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Thursday 23 January 2025

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 **10.30 am** on **Friday 31 January 2025.**

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

Samantha Lawton

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 John Taylor (Chair)
Councillor James Homewood
Councillor Angela Sewell
Councillor Caroline Holt
Councillor Kath Pinnock
Councillor Imran Safdar
Vacancy
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	Green	Labour	Liberal Democrat	Community Alliance	Kirklees Community Independents
D Bellamy	K Allison	M Sokhal	PA Davies	A Zaman	A Arshad
D Hall	A Cooper	M Ahmed	J Lawson	C Scott	JD Lawson
M Thompson	S Lee-Richards	S Ullah	A Munro		
		B Addy	A Marchington		
		M Crook	A Smith		
		J Rylah E Firth	A Pinnock		
		H McCarthy	A Robinson		
			D Longstaff		

Ex Officio Members
Councillor Cahal Burke
Councillor Bill Armer
Councillor Tyler Hawkins

Agenda
Reports or Explanatory Notes Attached

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.

2: Minutes of Previous Meeting — 1 - 4

To approve the Minutes of the meeting of the Committee held on the 6th December 2024.

3: Declaration of Interests — 5 - 6

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.

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.

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.

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.

7: Dates of Council Meetings - 2025/26 Municipal Year (Reference to Council) 7 - 10

To consider the dates and times for meetings of Council for the 2025/26 municipal year.

Contact: Leigh Webb, Head of Governance.

8: Report of the Members' Allowances Independent Review Panel 11 - 20

To receive the report of the Members’ Allowances Independent Review Panel.

Contact: Leigh Webb, Head of Governance.

9: Treasury Management Strategy and Investment Strategy 2025/26 21 - 50

To receive the Treasury Management Strategy and conider the Investment Strategy 2025/26.

Contact: Rachel Firth, Finance Manager.

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Contact Officer: Nicola Sylvester

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 6th December 2024

Present:	Councillor John Taylor (Chair) Councillor James Homewood Councillor Angela Sewell Councillor Caroline Holt Councillor Kath Pinnock Councillor Imran Safdar
Co-optees	Chris Jones
In attendance:	Samantha Lawton, Service Director, Legal, Governance and Commissioning (Monitoring Officer) Kevin Mulvaney, Service Director, Finance James Anderson, Head of Accountancy (Virtual) Simon Straker, Audit Manager Sarah S Brown, Acting Head of Welfare and Exchequer Councillor Tyler Hawkins (ex-Officio) Greg Charnley, Grant Thornton Gareth Mills, Grant Thornton
Apologies:	Councillor Bill Armer (ex-Officio)

1 Membership of the Committee
No apologies from Committee Members were received.

2 Minutes of Previous Meeting
RESOLVED- That the minutes of the meeting held on 27th September 2024 be approved as a correct record.

3 Declaration of Interests
No Interests were declared.

4 Admission of the Public
It was noted that Agenda item 13 would be considered in private session.

5 Deputations/Petitions
No deputations or petitions were received.

6 Public Question Time
No questions were asked.

7 **Notice of appointment of 2nd Independent Person**

The Committee received a report providing an update on the appointment of a second independent person.

Samantha Lawson, Service Director, Legal, Governance and Commissioning advised the Committee that concerns had been raised regarding the risks associated with only having one Independent Person, and authority had been sought, and was given by Annual Council in May 2019 for the Monitoring Officer to recruit a second Independent Person. The role of the Independent Person is a statutory role, and they must be consulted on formal standards issues. The Independent Person provides the monitoring officer with advice on receipt of councillor complaints.

RESOLVED- That the Notice of appointment of 2nd Independent Person report be noted.

8 **Annual report on Bad Debt Write-Offs 2023-24**

The Committee received a report on Bad Debt write-offs 2023-24.

Overall write-offs for 2023-24 were slightly lower than 2022-23. The overall percentage written off in 2023-24 was slightly lower in % terms than 2022-23 but remained an ongoing issue due to the current financial climate and in part due to the build-up of debts throughout the pandemic. It was noted that there was a likelihood of more suppressed bad debt, this would be debt due to current circumstances and would be harder to collect, therefore taking longer to recover moving forward.

The figures for write offs of Adult Social Care debt, Housing Benefit Overpayments recovery, Housing Revenue Account (HRA), and Council Tax made up the top 5 areas for write offs and demonstrated how important it was for everyone to pay their share of the charges to help fund essential Council Services. The debt process had been challenging with staff shortages due to unexpected absences and difficulties recruiting, along with the cost-of-living crisis and a rise in the number of customers accessing adult social care services. The Committee noted that whilst all the debts highlighted in the report had been formally written off in its accounts for 2023-24, that did not mean that the Council would not write the debts back on the accounts and then pursue if new information came to light and the prospect for recovering outstanding debts changed in the future.

During consideration of this item, the Committee requested further information be provided on future reports regarding the outstanding debts at the end of the year along with the age profile. It was noted that the service was in contact with other Local Authorities to gain an understanding of their good working practices to improve debt collection.

RESOLVED- That the Annual Bad Debt Write-Off 2023-24 report be noted.

9 Half yearly Monitoring report on Treasury Management activities 2024-25

The Committee received a report providing assurance that the Council's treasury management function was being managed prudently and pro-actively. External investments, including the £10.0 million Local Authority Property Fund (LAPF), averaged £61.6 million during the period at an average rate of 5.06%. Investments ranged from a peak of £103.5 million in April to a low of £27.9 million in August. It was reported that all treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits were set out in Appendix 1 of the report. Details of the treasury management revenue budget of £27.1 million was set out in the report, along with the new requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The report highlighted that the non-treasury prudential indicators were now incorporated in the Council's normal quarterly revenue reports along with the treasury management indicators.

During discussion of this item, the Committee raised questions regarding the liability benchmark and the councils ongoing need for significant borrowing around access the loans and if it the council would be able to afford to service them, along with questions around changing the Minimum Revenue Provision (MRP) and if the new version was more or less prudent than the previous one.

James Anderson, Head of Accountancy advised that regarding liability benchmarking and accessing loans, there would be no problems borrowing required funds. With regards to MRP and prudence, the important thing was to look at various areas with professionals which included Treasury Advisers, Head of Accountancy, Deputy Chief Executive Officer and the Section 151 officer who would need to satisfy themselves that the council could repay the debt through revenue received each year. The prudent MRP view looked to evolve each year looking at statute and the remit within that statue, which would look at where the assets were and where the borrowing could be and apply a suitable rate to pay an element of the capital back through the fullness of time.

RESOLVED- That the half-yearly treasury management activities in 2024-25 as set out in the report be noted.

