)</b> <b>Cllr Andrew Cooper</b> <b>(Cllr S Lee-Richards Sub)</b>

West Yorkshire and Harrogate Health and Care Partnership	2	<b>Cllr Cathy Scott</b> <b>Cllr Jackie Ramsay</b>
West Yorkshire Joint Services - Appointment and Appeals Panel	1	<b>**VACANT</b>
West Yorkshire Joint Services - Governance and Audit	1	<b>TBC</b>
West Yorkshire Joint Services - Joint Consultative Committee	1	<b>**VACANT</b>

#### NOMINATIONS BY LEADER

Parking and Traffic Regulations Outside London Adjudication Joint Committee (PATROL)	1	<b>Cllr Moses Crook</b> <b>(Cllr Paul Davies - Sub)</b>
Yorkshire and Humber Strategic Migration Group	1	<b>Cllr Carole Pattison</b>
West Yorkshire Adoption Joint Committee ('WYAJC') ONE ADOPTION	1 + sub	<b>Cllr V Kendrick</b> <b>*(Vacant - Sub)</b>
West Yorkshire Joint Services Committee	2 + 2 subs	<b>Cllr Habiban Zaman (Spokesperson)</b> <b>Cllr Yusra Hussain</b> <b>(Cllr Mohan Sokhal - Sub)</b> <b>(Cllr Musarrat Pervaiz - Sub)</b>
Yorkshire Purchasing Organisation Management Committee	1 + sub	<b>Cllr Graham Turner</b> <b>(Cllr Paul Davies - Sub)</b>
YPO Procurement Holdings Limited Company Board	1	<b>Cllr Graham Turner</b> (Director)
Yorkshire and Humber (Local Government) Employers Association	1	<b>Cllr Paul Davies</b>
Migration Yorkshire Board	1	<b>Cllr Carole Pattison</b>

#### OTHER PLACES - JOINT AUTHORITIES

C&K Careers Limited Holding Company (from 1.4.20)	3	<b>Cllr Manisha Kaushik</b> <b>Cllr Mussarat Pervaiz</b> <b>Cllr Zarina Amin</b>
Calderdale and Kirklees Careers Limited (from 1.4.20)	3	<b>Cllr Manisha Kaushik</b> <b>Cllr Mussarat Pervaiz</b> <b>Cllr Zarina Amin</b>
Calderdale and Huddersfield NHS Foundation Trust - Council of Governors (formerly known as Membership Council)	1	<b>Vacancy</b>
Children's Partnership Board (formerly Children's Trust)	4 + Chair of CSP	<b>Cllr Viv Kendrick</b> <b>Cllr Elizabeth Reynolds</b> <b>Cllr Richard Smith</b> <b>Cllr John Lawson</b> <b>Cllr Andrew Cooper (as Chair of CSP)</b>
Environment Agency - Yorkshire Regional Flood and Coastal Committee	1 + Deputy	<b>Cllr Donald Firth</b> <b>Cllr Manisha Kaushik</b> <b>(Deputy)</b>
Kirklees Communities Partnership Board (formerly Community Safety Partnership Executive)	4	<b>Cllr Naheed Mather</b> <b>Vacant*</b> <b>Cllr Mohan Sokhal</b> <b>Cllr Mark Thompson</b> <b>*WYPCP reps:</b> <b>Cllr Gwen Lowe</b> <b>Cllr Anthony Smith</b> <b>Cllr Susan Lee-Richards</b>
Kirklees Theatre Trust (Lawrence Batley Theatre)	3	<b>Cllr Karen Allison</b> <b>Cllr Naheed Mather</b> <b>Cllr Melanie Stephen</b>
Peak District National Park Authority	1	<b>Cllr Charles Greaves (Lab Place)</b>



Pennine Prospects (formerly South Pennine Rural Regeneration Company)	1	<b>Cllr Susan Lee-Richards</b>
QED (KMC) Limited (Special Schools)	1	<b>Cllr Paul Davies</b>
SUEZ (Kirklees) Limited	1	<b>Cllr Aafaq Butt</b> (Director) <b>Cllr John Taylor</b> (alternate Director)
Special Interest Group of Metropolitan Authorities (SIGOMA)	1	<b>Cllr Paul Davies</b>
Trans Pennine Trail Members' Steering Group	2	<b>Cllr Eric Firth</b> <b>Cllr Martyn Bolt</b>
South West Yorkshire Partnership NHS Foundation Trust - Members' Council	1	<b>Cllr Mussarat Pervaiz</b>
West Yorkshire One Adoption - Adoption Panels	2	<b>Cllr Beverley Addy</b> <b>Cllr Donald Firth</b>
West Yorkshire Pension Fund Advisory Group - Joint Advisory Group	3	<b>Cllr Jackie Ramsay</b> <b>Cllr Moses Crook</b> <b>Cllr Eric Firth</b>
West Yorkshire Pension Fund Advisory Group - Pension Fund Investment Panel	2	<b>Cllr Jackie Ramsay</b> <b>Cllr Eric Firth</b>
<b>OTHER PLACES - OTHER BODIES</b>		
Creative Media Centres Limited	1	<b>Cllr Andrew Cooper</b>
Dewsbury Endowed Schools Foundation Trust Advisory Working Party	8	<b>Cllr Eric Firth</b> <b>Paul Ellis</b> <b>Cllr Jackie Ramsay</b> <b>Cllr Masood Ahmed</b> <b>Cllr Paul Moore (Con Place)</b> <b>Salim Patel</b> <b>Bernard Disken</b> <b>M Winterburn</b>
North Huddersfield Trust	1	<b>Kieran Lord</b>
Dewsbury Learning Trust	1	<b>Vacant*</b>
Globe Innovation Centre Ltd (previously Globe Environmental Business Centre Ltd)	1	<b>Chris Duffill</b>
Huddersfield Industrial Advisory Panel	1	<b>Cllr Tyler Hawkins (Green Place)</b>
Kirklees Active Leisure	2	<b>Cllr Mohan Sokhal (Spokesperson)</b> (has vote at member meetings) <b>Cllr Mark Thompson</b>
Kirklees Community Association	6	<b>Cllr Eric Firth</b> <b>Cllr Zarina Amin</b> <b>Peter McBride</b> <b>Cllr Paul Moore</b> <b>Cllr Donald Firth</b> <b>Robert Iredale</b>
Kirklees Community Fund Grants Panel	2	<b>Cllr Mohan Sokhal</b> <b>Cllr Bill Armer</b>
Kirklees Historic Buildings Trust Ltd	6	<b>Cllr Beverley Addy</b> <b>Cllr Moses Crook</b> <b>Cllr Cathy Scott</b> <b>Cllr Gwen Lowe</b> <b>Cllr David Hall</b> <b>Cllr Andrew Pinnock</b>

Kirklees Schools Services Ltd	1	<b>Cllr Elizabeth Reynolds (Director)</b> <b>*Vacant (Alternate Director)</b>
Kirklees Stadium Development Ltd	3	<b>Cllr Paul Davies (Director)</b> <b>Ken Sims (Director)</b> <b>Cllr Bernard McGuin (Alt Dir)</b>
Locala Community Partnership Members' Council	1	<b>Vacancy</b>
Musica Kirklees (formerly Kirklees Music School)	2	<b>Cllr Beverley Addy</b> <b>Cllr Andrew Pinnock</b>
National Association of British Market Authorities	3	<b>Cllr Eric Firth</b> <b>Vacant*</b> <b>Cllr John Taylor</b>
National Coal Mining Museum for England Trust Ltd - Liaison Committee	2	<b>Cllr Naheed Mather</b> <b>Cllr Bill Armer</b>
Reserve Forces and Cadets Association for Yorkshire and the Humber	1	<b>Cllr Martyn Bolt</b>
School Organisation Advisory Group	6	<b>Vacant*</b> <b>Cllr Viv Kendrick</b> <b>Cllr Yusra Hussain</b> <b>Cllr Elizabeth Reynolds</b> <b>Cllr Elizabeth Smaje</b> <b>Cllr Kath Pinnock</b>
Spenborough Co- operative Trust	1	<b>Vacant*</b>
Kirklees Henry Boot Partnership	1	<b>Julie Muscroft TEMP (Director)*</b> <b>Vacant (Alt Dir)</b>
Standing Advisory Council for Religious Education	4	<b>Cllr Hannah McKerchar</b> <b>Cllr Darren O'Donovan</b> <b>Cllr Joshua Sheard</b> <b>Cllr Andrew Marchington</b>
Laneside Landfill Community Trust	1	<b>Cllr Tyler Hawkins</b>
<b>OTHER PLACES - CHARITIES</b>		
Batley Cricket, Athletic and Football Club (formerly Batley Bulldogs)	3	<b>Cllr Cahal Burke (Mayor)</b> <b>Cllr Gwen Lowe</b> <b>Cllr Shabir Pandor</b> <b>Cllr Habiban Zaman</b>
Batley Girls (Rae, Taylor, Hirst and Talbot) Leaving Scholarship Fund	1	<b>Cllr Gwen Lowe</b>
Batley Grammar School Trustees	1	<b>Paul Young</b>
Charles Brook Convalescent Fund	1	<b>Paul White (Lib Dem Place)*</b>
Dewsbury Guild of Help / Whittuck Charity	2	<b>Cllr Darren O'Donovan</b> <b>Iris Bettney</b>
Fletcher Charity	6	<b>Cllr Darren O'Donovan</b> <b>Iris Bettney</b> <b>Terry Goodall</b> <b>Trevor Senior</b> <b>VACANT</b> <b>VACANT</b>
George Beaumont Foundation	1	<b>Cllr Gwen Lowe</b>
Golcar Township Lands Charity	2	<b>Robert Iredale</b> <b>Cllr Andrew Marchington</b>
Holly Bank Trust	1	<b>Helen Mackey-Bowen</b>
Huddersfield Education Trust	2	<b>Cllr Carole Pattison</b> <b>Cllr Elizabeth Reynolds</b>
Longwood Grammar School Foundation	1	<b>Susan Starr</b>

Mirfield Educational Charity	3	<b>Chris Oldfield</b> <b>Cllr Martyn Bolt</b> <b>Cllr Vivien Lees-Hamilton</b>
Mitcheson Bequest	2	<b>Cllr Steve Hall</b> <b>Cllr Viv Kendrick</b>
R J Whitehead Almshouses	1	<b>Cllr Bill Armer (Lab Place)</b>
Roebuck Memorial Homes and Gardens	2	<b>Mr R Ram</b> <b>Cllr Tyler Hawkins</b>
Sam Whitehead Trust	3	<b>Cllr Harry McCarthy</b> <b>Cllr Matthew McLoughlin</b> <b>Cllr Beverley Addy</b>
The Thurstonland School with Ludlum and Horsfall Foundation	1	<b>Cllr Richard Smith</b>
Thornhill Pools Estate Charity	5	<b>Cllr Masood Ahmed</b> <b>Cllr Nosheen Dad</b> <b>Mr B Pearson</b>
Walker and Greenwood Educational Charity	6	<b>Cllr Jackie Ramsay</b> <b>Cllr Masood Ahmed</b> <b>Cllr Nosheen Dad</b> <b>Iris Bettney</b> <b>VACANT</b> <b>VACANT</b>
Whitcliffe Mount School Scholarship Trust	1	<b>Josie Pugsley</b>
King James School Foundation	1	<b>Cllr Paola Davies</b>
Wheelwright Old Boys War Memorial Fund	1	<b>Vacant*</b>
William Greenwood Homes	2	<b>Cllr Eric Firth</b> <b>Cllr Cathy Scott</b>
<b>Other Panels</b>		
Fostering Panel	2	<b>Cllr Manisha Kaushik</b> <b>Cllr Donna Bellamy</b>
Community Learning Trust	1	<b>Cllr Elizabeth Reynolds</b>
Adult Learning Advisory Board	1	<b>Cllr Elizabeth Reynolds</b>
Armed Forces Covenant Board	1	<b>Cllr Cathy Scott</b>
Veterans Advisory & Pensions Committees, Yorkshire and the Humber	1 + SD	<b>Cllr Cathy Scott</b>

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**REPORT TITLE: Annual Governance Statement 2022/23**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>8 March 2024</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No</b> <b>No – Information report</b>
<b>Purpose of Report</b> To advise the committee of progress against the Action Plans agreed re the Annual Governance statement 2022/23	
<b>Recommendations</b> <ul style="list-style-type: none"> <li>• That the report be noted</li> <li>• The Committee consider if there are any areas covered in relation to which they require any further information</li> </ul>	
<b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>• The report is provided for monitoring and oversight for good governance</li> </ul>	
<b>Resource Implications:</b>	
<b>Date signed off by <u>Strategic Director</u> &amp; name.</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Rachael Spencer-Henshall 19 February 2024  Yes - Isabel Brittain  Yes – Julie Muscroft

**Electoral wards affected:** all

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** yes

**1. Executive Summary**

The attached appendices provide monitoring information in relation to Appendix A; Progress against the Annual Governance Statement (AGS) 2022/23 Action Plan.

Appendix B is the AGS 22/23 (for information).

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

This is contained in the Appendices.

**3. Implications for the Council**

Progress against Action Plans and in implementing recommendations is important as demonstrating a sound set of control arrangements and good governance.

**3.1 Working with People**

No directly applicable.

**3.2 Working with Partners**

No directly applicable.

**3.3 Place Based Working**

No directly applicable.

**3.4 Climate Change and Air Quality**

No directly applicable.

**3.5 Improving outcomes for children**

No directly applicable.

**3.6 Financial Implications**

**Refers in part to improving strategic and operational financial controls**

**3.7 Legal Implications**

No directly applicable.