10 Quarterly report of Internal Audit Q2 July - September 2024

The Committee received a report which set out the activities of the Internal Audit in quarter 2 of 2024/25.

The report set out the work of Internal Audit that had been completed in the period July – September 2024. It was reported that all work included had reached a finalised state and, except where shown otherwise in the report, management had accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action had been through the required stages and any appeal time. A number of audits were awaiting finalisation and would be reported in the next quarter. Where an assurance opinion was appropriate these reflected the standard framework set out in the report.

The Committee acknowledged that there had been no Regulation of Investigatory Powers Act activity during the period quarter 2 2024/25.

During discussion of this item, the Committee raised concerns around the limited assurance of tenancy allocations in Homes and Neighbourhoods which were around the fundamental recommendation and number of significant recommendations. The Committee requested that Officers provide an update on the recommendations in the report which was to be considered at their meeting in March 2025.

It was noted that the chair of the Committee would liaise with the Head of Internal Audit regarding a detailed report on areas that had adequate assurance, but where there were significant or merits attention recommendations, and to provide the committee with assurance that all audits had been conducted thoroughly and followed up, to be considered at a future meeting by the Committee.

RESOLVED- That the Quarterly report of Internal Audit Q2 July -September 2024 be noted.

11 Agenda Plan 2024/25

RESOLVED- That the Agenda Plan for 2024/25 be noted.

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 state in the undermentioned minute.

13 Quarterly report of Internal Audit Q2 July - September 2024

RESOLVED-That the Committee noted the exempt information, which was an appendix to Agenda item 11.

KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS

Corporate Governance and Audit Committee

Name of Councillor

Item in which you have an interest	**Type of interest (eg a disclosable pecuniary interest or an "Other Interest")**	**Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]**	**Brief description of your interest**

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

NOTES

Disclosable Pecuniary Interests

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

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

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

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

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

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

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

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

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

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

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

Kirklees COUNCIL

Dates of Council Meetings – 2025/2026 Municipal Year (Reference to Council)

Meeting:	**Corporate Governance and Audit Committee – 31 January 2025**
Cabinet Member:	**Not applicable (Non executive decision)**
Key Decision: **Eligible for Call In:**	**No** **No**
Purpose of Report **To determine dates and times for Meetings of Council for the 2025/2026 Municipal Year.**	
Recommendation – That the schedule of Council Meetings for the 2025/2026 Municipal Year be submitted to Council with a recommendation of approval. **Reasons for Recommendation – To enable the scheduling of forthcoming meetings of Council.**	
Resource Implications: Not applicable	
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	**Rachel Spencer Henshall 16.01.25** **Not applicable** **Samantha Lawton 16.01.25**

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or private: Public

Has GDPR been considered? Not applicable

1. Executive Summary

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

Council Procedure Rule 5(1) states that there shall be two types of Ordinary meeting of the Council, one which focuses on Holding the Executive to Account, and the other for Key Discussions. No less than four ordinary meetings must be designated as Holding the Executive to Account. Council Procedure Rule 5(6) sets out the requirement that the Elected Mayor of West Yorkshire Combined Authority shall attend at least one meeting each municipal year.

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

The meeting of Annual Council, scheduled for 20 May 2026, will commence (with a civic ceremony) at 12.30pm.

Date	Council Meeting
2025	
Wednesday 16th July	Holding Executive to Account
Wednesday 17th September	Key Discussion
Wednesday 15th October	Holding Executive to Account
Wednesday 12th November	Key Discussion
Wednesday 10th December	Holding Executive to Account
2026	
Wednesday 21st January	Key Discussion
Wednesday 11th February	Holding Executive to Account
Wednesday 4th March	Budget Council
Wednesday 20th May	Annual Council

2. Information required to take a decision

Not applicable

3. Implications for the Council

3.1 Council Plan – Not applicable

3.2 Financial implications – Not applicable

3.3 **Legal implications – Not applicable**

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

4. Consultation – Group Leaders have been advised of the proposed dates.

5. Engagement – Not applicable

6. Options

6.1 **Options considered – Not applicable**

6.2 **Reasons for recommended option - Not applicable**

7. Next steps and timelines - That the proposed dates be confirmed for the 2025/2026 Municipal Diary.

8. Contact officer – Leigh Webb, Head of Governance

9. Background Papers and History of Decisions – Not applicable

10. Appendices – Not applicable

11. Service Director responsible – Samantha Lawton (Service Director – Legal, Governance and Commissioning)

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REPORT TITLE: Report of the Members' Allowances Independent Review Panel

Meeting:	**Corporate Governance and Audit Committee**
Date:	**31 January 2025**
Cabinet Member	**N/A – Non Executive Decision**
Key Decision **Eligible for Call In**	**No** **No – If no give reason –** Council Function

Purpose of Report
To consider the report of the Members' Allowance Independent Review Panel (MAIRP) with a view to making recommendations to Full Council.

Recommendations

That Corporate Governance and Audit Committee:

1. Notes the report of the Members' Allowances Independent Review Panel.

2. Recommends that Council approves the recommendations of the Members' Allowances Independent Review Panel (MAIRP) (set out in Appendix A).

Reasons for Recommendations

Corporate Governance and Audit Committee is responsible for making recommendations to the Council on the adoption of, or amendment to, the Members' Allowances Scheme.

Resource Implications: The recommendations within the report relating to the 2025/26 Members' Allowances Scheme can be managed within overall base budget of the scheme which is currently £1,466,000.

Date signed off by Executive Director & name	R Spencer Henshall – 09.01.2025
Is it also signed off by the Service Director for Finance?	K Mulvaney – 14.01.2025
Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?	S Lawton – 08.01.2025

Electoral wards affected: All

Ward councillors consulted: Not Applicable

Public or private: Public

Has GDPR been considered? Yes. There is no personal data within the report.

1. Executive Summary

The MAIRP meets to consider and recommend the Members' Allowances Scheme to Council, having regard to evidence received and associated developments that will affect the Scheme. The Panel met in December 2024 and the report of the Panel, including the recommendations for the 2025/26 Members' Allowances Schemes, can be found at Appendix A.

The financial implications arising from the recommendations of the MAIRP can be met from within the existing Members' Allowances base budget.

2. Information required to take a decision

A meeting of the MAIRP took place on 3 December 2024 to consider the Members' Allowances Scheme for 2025/26. The report of the Panel is attached at Appendix A and puts forward recommendations that:

(i) To continue to apply (when known) the same percentage pay award awarded to officers to the Basic Allowance and Special Responsibility Allowances.

(ii) The Special Responsibility Allowance paid to Chair of Corporate Governance and Audit Committee be increased from Band E (currently £3,115 per annum) to Band C1 (currently £7,790 per annum).