**3.8 Other (eg Risk, Integrated Impact Assessment or Human Resources)**

Implementation of recommendations should improve overall control arrangements and promote good governance.

**4. Consultation**

With senior management, who are responsible for implementation.

**5. Engagement**

Not applicable.

**6. Options**

Not applicable.

**7. Next steps and timelines**

Actions as set out in plans not yet implemented.

**8. Contact officer**

Martin Dearnley Head of Audit & Risk;  
Simon Straker Audit Manager

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

AGS 2022/23 attached; other actions contained within Grant Thornton reports previously presented to this Committee.

**10. Appendices**

Appendix A; Progress against the Annual Governance Statement (AGS) 2022/23 Action Plan

Appendix B is the AGS 22/23 (for information)

**11. Service Director responsible**

Julie Muscroft, Director of Legal, Governance & Monitoring

Isabel Britain, Director of Finance

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Kirklees Council

# Annual Governance Statement 2022/23

November 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 2023/24 and beyond in conjunction with the Corporate Governance & Audit Committee.



Signed:

Cllr. Catherine Scott, Leader of the Council



Steve Mawson, Chief Executive

## Significant Governance Issues during 2022/23

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2021/22 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 under the Council's direct control. These often take longer than one year to address and some of these have featured in a similar form for a number of years, though some aspects can be resolved during the year. Good governance is about taking actions and making continuous improvement.

It should be noted that due to an unexpected and prolonged delay in the external auditing of the Statement of Accounts for 2021/22, reflecting national issues and performance, the applicability of last Year's Statement overlaps almost the entirety of this one, (April 2022 to September 2023). Where possible each Statement endeavours to delineate between the two financial years, both as regards the governance arrangements that applied and the Issues arising and management response.

Progress has been made since the 2021/22 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from the current Statement. There has also been a change of focus or circumstance this has resulted in several being combined and revised in this year's Statement.

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
1	<p>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.</p> <p>(A, B, F)</p>	<p>Delivery of key Council objectives could be undermined.</p>	<p>Although work was conducted to ascertain the Administration's priorities, and this was reflected in the budget for 2023/24 approved by Council in March 2023, the challenging financial position meant that it was not possible to create a more robust arrangement that established a Corporate (Council) Plan first, and then developed a budget that expressed the priorities contained therein.</p>	<p>Recognising the challenging financial circumstances, the Council Plan approved by Council in July 2023, focused on the most significant priorities for the Council up to January 2024. A full, robust process to create a new Council Plan, for approval in January 2024 has already commenced. This will work to the principles of a strategic priority-led approach to planning and budgeting, based upon the key priorities outlined by the new Leader and incorporated in the medium-term financial plan that expresses those priorities in cost terms, utilising intelligence to establish an operational plan as approved by Council.</p>
2	<p>Strengthen and develop Partnership Governance and new relationships.</p> <p>(A, E, F)</p>	<p>Key outcomes require significant input from partners and others.</p>	<p>Although some areas of partnership working have continued to be strengthened, and areas such as the relationships with the West Yorkshire Mayoral Combined Authority, and Integrated Care Boards have been progressing well, there remain some concerns with associated parties at a more local level.</p>	<p>Work closely with the local partnership bodies to ensure that effective service delivery meets prioritised community needs, does not involve cost shifting or shunting, and does not, wherever possible, distort the Council's own policy priorities.</p>
3.	<p>Continue to develop and strengthen the governance arrangements for decision-making and</p>	<p>Having the right structures and mechanisms in place is key to achieving delivery</p>	<p>Consideration of proposals to review options around committee structures was completed and approved by Council. The Cabinet and Leader governance model was approved, and a number of</p>	<p>Continue to implement our current governance model with a focus on pre-decision scrutiny and improved communication and training.</p>

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
	<p>place-based working, including greater clarity to the roles and responsibilities of Members and officers.</p> <p>(B, C, F)</p>	<p>of the Council's priorities.</p>	<p>recommendations were agreed and are to be implemented throughout 2023/24.</p> <p>Alongside this we have held a number of sessions reviewing how well our existing member-officer protocol is, whether we might need to update it and how we might raise awareness of it.</p> <p>In relation to members working together, there have been changes in the scrutiny process, and at an administrative level, steps taken to ensure that officer delegated decisions are appropriately recorded.</p>	<p>Implementation of Council recommendations from the Democracy Commission.</p> <p>Complete the work highlighted from the member and officer protocol sessions.</p>
4.	<p>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.</p> <p>(A, C, E)</p>	<p>Work is ongoing to embed innovation and change but it has not yet reached a <i>business-as-usual</i> state.</p>	<p>In respect of the governance of housing services generally a Board has been established, independently chaired, and reporting directly to the cabinet committee, that is meant to address all areas of activity subject to oversight by the government regulator. Steps have also been taken to improve the governance oversight, and operational management of property related matters within the housing function.</p>	<p>Identifying areas of highest risk re fire safety and damp and progressing rectification of these in priority order.</p> <p>Develop an approach to the oversight and governance of housing management activities that reflects the requirements of the government's regulatory regime.</p>

The previous entries re transformational activity have been subsumed into the existing need to improve corporate planning, and the newly expressed need to strengthen changes in activity and operations to achieve financial savings. Additional effort has made substantial changes to risk management processes; the organisation now needs to learn how to use this to make choices. Governance of employment related areas and the cost-of-living crisis have become a matter for ongoing business, reported through the council’s risk management process and general business activity, and new revised policy arrangements look to address counter fraud, bribery and corruption, including new operational arrangements, and improved governance and reporting.

## **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 2023/24
<p>1A The Medium-Term Financial Plan shows a significant (minimum) funding deficit of £30m in 2024/25 after assuming £11m savings proposals are delivered in full. Given the significant overspend on the General Fund Budget in 2022/23, with the consequent use of £27m from unallocated reserves, combined with the significant use of unallocated reserves (c£25m) to balance the Council’s budget in 2023/24 in addition to a savings requirement of c£19m, the Council has no choice but to identify measures to reduce its net expenditure significantly to maintain a balance budget (and to avoid external intervention). The delivery of c£60m+ of savings in a 2-year period after 13</p>	<p>Could prevent achievement of any objectives.</p>	<p>Given the structure of the Council’s General Fund Revenue Budget in 2023/24, including the use of unallocated reserves totalling £25m (which has reduced reserves to the lower end of what is considered to be an acceptable Minimum Working Balance) and requirement to save c£19m, there are two key objectives - it is vital that all cost/income pressures are contained (which may require additional savings to be identified) so there is no overspend and all savings must be delivered in full. This will require detailed and timely financial and activity monitoring so that, if necessary, early remedial action can be taken if it is considered that either objective will not be achieved. Where such remedial action does not prove effective, consideration may need to be given to implementing some form of spending controls.</p>