(iii) The Special Responsibility Allowance paid to Fostering Panel Members be increased from Band E1 (currently £1,556 per annum) to Band D1 (currently £4,675 per annum).

(iv) The Special Responsibility Allowance paid to Adoption Panel Members be increased from Band E1 (currently £1,556 per annum) to Band E (currently £3,115 per annum).

3. Implications for the Council

3.1 Council Plan
Not Applicable

3.2 Financial Implications
Should the above-mentioned recommendations be agreed and implemented the costs would be met from within the existing Members' Allowances budget.

3.3 Legal Implications

3.4 Other (eg Risk, Integrated Impact Assessment or Human Resources)
Not Applicable

4. Consultation
The Allowances Panel have been consulted on the contents of the attached report and agree it as a correct record of their deliberations and recommendations.

5. Engagement
The Panel received representations from Group Leaders/ representatives; Councillors in relation to the role of Chair of Corporate Governance and Audit Committee, Fostering and Adoption Panel and from the Service Director for Legal and Commissiong and the Head of Risk.

6. Options

6.1 Options considered

6.2 Reasons for recommended option
Recommendations are in line with the terms of reference of the MAIRP.

7. Next steps and timelines
Following consideration by the Corporate Governance and Audit Committee, this report will be referred for consideration by Full Council at its meeting on 12 February 2025.

8. Contact officer
Leigh Webb, Head of Governance
Tel: 01484 221000
email: leigh.webb@kirklees.gov.uk

9. Background Papers and History of Decisions
N/A

10. Appendices
Report of Members' Allowances Independent Review Panel

11. Service Director responsible
Samantha Lawton, Service Director, Legal and Commissioning.

Report of

Kirklees Council Members' Allowances Independent Review Panel

3 December 2024

Leigh Webb
Head of Governance
Civic Centre 3,
Huddersfield, HD1 2TG
01484 221000

1 Panel Membership

The Members of the Independent Review Panel are as follows:

Ian Brown (Chair)
Lynn Knowles
Fiona Weston

2 Terms of Reference

The Panel's Terms of Reference are:

(a) To advise the Council on what would be the appropriate level of remuneration for Councillors having regard to the:

- Roles Councillors are expected to fulfil
- Varying roles of different Councillors
- Practice elsewhere and other Local Authorities.

(b) To consider schemes of Members' Allowances for Town and Parish Councils as and when required.

(c) To make recommendations and provide advice to the Council on any other issues referred to the Panel by regulation or by the Council.

(d) The Council retains its power to remove a discredited Panel Member.

(e) The Panel can appoint its Chair from amongst its Members.

3 Constitutional Issues

(a) **Term of Office**

It was agreed that the current Panel membership be retained and that all relevant terms of office be renewed until December 2025.

(b) **Election of Chair of Independent Review Panel**

Ian Brown was elected Chair of the Independent Review Panel.

4 Members' Allowances Independent Review Panel Report

The report of the Members' Allowances Independent Review Panel, including the Members' Allowances Independent Review Panel's recommendations for the 2025/26 Members' Allowances Schemes can be found at Appendix A.

Report produced on behalf of the Members' Allowances Independent Review Panel by Leigh Webb, Head of Governance, 3 December 2024.

MEMBERS' ALLOWANCES INDEPENDENT REVIEW PANEL(MAIRP) REPORT

3 December 2024

Background

In approving the Members' Allowances Scheme for 2024/25 at a meeting of Council on 16 October 2024, it was recommended that the MAIRP be reconvened and asked to consider the following:

(i) For the 2025/26 Scheme, consider a review of the Role Profiles and SRAs paid to members of Fostering Panel, Adoption Panel and Chair of Corporate Governance and Audit Committee.

(ii) For the 2025/26 Scheme, consider a review of the political group bandings within the Members' Allowances Scheme.

Members Allowances Independent Review Panel Meeting

The MAIRP met on 3 December to consider the Members' Allowances Scheme for 2025/26 and in addition, received representations from the following Officers and Councillors in relation to:

Chair of Corporate Governance and Audit Committee
Samantha Lawton – Service Director Legal and Commissioning
Martin Dearnley – Head of Risk
Councillor John Taylor – Chair of Corporate Governance and Audit Committee
Councillor James Homewood – Member of Corporate Governance and Audit Committee and previous Chair

Political Group Bandings
Councillor John Taylor – Deputy Leader of the Conservative Group
Councillor Carole Pattison – Leader of the Council and Leader of the Labour Group
Councillor John Lawson – Leader of the Liberal Democrat Group
Councillor Andrew Cooper – Leader of the Green Group

Fostering Panel
Anna Gledhill – Head of Sufficiency
Councillor Donna Bellamy – Fostering Panel Member

Adoption Panel
Christine Bennett – Head of Assessment & Intervention & Disabled Children's Service
Councillor Richard Smith – previous Adoption Panel Member

Evidence
The MAIIRP considered the following:

Chair of Corporate Governance and Audit Committee

The Panel received submissions in relation to the remit of the Committee and the role of the Chair. An understanding and knowledge of financial matters, audit processes and treasury management policy are key elements to ensure the committee is chaired effectively. The role of the Chair is critical to ensure that the Committee offers challenge and oversight in respect of internal and external audit arrangements of the Council.

The Committee meet approximately six times a year and looks at both internal and external audit reports. Reports are also received in relation to Treasury Management reports, Health & Safety, Emergency Planning, Customer Complaints and the Council's Corporate Risk Register. The Committee also looks at the governance of the Authority including the Constitution, Delegations, Members Allowances and the Annual Governance Statement.

The Committee can, and do, challenge the Head of Audit and his team and ask officers to attend the Committee to question them in relation to Internal Audit report findings and hold them accountable for any actions that have not been complied with. The Committee has introduced a tracker system to track actions (which have been RAG rated) in order to monitor recommendations and actions. The Chair confirms the agenda for the Committee and works to ensure that items are scheduled in an efficient and timely manner. The current Chair has implemented an informal session prior to the Committee meeting taking place to update on the progress of actions contained within the tracker.

The Panel acknowledges that there needs to be a breadth of knowledge and understanding across all Council departments. Whilst recognising that there can be overlap, it is important to distinguish between the Council's audit function and scrutiny function. The role of the Committee is to seek assurance that the council's financial reporting, internal controls, governance, and risk management are effective and can be relied upon by councillors and residents. It was noted that the role of the Committee had become increasingly important in light of the recent financial challenges faced by the Council.

The Chair also attends Yorkshire and Humber regional meetings.

The Panel recognises the importance of the role of Chair of Corporate Governance and Audit Committee and after considering the representations made at the meeting recommends that the Special Responsibility Allowance should be increased to Band C1.