<p>years of austerity will present a significant challenge for the Council inevitably impacting on its ability to deliver on its strategic objectives. (A, B, C, D, E, F)</p>		<p>At the same time, and looking ahead to 2024/25, there will need to be:</p> <ul style="list-style-type: none"> <li>• A review of all reserves, earmarked or otherwise, to determine how much of any of those reserves can be moved to unallocated reserves to bolster the Minimum Working Balance (a review of the methodology for the Minimum Working Balance will be undertaken so that is founded on a risk-based analysis (as per CIPFA guidance) of what is needed and not a simple %age of Net Revenue Expenditure) and Unallocated Reserves in the event of an overspend in 2023/24;</li> <li>• A review of the strength of the Council’s Balance Sheet to determine the extent of any assets/liabilities that may have a bearing on the Council’s overall financial position bearing in mind the acute financial position of the Council</li> <li>• A review of the Council’s Capital Programme with a view to reducing the amount of the Council’s Prudential Borrowing given its impact on the General Fund Revenue Budget. In turn, this will necessitate a review of the Treasury Management Strategy not least because the Council, at a time of rising interest rates, is significantly (c£160m) under borrowed with any new borrowing likely to test the viability of projects previously agreed.</li> <li>• A review of the Medium-Term Financial Plan (MTFP) to ensure that it fully reflects both the anticipated income and expenditure of the Council in the period 2024/25 to 2028/29 and is based on a range of sound assumptions.</li> <li>• The early identification of a package of savings proposals to bridge the ‘In-Year Funding Gap’ reported in the MTFP of £47.8m,</li> </ul>
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		<p>that can be delivered in full in 2024/25 (and indeed, identifying any that can be delivered in 2023/24). This will include assessing the robustness of any such savings proposals to make sure they are deliverable, agreed through the appropriate governance mechanism and implemented as early as possible.</p>
<p>1B The effective implementation of the “Safety Valve” programme – to address overspending and historic deficit on special education needs (SEND) budgets as part of the Dedicated Schools Grant</p> <p>(A, C, D, F)</p>	<p>Affects the ability to achieve a balanced budget.</p>	<p>The Government has awarded additional grant (both capital and revenue) as part of a ‘Safety Valve’ agreement (over a 5-year period) to seek to address a historical deficit and in year overspending on support for children with additional needs. This activity is focused on increasing sufficiency of provision for children with Additional and Special Educational Needs and Disabilities and therefore involves both significant capital investment in creating a range of additional educational provision to enable children to be educated locally, as well as system-wide transformational changes in how SEND provision is delivered. Given the complexities of the programme and the complexity of need for our children, progress against the expectations that were set in the Safety Value Agreement with the DfE has been slower than anticipated. This has resulted in additional enhanced monitoring taking place with a revised plan to be submitted back to the Department for Education (DfE).</p> <p>Given the continuing dialogue with DfE, there is a clearer understanding of the Council’s plans and a robust plan both in the Childrens and Families Directorate, and, corporately of the need to work with the local area to deliver the plans necessary to reduce the deficit on the High Needs budget and more importantly to provide a service that is financially sustainable within the Dedicated Schools Grant funding provided by the DfE. The programme of work is being overseen by the SEND Programme Board and ultimately by the Executive Team.</p>



		<p>If the DfE do not allow the Council to continue participating in the Safety Valve Programme there is a risk that the agreed funding may be withdrawn and which would need to be funded from reserves. There is a further risk that once the statutory override that allows Councils to carry DSG deficits expires (currently planned to be March 2026), the Council would be required to fund any remaining deficit from its own resources at that time. A requirement to charge this to the Council's general fund would need to be funded from reserves.</p>
<p>2A During 2023/24 a number of senior managers have retired or taken up new employment elsewhere, including the Chief Executive, two strategic directors and the Service Director of Finance.</p> <p>(A, C, F)</p>	<p>This may present a significant risk to the Council's ability to respond rapidly to the issues.</p>	<p>The changes referenced here have, in the main, been planned (and therefore known about) for some time. The new Chief Executive started at the beginning of October. An interim role will replace one of the Strategic Directors, whilst the other strategic director post is expected to be unfilled. Following the unplanned resignation of her short term predecessor, an Interim Service Director of Finance (Section 151 Officer) is now in place, which will be advertised in November 2023, the replacement is expected to start in May 2024. The serious financial position does create a particular tension, which needs to be addressed by a positive handover to the new post holders wherever possible.</p>
<p>2B The Council's usage of data and intelligence is not always effective, meaning that it does not always support decisions about efficiency, economy and value for money, as well as creating unintended risks.</p> <p>(A, F)</p>	<p>Strategic decision making should be supported by valid intelligence</p>	<p>Ensuring that there is a structured approach to collecting, handling, processing and disposing of data to ensure that this is not duplicated, delayed or misinterpreted. This relates to all kinds of information; not just the areas that are subject to governance and oversight by the Information Commissioner.</p> <p>In response to this, the Council has in place an agreed Data and Insight Strategy which seeks to address how the Council's collects, stores, uses and deletes data so that there is an organisation-wide consistency in this area. The implementation of the Strategy is at its</p>

		<p>early stages and is being overseen by the Modern Organisation Board.</p> <p>This Strategy works alongside and in tandem with the Council's Technology and Information Governance Strategies.</p>
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A more detailed Action Plan sits behind this summary and the Executive Leadership Team and Corporate Governance & Audit Committee will monitor progress during 2023/24 and beyond.

## 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 2022/23 and up to the date that the Statement of Accounts is approved (September 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 2022/23 and those which are planned or ongoing in 2023/24.

## 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 objectives.
- 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 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.
- A Counter Fraud, Bribery and 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.

## 2022/23 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 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

The audit of the Council's 2022/23 financial statements was completed for approval from the November 2023 meeting of the Corporate Governance & Audit Committee.

As noted in the delayed 2021/22 Annual Governance Statement, the External Auditor’s Interim Annual Report in July 2023 reported a significant weakness in the Council's arrangements to secure financial sustainability as part of the delayed 2021/22 audit and recommended the Council take prompt and appropriate action so as to return to a sustainable position in the medium term.

The previous Chief Executive introduced a set of measures including suspending non-essential expenditure and a recruitment freeze to help address the budget situation whilst longer term changes are designed and implemented, and these measures have been maintained since.

Finally, in September 2023, the 2021/22 financial statements were approved unqualified too.

4. Corporate Governance & Audit Committee (CGAC)

During 2022/23 the CGAC reviewed a number of aspects of the Council’s constitution and governance arrangements and noted or approved revisions or made recommendations to Council as appropriate.

CGAC also received assurance from various 2022/23 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 concerns 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.

The Democracy Commission undertook a piece of work on behalf of the Committee in relation to the committee system proposal motion submitted to Annual Council May 2021. The Commission's recommendations were approved by the Committee (December 2022) and subsequently Council in January 2023. The recommendations are to be implemented throughout 2023 with a review of the recommendations set for March 2024. The recommendations continue to retain the Cabinet and Leader model, with some improvements to recognise the key role of the scrutiny function within key strategy formation and in engaging non-cabinet members in the decision-making process.

#### 5 Overview & Scrutiny Management Committee

During 2022/23 the Committee and its four Panels were themselves reviewed following a review of the Council's governance arrangements and key issues faced and strategies and responses to manage these. Revised panels were agreed at Council in May 2023, retaining the same number but changing some of the areas of focus and making one of the ad hoc panels permanent.

#### 6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct and supported the work reviewing the Member Officer protocol.

#### 7 Role of the Chief Financial Officer

The role of the Service Director of Finance (SDF) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure she is able to operate effectively and perform her 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 SDF and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code, although there are some aspects of operations that 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 with strategic oversight from the Executive Team and escalation of appropriate issues, with particular emphasis on revenue budget and capital plan management. 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. A review of the effectiveness of the Member Officer Protocol in the Council's Constitution has been undertaken.

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## ANNUAL GOVERNANCE STATEMENT 2022/23

### Governance Issues Monitoring Update – February 2024

#### Significant Governance Issues B/fwd from 2021/22

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
1	<p>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.</p> <p>(A, B, F)</p>	<p>Delivery of key Council objectives could be undermined.</p>	<p>Although work was conducted to ascertain the Administration's priorities, and this was reflected in the budget for 2023/24 approved by Council in March 2023, the challenging financial position meant that it was not possible to create a more robust arrangement that established a Corporate (Council) Plan first, and then developed a budget that expressed the priorities contained therein.</p>	<p><a href="#">Service Director, Strategy &amp; Innovation</a></p> <p>Recognising the challenging financial circumstances, the Council Plan approved by Council in July 2023, focused on the most significant priorities for the Council up to January 2024. A full, robust process to create a new Council Plan, for approval in January 2024, has already commenced. This will work to the principles of a strategic priority-led approach to planning and budgeting, based upon the key priorities outlined by the new Leader and incorporated in the medium-term financial plan that expresses those priorities in cost terms, utilising intelligence to establish an operational plan as approved by Council.</p>

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
				<p><b><u>Update</u></b></p> <p>The Corporate Plan will be considered by Council alongside the Budget in March 2024, and for each year thereafter. A longer-term Council strategic plan will be developed, with any financial impacts of Plan commitments identified.</p>
				<p><a href="#">Service Director, Strategy &amp; Innovation</a></p>
2	<p>Strengthen and develop Partnership Governance and new relationships.</p> <p>(A, E, F)</p>	<p>Key outcomes require significant input from partners and others.</p>	<p>Although some areas of partnership working have continued to be strengthened, and areas such as the relationships with the West Yorkshire Mayoral Combined Authority, and Integrated Care Boards have been progressing well, there remain some concerns with associated parties at a more local level.</p>	<p>Work closely with the local partnership bodies to ensure that effective service delivery meets prioritised community needs, does not involve cost shifting or shunting, and does not, wherever possible, distort the Council's own policy priorities.</p> <p><b><u>Update</u></b></p> <p>The arrangements with the other strategic partners are now considered to be well understood and embedded into governance and management processes.</p>

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
				Service Director, Legal, Governance & Commissioning
3.	<p>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.</p> <p>(B, C, F)</p>	<p>Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities.</p>	<p>Consideration of proposals to review options around committee structures was completed and approved by Council. The Cabinet and Leader governance model was approved, and a number of recommendations were agreed and are to be implemented throughout 2023/24.</p> <p>Alongside this we have held a number of sessions reviewing how well our existing member-officer protocol is, whether we might need to update it and how we might raise awareness of it.</p> <p>In relation to members working together, there have been changes in the scrutiny process, and at an administrative level, steps taken to ensure that officer delegated decisions are appropriately recorded.</p>	<p>Continue to implement our current governance model with a focus on pre-decision scrutiny and improved communication and training.</p> <p>Implementation of Council recommendations from the Democracy Commission.</p> <p>Complete the work highlighted from the member and officer protocol sessions.</p> <p><b><u>Update</u></b></p> <p>A review of the operation of the Executive governance model is being undertaken and will be reported to Corporate Governance &amp; Audit Committee early in the next municipal year.</p> <p>Additional work also ongoing to ensure that member officer relationships are effective.</p>

No.	Governance Issue / Theme	Reason for Inclusion	Direction of Travel / Progress in 2022/23	Further Action Taken and Planned in 2023/24
				Service Director, Homes & Neighbourhoods
4.	<p>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.</p> <p>(A, C, E)</p>	<p>Work is ongoing to embed innovation and change but it has not yet reached a <i>business-as-usual</i> state.</p>	<p>In respect of the governance of housing services generally a Board has been established, independently chaired, and reporting directly to the cabinet committee, which is meant to address all areas of activity subject to oversight by the government regulator. Steps have also been taken to improve the governance oversight, and operational management of property related matters within the housing function.</p>	<p>Identifying areas of highest risk re fire safety and damp and progressing rectification of these in priority order.</p> <p>Develop an approach to the oversight and governance of housing management activities that reflects the requirements of the government's regulatory regime.</p> <p><b><u>Update</u></b></p> <p>Although progress has been made and the Board is functioning, the Housing Regulator has identified areas where they believe that the Council needs to improve its approach to areas such as damp and fire safety.</p>

## New Issues 2022/23

Governance Issue / Theme	Reason for Inclusion	Action Required in 2023/24
		Service Director, Finance
<p>1A The Medium-Term Financial Plan shows a significant (minimum) funding deficit of £30m in 2024/25 after assuming £11m savings proposals are delivered in full. Given the significant overspend on the General Fund Budget in 2022/23, with the consequent use of £27m from unallocated reserves, combined with the significant use of unallocated reserves (c£25m) to balance the Council's budget in 2023/24 in addition to a savings requirement of c£19m, the Council has no choice but to identify measures to reduce its net expenditure significantly to maintain a balance budget (and to avoid external intervention). The delivery of c£60m+ of savings in a 2-year period after 13 years of austerity will present a significant challenge for the Council inevitably impacting on its ability to deliver on its strategic objectives. (A, B, C, D, E, F)</p>	<p>Could prevent achievement of any objectives.</p>	<p>Given the structure of the Council's General Fund Revenue Budget in 2023/24, including the use of unallocated reserves totalling £25m (which has reduced reserves to the lower end of what is considered to be an acceptable Minimum Working Balance) and requirement to save c£19m, there are two key objectives - it is vital that all cost/income pressures are contained (which may require additional savings to be identified) so there is no overspend and all savings must be delivered in full. This will require detailed and timely financial and activity monitoring so that, if necessary, early remedial action can be taken if it is considered that either objective will not be achieved. Where such remedial action does not prove effective, consideration may need to be given to implementing some form of spending controls.</p> <p>At the same time, and looking ahead to 2024/25, there will need to be:</p> <ul style="list-style-type: none"> <li>A review of all reserves, earmarked or otherwise, to determine how much of any of those reserves can be moved to unallocated reserves to bolster the Minimum Working Balance (a review of the methodology for the Minimum Working Balance will be undertaken so that is founded on a risk-based analysis (as per CIPFA guidance) of what is needed and not a simple %age of Net Revenue Expenditure) and Unallocated Reserves in the event of an overspend in 2023/24;</li> </ul>