Political Group Bandings

The Panel heard from Group Leaders or their representative about Political Group Bandings and the Special Responsibility Allowances paid.

One Group suggested that rather than having different bandings a fixed rate be paid for the role with an additional amount of allowance paid for each Councillor within the group. The rationale for this suggestion was to avoid a cliff edge if a group lost members ensuring that any payments reflected the actual numbers within Groups.

During discussion of the issues of bandings, all other groups felt that the current bandings and SRAs were fit for purpose, fair and provided provision for small groups whilst recognising there had been a period of group fluidity. It was welcomed that any increase in allowances is now linked to the same percentage awarded to Officers.

Having heard the representations and noting the current political composition of the Council, the Panel finds that the current banding system is a robust and effective way of reflecting group size and recommends that the bandings and SRAs be left unaltered at the present time.

Fostering Panel

The Panel received representations in relation to the role of a Fostering Panel Member, who have an independent role on the Fostering Panel.

The Panels usually meet approximately 3 times per month with each Fostering Panel lasting a full day. Prior to attendance, Members have a vast amount of case notes to read, with a full day's reading for each Fostering Panel. The Panel were made aware that one current member of the Fostering Panel has recently sat on 5 Panels in a month hearing four or five cases at each Panel.

It was explained that as part of the role each Panel member makes notes/suggests questions which are typed into Sharepoint for the Chair to review and are assigned questions to ask at the Panel.

The Fostering Panel will hear different types of cases, including kinship carers, reviews, resignation, non-family related cases and will then make recommendations to the Agency Decision Maker who makes the final decision.

The Panel recognised the amount of reading time required for each Panel along with the sensitivity and importance of the role and the volume of Panel meeting held and recommends increasing the Special Responsibility Allowance to Band D1.

Adoption Panel

The Panel received representations in relation to the role of and Adoption Panel Member, who have an independent role on the Adoption Panel.

The Adoption Panel meets approximately every six weeks and the Panel assess people who want to adopt and whether they should be matched with a particular child.

It was reported that some cases are more complex than others and probing questions need to be asked. Adoption Panel Members have to read case notes before meetings, which can take half a day of reading for anything from two to six cases per Panel.

The Panel makes recommendations to the Agency Decision Maker who makes the final decision.

The Panel recognised the amount of reading time required for each Panel along with the sensitivity and importance of the role and recommends increasing the Special Responsibility Allowance to Band E.

The Panel would like to express its thanks to everyone who attended the meeting and contributed through their submissions.

Recommendations

(i) To continue to apply (when known) the same percentage pay award awarded to officers to the Basic Allowance and Special Responsibility Allowances.

(ii) The Special Responsibility Allowance paid to Chair of Corporate Governance and Audit Committee be increased from Band E (currently £3,115 per annum) to Band C1 (currently £7,790 per annum).

(iii) The Special Responsibility Allowance paid to Fostering Panel Members be increased from Band E1 (currently £1,556 per annum) to Band D1 (currently £4,675 per annum).

(iv) The Special Responsibility Allowance paid to Adoption Panel Members be increased from Band E1 (currently £1,556 per annum) to Band E (currently £3,115 per annum).

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Report title: Treasury Management Strategy and Investment Strategy 2025/26

Meeting:	**Corporate Governance and Audit Committee**
Date:	**31 January 2025**
Cabinet Member (if applicable)	**Councillor Graham Turner**
Key Decision **Eligible for Call In**	**Yes** **No**

Purpose of Report

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

Recommendations

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

- the treasury management strategy incorporating: the borrowing strategy outlined in paragraphs 2.16 to 2.29;
- the investment strategy (treasury management investments) outlined in paragraphs 2.30 to 2.38 and Appendices A and B;
- the policy for provision of repayment of debt (Minimum Revenue Provision) outlined in paragraphs 2.39 to 2.40 and at Appendix C
- the treasury management prudential indicators in Appendix D; and
- the investment strategy (non-treasury investments) at Appendix F.

Reasons for Recommendations

- Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs.
- The Council must have regard to the CIPFA Treasury Management Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 and the Statutory guidance on Local government Investments (2018) when performing its duties under Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

Resource Implications: The revenue implications of the strategies outlined have been reflected in the Council's annual budget report to be presented to Council in March 2025.	
Date signed off by Strategic Director & name	**N/A**
Is it also signed off by the Service Director for Finance?	**Kevin Mulvaney – 20/01/2025**
Is it also signed off by the Service Director for Legal Governance and Commissioning?	**Sam Lawton –20/01/2025**

Electoral wards affected: All

Ward Councillors consulted: N/A

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

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1 Executive Summary

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

1.2 Cabinet is responsible for the implementation and monitoring of the treasury management policies. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management. The last training for members of this Committee was provided in January 2024 by the Council's treasury management advisors/consultants, Arlingclose. Further training is confirmed for January 2025.

1.3 This report will:

(i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2025/26;

(ii) outline the current and estimated future levels of Council borrowing and recommend a borrowing strategy for 2025/26;

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

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

(v) recommend an annual Investment Strategy (Non-Treasury Investments) for the Council in 2025/26.

2 Information required to take a decision

The following paragraphs 2.1 to 2.7 have been provided by our Treasury Management external advisors, Arlingclose:

Economic Background

2.1 The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

2.2 The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at its December 2024 meeting, six Committee members voted to maintain Bank Rate at 4.75%, while three members preferred to reduce it to 4.5%. Members will recall that interest rates peaked at 5.25% during 2024/25.

2.3 The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

2.4 ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar year 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

2.5 The labour market appears to be easing slowly however, but the data still requires treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity declined. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

Interest Rate Forecast

2.6 The Authority's treasury management adviser Arlingclose expects the Bank of England's Monetary Policy Committee will continue reducing Bank Rate throughout 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

2.7 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

Borrowing and Investments – Local context

2.8 On 31st December 2024 the Council held £746.8 million of borrowing and £36.5 million of treasury investments.

2.9 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

2.10 Table 1 below sets out the forecast CFR position for the Council as at 31 March 2025 and estimated CFR and borrowing requirements over the next 3 years. CIPFA's Prudential Code recommends that the Council's total debt should be lower than its highest forecast CFR. Table 1 shows that the Council expects to comply with this recommendation.