- A review of the strength of the Council's Balance Sheet to determine the extent of any assets/liabilities that may have a bearing on the Council's overall financial position bearing in mind the acute financial position of the Council
- A review of the Council's Capital Programme with a view to reducing the amount of the Council's Prudential Borrowing given its impact on the General Fund Revenue Budget. In turn, this will necessitate a review of the Treasury Management Strategy not least because the Council, at a time of rising interest rates, is significantly (c£160m) under borrowed with any new borrowing likely to test the viability of projects previously agreed.
- A review of the Medium-Term Financial Plan (MTFP) to ensure that it fully reflects both the anticipated income and expenditure of the Council in the period 2024/25 to 2028/29 and is based on a range of sound assumptions.
- The early identification of a package of savings proposals to bridge the 'In-Year Funding Gap' reported in the MTFP of £47.8m, that can be delivered in full in 2024/25 (and indeed, identifying any that can be delivered in 2023/24). This will include assessing the robustness of any such savings proposals to make sure they are deliverable, agreed through the appropriate governance mechanism and implemented as early as possible.

**Update**

Additional work to address revenue overspending, identify savings, and strengthen the Council's balances has been undertaken in 2023/24. The budget for 2024/25 includes a robust set of savings.

		There are revisions and prioritisation of the capital plan and some accounting adjustments.
		<a href="#">Service Directors, Finance / Learning &amp; Early Support</a>
<p>1B The effective implementation of the “Safety Valve” programme – to address overspending and historic deficit on special education needs (SEND) budgets as part of the Dedicated Schools Grant</p> <p>(A, C, D, F)</p>	Affects the ability to achieve a balanced budget.	<p>The Government has awarded additional grant (both capital and revenue) as part of a ‘Safety Valve’ agreement (over a 5-year period) to seek to address a historical deficit and in year overspending on support for children with additional needs. This activity is focused on increasing sufficiency of provision for children with Additional and Special Educational Needs and Disabilities and therefore involves both significant capital investment in creating a range of additional educational provision to enable children to be educated locally, as well as system-wide transformational changes in how SEND provision is delivered. Given the complexities of the programme and the complexity of need for our children, progress against the expectations that were set in the Safety Value Agreement with the DfE has been slower than anticipated. This has resulted in additional enhanced monitoring taking place with a revised plan to be submitted back to the Department for Education (DfE).</p> <p>Given the continuing dialogue with DfE, there is a clearer understanding of the Council’s plans and a robust plan both in the Childrens and Families Directorate, and, corporately of the need to work with the local area to deliver the plans necessary to reduce the deficit on the High Needs budget and more importantly to provide a service that is financially sustainable within the Dedicated Schools Grant funding provided by the DfE. The programme of work is being overseen by the SEND Programme Board and ultimately by the Executive Team.</p>

		<p>If the DfE do not allow the Council to continue participating in the Safety Valve Programme there is a risk that the agreed funding may be withdrawn and which would need to be funded from reserves. There is a further risk that once the statutory override that allows Councils to carry DSG deficits expires (currently planned to be March 2026), the Council would be required to fund any remaining deficit from its own resources at that time. A requirement to charge this to the Council's general fund would need to be funded from reserves.</p> <p><b><u>Update</u></b></p> <p>A new long-term plan to address and eliminate the DSG budget deficit has been submitted to the DfE, and negotiation with the DfE representatives and their advisers continues.</p>
		<p><a href="#">Executive Leadership Team</a></p>
<p>2A During 2023/24 a number of senior managers have retired or taken up new employment elsewhere, including the Chief Executive, two strategic directors and the Service Director of Finance.</p> <p>(A, C, F)</p>	<p>This may present a significant risk to the Council's ability to respond rapidly to the issues.</p>	<p>The changes referenced here have, in the main, been planned (and therefore known about) for some time. The new Chief Executive started at the beginning of October. An interim role will replace one of the Strategic Directors, whilst the other strategic director post is expected to be unfilled. Following the unplanned resignation of her short-term predecessor, an Interim Service Director of Finance (Section 151 Officer) is now in place, and the permanent post will be advertised in November 2023, the replacement is expected to start in May 2024. The serious financial position does create a particular tension, which needs to be addressed by a positive handover to the new post holders wherever possible.</p> <p><b><u>Update</u></b></p> <p>The new Chief Executive and interim Strategic Director have successfully embedded within the organisation. New</p>



		Director of Finance and Director of Legal, Governance and Commissioning (monitoring officer) have been recruited to commence their roles in May 2024.
		<a href="#">Service Director, Strategy &amp; Innovation</a>
2B The Council's usage of data and intelligence is not always effective, meaning that it does not always support decisions about efficiency, economy and value for money, as well as creating unintended risks. (A, F)	Strategic decision making should be supported by valid intelligence	<p>Ensuring that there is a structured approach to collecting, handling, processing and disposing of data to ensure that this is not duplicated, delayed or misinterpreted. This relates to all kinds of information; not just the areas that are subject to governance and oversight by the Information Commissioner.</p> <p>In response to this, the Council has in place an agreed Data and Insight Strategy which seeks to address how the Council's collects, stores, uses and deletes data so that there is an organisation-wide consistency in this area. The implementation of the Strategy is at its early stages and is being overseen by the Modern Organisation Board.</p> <p>This Strategy works alongside and in tandem with the Council's Technology and Information Governance Strategies.</p> <p><b><u>Update</u></b> The implementation of the Strategy continues, including the support for better data management across the Council. The associated adjustment in resources is partially implemented and will be assessed for its continuing value for money throughout the remainder of 2023/24 and into 2024/25.</p>

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# Kirklees Council Audit Progress Report and Sector Update

Year Ending 31 March 2024

26 February 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Key Grant Thornton team members

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Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E [gareth.mills@uk.gt.com](mailto:gareth.mills@uk.gt.com)

Gareth will have ultimate responsibility for the delivery of your audit service. Specifics of the role include:

- leading our relationship with the Council, ensuring you have access to Grant Thornton's full service offering;
- being a key contact for the Chief Finance Officer and the Corporate Governance and Audit Committee, meeting frequently with key members of management;
- taking overall responsibility for delivering high quality audits which meet professional standards;
- agreeing with you the annual audit plan, and a timetable for delivering the work;
- reviewing the audit file, giving particular focus to any key areas of risk or critical judgements exercised during the audits;
- reviewing and signing off all audit reports;
- attending the Corporate Governance and Audit Committee to discuss key issues arising from our work and any recommendations;
- acting as a 'sounding board' on key decisions relevant to our responsibilities as your auditors; and sharing good practice identified at other organisations.



Greg Charnley

Engagement Manager

T 0113 200 2558

E [greg.f.chnley@uk.gt.com](mailto:greg.f.chnley@uk.gt.com)

Greg will ensure that all work allocated is carried out on a timely basis in accordance with the firm's professional standards and to the satisfaction of clients and engagement lead.

As the key contact Greg will be responsible for building and maintaining good working relationships with all colleagues and clients.

To support delivery of the testing strategy he will:

- assist the engagement lead in establishing audit objectives and overall scope;
- ensure key matters which arise during the audits which were not identified at the planning stage are properly assessed and dealt with;
- review the work of in-charge auditor and the wider fieldwork team;
- finalise our draft reports to management;
- manage, motivate and coach team members; and
- control the audits in relation to timescales, budgets and risk management procedures.

Sam Danielli

Engagement Assistant Manager

T 0161 214 6384

E [sam.m.danielli@uk.gt.com](mailto:sam.m.danielli@uk.gt.com)

Sam will work as part of the team, leading the day to day audit team delivery, providing a service which meets or exceeds client expectations and supports Greg and Gareth. Specifics of the role include:

- taking an active part in the audit planning discussions to identify audit risks and appropriate audit strategy;
- communicating any issues relating to the audit with the engagement manager or engagement lead;
- overseeing all aspects of audit fieldwork and completion;
- addressing and discussing queries in respect of technical and audit issues identified during the course of the audit;
- maintaining good working relationships with client staff; and
- delegating work to other members of the audit team, ensuring they understand their responsibilities and have received appropriate on-the-job training / coaching.



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## 2. Introduction & headlines

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

The paper also includes:

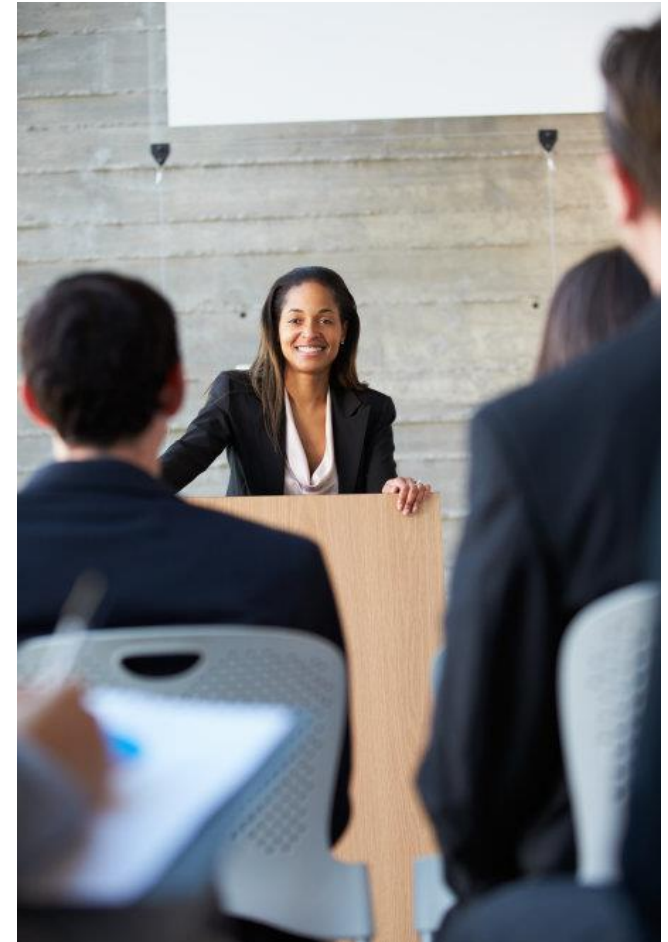
- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring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

Members of the Corporate Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the local government sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



# 3. The auditor's statutory responsibilities

## Opinion on the audited body's financial statements

### Financial Statements Audit

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning work documents our understanding of your key risks and your control environment to inform our testing strategy. Our planning for the 2023-24 audit commenced in December with further planning work planned up to the end of April. We plan to commence our year-end final audit in July 2024.

Our planning procedures include:

- Updating our review of the Authority's control environment
- Updating our understanding of financial systems
- Reviewing Internal Audit reports and noting the audit impact of key findings
- Understanding the material estimates included in the financial statements
- Reviewing meeting papers and the latest financial and operational performance reports ensuring we understand your current challenges
- Considering recent reports from regulators regarding your operational effectiveness

We expect to issue our Audit Plan summarising our approach to key risks on the audit and present this at your April 2024 Corporate Governance and Audit Committee. We will report any key findings from our early planning work to Corporate Governance and Audit Committee when we present our Audit Plan.

We will deliver our final accounts audit from July and summarise our work in the Audit Findings (ISA260) Report to be presented at your November 2024 Corporate Governance and Audit Committee.

## Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority "has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources."

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our risk assessment to you at your April 2024 Corporate Governance and Audit Committee against the following reporting criteria:

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

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Council's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

We are also aiming to complete and conclude our value for money work in the 2024 calendar year. We will provide a further indication on the timing of our reporting in our Audit Plan as to the progress of the value for money work and when we expect to present our findings to the Corporate Governance and Audit Committee.

# The auditor's wider responsibilities

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2022-23 claim is ongoing. We are targeting to conclude and report our findings by end of May 2024.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for 2023-24 will commence later in the calendar year. We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). Again, this work will take place later in the calendar year.

### Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement and Narrative Report complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements audit fieldwork.

### Other 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 audits.

We will report our initial assessment in our Audit Plan, targeted for April 2024.

## Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients;
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Corporate Governance and Audit Committee.





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# 4. Progress as at February 2024

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## Financial Statement Audit

There have been some audit team changes following conclusion of the 2022-23 audit cycle, with a new Engagement Lead, Gareth Mills, and Manager, Greg Charnley, joining the Kirklees audit team. Whilst these names may be new to Kirklees officers and members, both have experience auditing single tier local authorities in the wider Yorkshire region and across the north of England. GT colleagues have worked to enact a thorough handover process internally to pass on the extensive knowledge and experience of the outgoing Engagement Lead and Manager. We also appreciate the organisational context provided by the senior officer team during our liaison meetings to date.

Our work on the 2023-24 financial statement audit has commenced, with early planning procedures and inquiries having commenced towards the end of 2023. Additional detailed planning work is planned for the following months, and we are aiming to conclude our planning by the end of April 2024. Considering this is Grant Thornton's sixth year of engagement with Kirklees Council, as an audit supplier, we have a good level of cumulative knowledge about the Council, which we will take into the 2023-24 audit.

We have commenced discussions with your IT team to scope the IT specialist audit work for the 2023-24 audit cycle, with plans for this to commence in the coming months. We are expecting to hold similar discussions with core finance colleagues shortly in preparation for the 2023-24 year-end audit, earmarked to commence in July 2024.