Table 1: Balance Sheet Summary and Forecast

	31.03.24 Actual £m	31.03.25 Forecast £m	31.03.26 Estimate £m	31.03.27 Estimate £m	31.03.28 Estimate £m
Capital Financing Requirement	**901.1**	**965.9**	**1,091.3**	**1,253.1**	**1,303.1**
Less: PFI liabilities*	74.2	92.7	86.0	79.1	71.2
Less: Other deferred liabilities*	3.4	3.4	3.4	3.4	3.4
Loans CFR	**823.5**	**869.8**	**1001.9**	**1170.6**	**1228.5**
Less: External borrowing**	707.3	726.4	657.6	611.0	567.0
Internal (over) borrowing	**116.2**	**143.4**	**344.3**	**559.6**	**661.5**
Less: Balance sheet resources	155.1	106.1	103.2	104.2	104.2
New borrowing (Treasury investments)	**-38.9**	**37.3**	**241.1**	**455.4**	**557.4**

** Leases and PFI debt liabilities that form part of the Council's total debt. These figures now include additional debt due to the introduction of IFRS16 leasing standard from 01.04.24.*
*** Shows only loans to which the Council is committed and excludes optional refinancing.*

2.11 There is a marked increase in the CFR due to increases in the capital programme, in particular the Cultural Heart and town centre regeneration programme as part of the Huddersfield Blueprint. The Council will be required to borrow up to £358.7 million to fund the increase in the Loans CFR over the 3 year period from 31 March 2025 to 31 March 2028.

2.12 As Council balance sheet resources are forecast to reduce in line with planned commitments, the use of funding the CFR with internal borrowing will decrease resulting in further external borrowing. The Council is estimated to borrow a total of £557.4 million to fund the CFR along with reduction in reserves, as shown in the table above.

Liability Benchmark

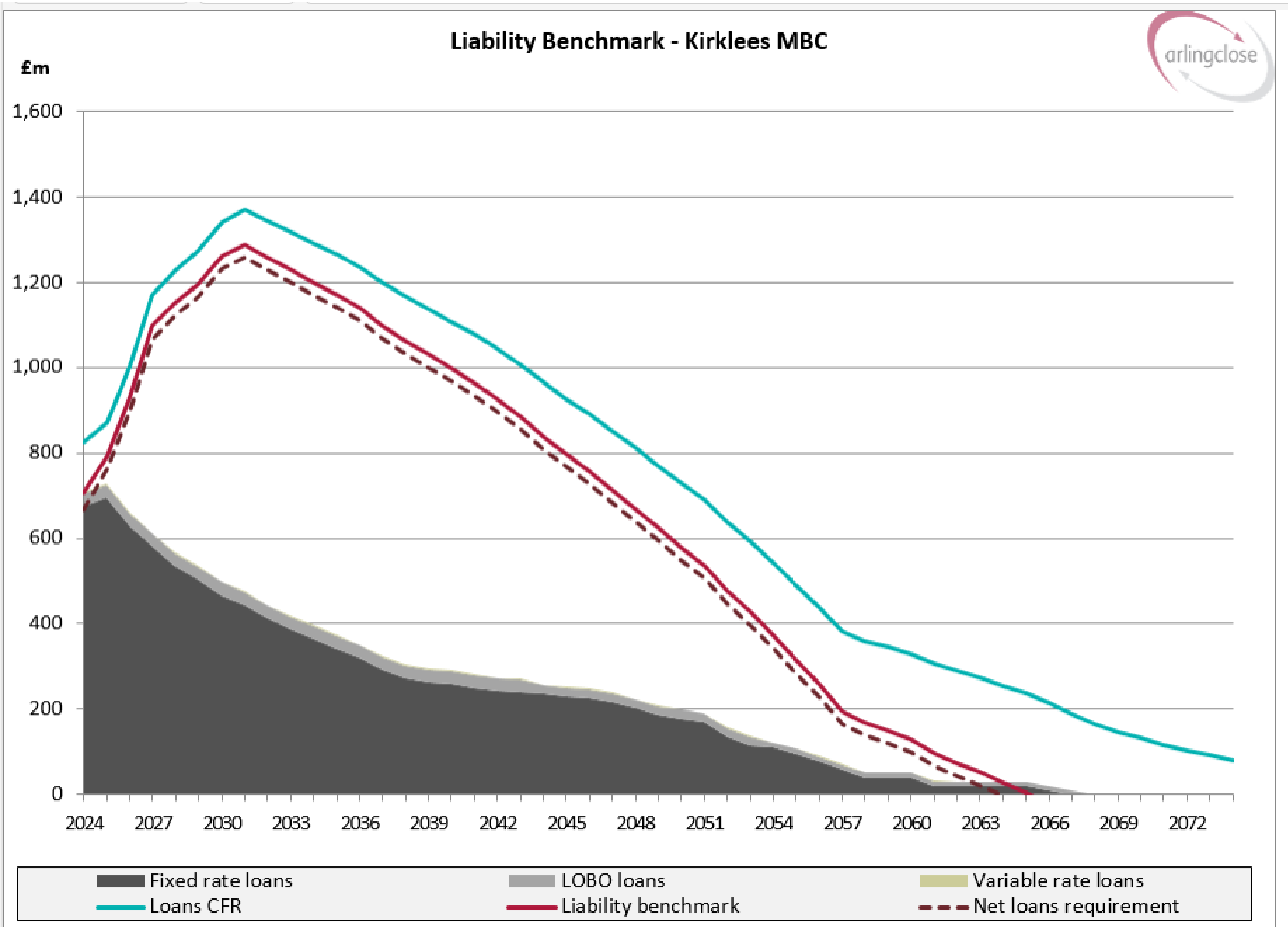
2.13 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £30.0 million at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

2.14 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. The liability benchmark estimates the Council will hold £1,154.4 million of borrowing at 31 March 2028.

Table 2: Prudential Indicator: Liability Benchmark

	31.03.24 Actual £m	31.03.25 Estimate £m	31.03.26 Forecast £m	31.03.27 Forecast £m	31.03.28 Forecast £m
Loans CFR	**823.5**	**869.8**	**1001.9**	**1170.6**	**1228.5**
Less: Balance sheet resources	155.1	106.1	103.2	104.2	104.2
Net loans requirement	**668.4**	**763.7**	**898.7**	**1066.4**	**1124.4**
Plus: Liquidity allowance	38.9	30.0	30.0	30.0	30.0
Liability benchmark	**707.3**	**793.7**	**928.7**	**1096.4**	**1154.4**

2.15 The total liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark which reaches a peak in 2031 highlighting the gap between current borrowing identified in grey, which is reducing over time with repayments, and the additional borrowing required to fund the capital plan.



Borrowing Strategy

2.16 The Council is forecast to hold around £793.7 million of external borrowing at 31 March 2025, an increase of £86.4 million on the previous year, as part of its strategy for funding the capital programmes. Other long-term liabilities forecast of £96.1 million is an increase of £18.5 million on the previous year due to the addition of £23.4 million for the introduction of IFRS16 Leasing standard from 01 April 2024. The balance sheet forecast in table 1 shows the Council expects to borrow up to a further £241.1 million by 2025/26. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1024.7 million for 2025/26.

2.17 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period when funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective. The Council is in regular contact with its Treasury advisors who provide appropriate support and advice in delivering this objective.

2.18 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

2.19 The Council's strategic approach over the last few years has been to take a combination of long, medium and short-term borrowing to ensure a more balanced risk approach. During the first three quarters of the 24/25 financial year, the Council took £50.0 million of medium-term EIP Borrowing from the PWLB, and £30m of short to medium-term borrowing from other Authorities.

2.20 Short-term interest rates are currently higher than in the recent past but are expected to fall slowly in the coming year, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead, which can then be re-financed when rates are lower. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators.

2.21 However, the Council has a large long-term borrowing requirement which will ultimately require longer term borrowing and therefore the Council will continue to take a combination of short, medium and long-term loans during 2025/26, diversifying the borrowing and maturity structure of the loans.

2.22 In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.

2.23 The Council currently holds LOBO (Lender's Option, Borrower's Option) loans, where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. With interest rates remaining high, there is a good chance that lenders will exercise their options. If they do, the Council will take the option to repay loans to reduce refinancing risk in later years. Total borrowing via LOBO loans is currently £30.0 million which is 4.0% of debt.

2.24 The Council has previously raised most of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council intends to avoid this activity in order to retain its access to PWLB loans. The Code allows the Council to borrow for purposes essential to its core aims, such as for housing and regeneration projects, or for treasury management purposes.

2.25 The approved sources of borrowing are:

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

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

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

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

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

Treasury Investment Strategy

2.30 The Council holds around £30.0 million of invested funds (including the CCLA property fund), an amount considered to meet the day-to-day cashflow requirements of the Council, and representing income received in advance of expenditure plus balances and reserves held. The Council may hold more than this amount as borrowing is taken at various points throughout the year in order to spread risk resulting in potential higher investment balances. In the past 12 months, the Council's treasury investment balance has ranged between £27.9 million and £107.7 million, and similar levels are expected to be maintained in the forthcoming year.

2.31 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking a higher rate of return or yield, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council's objective when investing money is to strike an appropriate balance between risk and return. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

2.32 As demonstrated by the liability benchmark in table 2 above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cashflows using short-term low risk instruments. The existing portfolio of £10.0 million in the strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

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

2.34 The Council's investment criteria are detailed in Appendix A, maintaining a low risk strategy giving priority to security and liquidity, and as such invest an average of around £20.0 million externally in short-term liquid investments through the money markets. Cash balances may be higher dependent upon at what stage in the year borrowing is taken.

2.35 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The Council uses credit ratings from the three main rating agencies - Fitch, Moody's and Standard & Poor's to assess the risk of investment defaults (Appendix B). The lowest credit rating of an organisation will be used to help determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

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

- No new investments will be made,

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

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

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

2.38 Annual cash flow forecasts are prepared which are continuously updated to determine the maximum period for which funds may prudently be committed.

Statement of Policy on the Minimum Revenue Provision (MRP)

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

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

Policy on the Use of Financial Derivatives

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

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

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

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

Treasury Management Prudential Indicators

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

Other Matters

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

(i) *Investment Consultants*

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

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

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

(ii) *Investment Training*

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

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

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. However, as this would involve externally investing such sums until required and thus increasing exposures to both interest rate and principal risks, it is not believed appropriate to undertake such a policy at this time. As noted in 2.30, the Council does invest externally short term when cashflows are positive and to manage unexpected payments.

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

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

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

3 Implications for the Council

3.1 Working with People: N/A

3.2 Working with Partners: N/A

3.3 Placed based working: N/A

3.4 Climate Change and Air Quality: N/A

3.5 Improving Outcomes for Children: N/A

3.6 Financial Implications: N/A

3.7 Legal Implications

3.8 Other (e.g Risk, Integrated Impact Assessment or Human Resources)

The revenue implications of the strategies outlined have been reflected in the Council's annual budget report.

The Council must have regard to the CIPFA Code of Practice on Treasury Management; the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

The Council has the power to borrow under section 1 of the Local Government Act 2003 and the Council has powers to invest under section 12 of the Local Government Act 2003.

4 Consultation

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

5 Engagement

6 Options

6.1 Options considered

N/A

6.2 Reasons for recommended option

N/A

7 Next steps and timelines

The report and recommendations be submitted to Cabinet on 11 February 2025 and Council on 05 March 2025.
Treasury management performance will be monitored and reported to members during the year.

8 Contact officers

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

9 Background Papers and History of Decisions

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

10 Appendices

Appendix A: Investment Policy for 2025/26
Appendix B: Credit ratings
Appendix C: Minimum Revenue Provision Policy
Appendix D: Treasury Management Prudential Indicators
Appendix E: Glossary of Treasury Terms
Appendix F: Investment Strategy 2025/26

11 <u>Service Director responsible</u>

Kevin Mulvaney 01484 221000

APPENDIX A

Investment Policy for 2025/26

Investment Limits:

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

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

Note:

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

Liquidity management:

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

	Short-term Credit Ratings / Long-term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at 30 Nov 2024
	Fitch	**Moody's**	**S & P**	**£m**	**Period (2)**	
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A, A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10.0	<3mth	HSBC Lloyds Group Santander UK Barclays Bank of Scotland Handelsbanken Nationwide BS
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10.0	<2mth	Various
MMF (1)	AAAmmf	Aaa-mf	AAAm	10.0	Instant access/ up to 2 day notice	Aberdeen Deutsche Bank Aviva Goldman Sachs
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed term deposits) (2)	-	-	-	10.0	<3mth	
Local Authority Pooled Investment Funds	-	-	-	10.0	>6mth	

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

Credit ratings

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

APPENDIX C

CURRENT MINIMUM REVENUE PROVISION POLICY

1. Background

1.1 Where the Authority funds capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024

1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.

2 MRP Policy

2.1 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition. Detail of the Council's current capital financing requirement and future projections are provided in the treasury management strategy report 2025/26 to which this Policy is appended.

2.2 For capital expenditure incurred as below:

- General Fund Supported Borrowing – MRP will be determined by charging the expenditure with regard to the 50 year PWLB annuity rate in 2007/08, the year in which the annuity policy has been applied from and use a 34 year period from 1st April 2023, being the remainder of the 50 year life since 1st April 2007.
- General Fund Unsupported Borrowing (for expenditure up to 31 March 2023) - MRP will be determined by charging the outstanding historic expenditure based on a single annuity calculation, which combines each historic year on a weighted average life basis.
- General Fund Unsupported Borrowing (for expenditure from 1 April 2023) – MRP will be determined by charging the expenditure based on the expected average useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.
- HRA Borrowing – Provision to be made for debt repayments equal to its share of any scheduled external debt repayments.