## Value for Money arrangements review

The current Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020-21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required. The new approach was more complex, with auditor's reviewing a wider range of local authority arrangements beyond the traditional focus on finance.

We reported our 2022-23 VFM Report to the Committee in January. The Report highlighted two key recommendations in respect of the Council's overall financial position and the deficit position on the DSG reserve – two areas that are challenging a number of local authorities at present. We will be following up the Council's responses and arrangements in these areas as part of our 2023-24 VFM work, along with the other improvement recommendations raised.

We are targeting concluding our 2023-24 Value for Money audit work by the end of the 2024 calendar year, alongside our work on your 2023-24 accounts. In the current national context of local authority audit delivery, this would represent a very good outcome for both the Council and ourselves. We will update on the progress of this work in our Audit Plan in April and then at your Corporate Governance and Audit Committee meetings throughout the year.

## Other areas

### Meetings

We met with the Service Director Finance and Head of Accountancy in December 2023 as part of our quarterly liaison meetings, and to introduce Gareth and Greg as the new Engagement Lead and Engagement Manager. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also have an upcoming liaison meeting scheduled before the end of February with the Chief Executive, Monitoring Officer and the Strategic Director for Corporate Strategy.

### Events

We provide a range of workshops and publications relevant to local government bodies, along with network events for members. Your finance colleagues attended our Accounts Workshop in February 2024, where we highlighted various financial reporting requirements relevant to the 2023-24 accounts and offered some insight into elements of the planned audit approach. Further details of the publications that may be of interest to Corporate Governance and Audit Committee members are set out in our Sector Update section of this report.

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# 5. 2023-24 deliverables for Kirklees Council

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## 2023-24 Deliverables

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Planned Date

Status

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### Audit Plan

We are required to issue a detailed Audit Plan to the Corporate Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2023-24 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.

April 2024

Not yet due

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### Audit Findings Report

The Audit Findings (ISA260) Report is targeted to be reported to the November Corporate Governance and Audit Committee. This report will include a summary of the key issues arising from our audit of the Council's 2023-24 accounts, including any amendments and control recommendations.

November 2024

Not yet due

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### Auditor's Report

This is our opinion on your financial statements.

Targeting end of  
2024 calendar year

Not yet due

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### Auditor's Annual Report on VFM arrangements

This report communicates the key outputs of our VFM audit, including our commentary on the Authority's value for money arrangements across the three themes of financial sustainability, governance and the Council's performance on economy, efficiency and effectiveness.

Targeting end of  
2024 calendar year

Not yet due

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# 6. Sector Update

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

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

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

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

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



Public Sector



Local  
government

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# Letter from Minister of Local Government

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Department for Levelling Up,  
Housing & Communities

**Simon Hoare MP**  
Minister for Local Government  
2 Marsham Street  
London  
SW1P 4DF

Clive Betts MP  
Chair, Levelling Up, Housing and Communities Committee  
House of Commons  
London  
SW1A 0AA

9A  
January 2024

Dear Clive

Thank you for your considered report on *Financial Reporting and Audit in Local Authorities*, published by the Levelling Up, Housing and Communities Committee on 24 November 2023.

The Government recognises the vital role played by our systems of local authority financial reporting and audit. Accurate and independently audited financial information, delivered on time, enables local bodies to effectively plan, make informed decisions and manage their services. This aids transparent and accountable local democracy which engenders public confidence and trust.

In July my predecessor, Lee Rowley MP, wrote to you providing a cross-system statement on proposals to clear the backlog of local audits. He set out that there exists a shared resolve and commitment amongst the organisations which comprise the local audit system to take action to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies. This resolve remains strong and considerable. Detailed development of the proposals, alongside engagement with stakeholders across the sector, has taken place since the Summer. I am pleased that the Committee have acknowledged that *"a resetting of the system through a limited series of statutory deadlines... represents a necessary first step..."*.

I can now confirm that the Department, supported by the FRC, alongside the National Audit Office, will launch consultations on these proposals soon. Our proposals will include an initial backstop date for local authorities and auditors of 30 September 2024 for all outstanding local audits in England up to and including the financial year 2022-23. Subject to the outcome of the consultations on necessary legislative changes as well as changes to the Code of Audit Practice, we intend to bring forward legislation to implement the backstop proposals. While these consultations take place, preparers and auditors should continue undertaking existing work to produce and audit local authority financial statements to ensure the system is in the best place possible to implement any final package of measures.

The Government is carefully considering the Committee's report, and its content is helping to inform our work with key system partners to develop solutions to the challenges in the local authority financial reporting and audit system. The Committee's report makes a wide range of recommendations for both the backlog and the future of local financial reporting and audit and I agree that important questions concerning systemic challenges must be addressed.

**SIMON HOARE MP**  
Minister for Local Government

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The report from the cross-party Levelling Up, Housing and Communities Committee is available at:  
<https://committees.parliament.uk/publications/42279/documents/210125/default/>

# Exploring the reasons for delayed publication of audited local authority accounts in England

## Published by Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)





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# Current local audit deadline ‘unachievable’

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## Published by Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In [evidence](#) to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years’ accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”



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# Current local audit deadline ‘unachievable’- (cont.)

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Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

[committees.parliament.uk/writtenevidence/118580/pdf/](https://committees.parliament.uk/writtenevidence/118580/pdf/)



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# DLUHC proposals to clear audit backlog

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A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

[committees.parliament.uk/publications/40932/documents/199432/default/](https://committees.parliament.uk/publications/40932/documents/199432/default/)





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# Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

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The Commons’ public accounts committee (PAC) published a report, [Timeliness of local auditor reporting](#), which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.



# Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



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# LGPS valuation gives ‘**cause** for **optimism**’

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## Published by Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

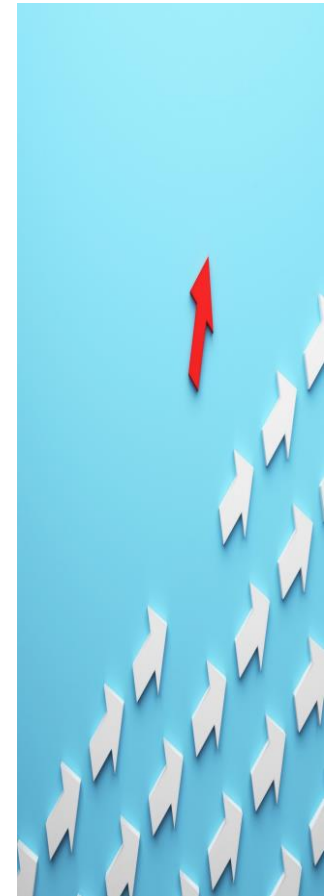
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \(hymans.co.uk\)](#)



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# Sustainability reporting in the public sector - CIPFA

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CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

## Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \(cipfa.org\)](https://www.cipfa.org/sustainability-reporting)





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# SEND deficits kept off budgets for another three years

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The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before the announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".





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