- PFI schemes - Provision to equal the part of the unitary payment that writes down the balance sheet liability, together with amounts relating to lifecycle costs incurred in the year.
- Former Operating Leases (brought onto the balance sheet due to IFRS Leases adoption) - MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

3 Capital Loans

3.1 For capital expenditure incurred on capital loans as below:

- On loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- On loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

4 Capital Receipts

4.1 Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

Liquidity Exposure
The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Target**
	£m
Total cash available within 3 months	20.0

Interest Rate Exposure
This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Target**
	£m
Upper limit on one-year revenue impact of a 1% rise in interest rates on borrowing costs	4.4

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

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

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate		
	Upper Limit (%)	**Lower Limit (%)**
Under 12 months	25	0
Between 1 and 2 years	25	0
Between 2 and 5 years	60	0
Between 5 and 10 years	80	0
More than 10 years	100	20

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

Price risk indicator	**2025/26**	**2026/27**	**2027/28**	**No Fixed Date**
	£m	**£m**	**£m**	**£m**
Limit on principal invested beyond year end	0	0	0	10.0

Long-term investments with no fixed maturity date is the Local Authority Property Fund.

APPENDIX E

Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Basis Point	1/100th of 1%, i.e. 0.01%
Bill	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund).
Capital receipts	Money obtained on the sale of a capital asset.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CIPFA	Chartered Institute of Public Finance and Accountancy
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes/pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI ***Also see RPI***	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Counterparty List	List of approved financial institutions with which the Council can place investments.
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Fund (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting.
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the Housing Revenue Account).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute.
IFRS	International Financial Reporting Standards.
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
Local Authority Property Fund (LAPF)	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (see Collective Investment Scheme).
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Minimum Revenue Provision (MRP)	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Pooled funds	See Collective Investment Schemes (above).
Premiums and Discounts	In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate. *The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Investment Property	Property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
Risk	**Credit and counterparty risk** The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. **Liquidity risk** The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised. **Refinancing risk**

	The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time. **Interest Rate risk** The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. **Legal risk** The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly. **Operational risk** The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk. **Market Risk** The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure.
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument.

Investment Strategy 2025/26

Introduction

The Council invests its money for three broad purposes:

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

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

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Council’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

The Council typically receives its income in cash (eg. from taxes and grants) before it pays for its expenditure in cash (eg. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to average £30.0 million with fluctuations between £20.0 million and £80.0 million during the 2025/26 financial year. Cash balances may be higher dependent upon at what stage in the year borrowing is taken.

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

Further details: Full details of the Council’s policies and its plan for 2025/26 for treasury management investments are covered in the treasury management strategy report 2025/26 to which this Investment Strategy is appended.

Service Investments: Loans

Contribution: The Council lends money to a variety of organisations, including local businesses, the local education college, and local residents to support local public services and stimulate local economic growth.

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

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

Additionally, the Council has provided a loan to WD Kingsgate to remodel the Kingsgate Shopping Centre to provide a cinema, food and leisure facilities in addition to existing retail units as part of delivering the Blueprint vision.

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

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

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

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.03.2024 actual**			**2025/26**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Further education college	13.3	-0.7	12.6	**13.3**
Leeds City Region revolving investment fund	3.0	0.0	3.0	**3.0**
Local businesses and charities	22.5*	-8.4	14.1*	**24.5**
Local residents	2.1	-0.1	2.0	**2.1**
TOTAL	**41.0**	**-9.1**	**31.8**	**42.9**

* This is made up of numerous investments, the largest of which is £12.2 million towards 103 New Street and £5.5 million relates to Kingsgate.

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

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

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

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

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

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

Service Investments: Shares

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment (£0.9 million) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on our behalf on a 32 year contract under PFI. The Council also has a 40% shareholding in Kirklees Stadium Development Ltd (£0.1 million) and a 14% holding in QED KMC Holdings Ltd (£0.2 million).

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	**31.03.2024 actual**			**2025/26**
	Amounts invested	**Gains or losses (-)**	**Value in accounts**	**Approved Limit**
Local businesses	0.2	0.9	1.1	***0.2**

*****Approved limit includes amounts already invested.

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

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

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

Commercial Investments: Property

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

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

Table 3: Property held for investment purposes in £ millions

Property type	Actual	31.03.2024 actual		31.03.2025 expected	
	Purchase cost	Gains or losses (-)	Value in accounts	Gains or losses (-)	Value in accounts
Commercial Property	*See below	-6.4	20.3	**0.0**	**20.3**

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

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

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2024/25 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

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

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

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

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. The Council does not have any loan commitments, however there are some guarantees that the Council holds including a guarantee on outstanding contributions to the Pension Fund in the event of a default by certain bodies and a guarantee to the Homes & Communities Agency (HCA) in the event of a default by Kirklees Community Association (KCA) on the redevelopment of the Fieldhead Estate. The Council also acts as a guarantor to a loan of £0.7 million that KSDL hold in the event of default.

Capacity, Skills and Culture

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

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

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

Investment Indicators

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

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

Table 4: Total investment exposure in £ millions

Total investment exposure	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	39.0	30.0	**30.0**
Service investments: Loans	40.9	42.9	**42.9**
Service investments: Shares	1.1	1.1	**1.1**
Commercial investments: Property	20.3	20.3	**20.3**
TOTAL INVESTMENTS	**101.3**	**94.3**	**94.3**
Commitments to lend	0.0	0.0	**0.0**
Guarantees issued on loans	0.7	0.7	**0.7**
TOTAL EXPOSURE	**102.0**	**95.0**	**95.0**

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

Table 5: Investments funded by borrowing in £ millions

Investments funded by borrowing	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Service investments: Loans	40.9	42.9	**42.9**

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

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

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.3%	5.1%	**4.4%**
Service investments: Loans	-1.0%	-0.3%	**0.0%**
Service investments: Shares	None	None	**None**
Commercial investments: Property	-25.9%	5.0%	**5.0%**

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REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2023/24

Meeting:	**Corporate Governance & Audit Committee**
Date:	**31 January 2024**
Cabinet Member (if applicable)	
Key Decision **Eligible for Call In**	**No** **No – Information report**
Purpose of Report To provide an Annual Governance Statement (AGS)	
Recommendations • That the Annual Governance Statement be approved **Reasons for Recommendations** • This amended version of the AGS identifies the council arrangements, and areas for improvement, in a revised format	
Resource Implications: • None from this report.	
Date signed off by Strategic Director & name. **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	Rachel Spencer Henshall (22 January 2025) Yes Yes

Electoral wards affected: all

Ward councillors consulted: none

Public or private: public

Has GDPR been considered? yes

1. **Executive Summary**
   The Council has to produce an Annual Governance Statement as a compulsory part of its accounts. A draft was considered by this Committee at its meeting on the 28th June 2024. It has since been reformatted to show completed items, progress on existing items and new items more clearly, but with a very similar content.

2. Information required to take a decision

2.1 Is contained in the attached Annual Governance Statement.

3. Implications for the Council

Having effective governance is important to ensure that the council is able to successfully deliver its objectives.

3.1 **Working with People**

Not directly applicable.

3.2 **Working with Partners**

Not directly applicable.

3.3 **Place Based Working**

Not directly applicable.

3.4 **Climate Change and Air Quality**

Not directly applicable.

3.5 **Improving outcomes for children**

Not directly applicable.

3.6 **Financial Implications**

Not directly, but financial matters are addressed in the statement.

3.7 **Legal Implications**

Not directly applicable.

3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

Implementation of actions should promote good governance.

4. Consultation

There have been discussions with Executive Leadership Team and Executive Board.

5. Engagement

As above

6. Options

Not applicable

7. Next steps and timelines

The document is a part of the formal final accounts

8. Contact officer

Martin Dearnley Head of Audit & Risk.

9. Background Papers and History of Decisions

CGAC Report 28 June 2024

10. Appendices

11. Service Director responsible

Steve Mawson Chief Executive
Rachel Spencer Henshall Deputy Chief Executive/Executive Director for Public Health & Corporate resources
Samantha Lawton Service Director for Legal Governances & Commissioning
Kevin Mulvaney Service Director for Finance

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Kirklees Council

Annual Governance Statement 2023/24

January 2025

Overall Conclusion & Opinion

We have carefully considered the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We acknowledge responsibility for ensuring that there is a sound system of governance, which is particularly supported by the authority's code of governance.

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 have monitored their implementation during 2024/25 and will continue to do so in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Carole Pattison, Leader of the Council

Steve Mawson, Chief Executive

Kevin Mulvaney, Service Director Finance (S151 officer)

Introduction

All local authorities are required to produce an Annual Governance Statement. This is intended to provide information about how the council is governed to achieve effective and efficient service delivery compliant with all obligations.
This report sets out the scope of responsibilities, the purpose of a governance framework, the key parts of the framework, a review of the effectiveness of these processes in 2023/24, an indication of what would be a key governance issue, an assessment of progress against governance issues raised in previous years and new issues that have arisen during 2023/24.

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 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 2023/24 and up to the date that the Statement of Accounts is approved 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 2023/24 and those which are planned or ongoing in 2024/25.

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 key objectives and to assess if this has led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the Council's governance framework, designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims, objectives and policies and can only 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, *Our Council Plan*, which outlines how officers will seek to run the Council to meet our community commitments and key objectives and quarterly performance monitoring of progress in doing so.
- 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.
- 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 Leadership Team (ELT).
- 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 joint venture company, KSDL, whose accounts are subject to external audit.

2023/24 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 believes that its processes and arrangements effectively deliver the key elements of the governance framework and continue to be regarded as fit for purpose

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 at its meeting in May 2024. The Head of Audit has confirmed audit arrangements have continued to be compliant with prevailing professional standards and code of ethics.

2. Risk Management
   The overall framework, system and processes is working well and continues to be developed and embedded across all parts of the Council. Any new and emerging risks / and any high risks not being controlled effectively have been raised during the year and escalated to ELT as appropriate. These included matters related to the financial stability of the Council, SEND, associated parties, housing generally and property conditions specifically, employment and staffing- particularly in the context of hard to fill posts and the impact that this can have on performance in certain operational areas.

3. Head of Audit's Annual Assurance Opinion
   The proportion of areas where control issues have arisen during the year is growing but nevertheless the Head of Audit has reported he has obtained sufficient assurance that overall, the Council's systems of governance, risk management and internal control continue to be generally sound and operate reasonably consistently across Services. No new issues of significant concern were reported.

4. External Auditor's Review
   The audit of the Council's 2023/24 financial statements and Annual Report (VFM Review) is scheduled for approval at CGAC in January 2025 and includes reference to areas such as Safety Valve, Financial Position, Housing regulator which are addressed in this Statement.
   In December 2023, the 2022/23 financial statements were approved with an unqualified opinion. The 2022/23 Annual Report received by the CGAC in January 2024 reflected that the previous year's Report had been made only in the preceding July and so the significant weakness in financial sustainability and accompanying key recommendation remained in place for the current year of account. Whilst noting good progress had been made in addressing the recommendation concerning short term savings that could be delivered quickly, further developments in the governance of the savings plan and co-ordination with the longer-term transformation programme had yet to be addressed, in addition to a robust solution to rebuilding reserves.
   A second new key recommendation was made concerning the Council's Dedicated School Grant deficit position, as it judged the remediation plan agreed with the DfE had faltered, albeit that since then the Council has been proactive in ongoing negotiations to identify a way forward.
   No significant areas of weakness were identified either in governance arrangements, or those for identifying economy, efficiency and effectiveness.

5. <u>Cabinet</u>
   No new significant issues to report arose from the Committee’s work this year.

6. <u>Corporate Governance & Audit Committee</u>
   During 2023/24 the CGAC reviewed 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 second line of defence mechanisms in their 2023/24 annual reports, such as regarding 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. No new significant issues to report arose from the Committee’s work this year.

7 <u>Overview & Scrutiny Management Committee</u>
   During 2023/24 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. No new significant issues arose from the work of the Overview & Scrutiny process this year.

8. <u>Standards Committee</u>
   During the year, the Committee reviewed various aspects of Member conduct arising from an increased volume of complaints, but none individually or collectively were of sufficient significance to warrant reporting in this Statement.

9. <u>Role of the Chief Financial Officer</u>
   During 2023/24 the previous Service Directors of Finance (SDF) retired, and his successor then left the Council after a short period of tenure and an Interim appointment was made pending the arrival of the new Chief Executive. A permanent appointment was made subsequently and the new incumbent started in the role in May 2024, a role which continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure he is able to operate effectively and perform his core duties compliant with the Constitution. The Council’s financial management arrangements continue to fully conform to those set out in the Statement.
   Assessments by a previous SDF and Internal Audit confirmed prior to 2023/24 that the Council was compliant with the CIPFA Financial Management Code, although there are some aspects of operations that can be strengthened further in line with recommendations made by Internal Audit at that time.

10. Role of the Monitoring Officer / Senior Information Risk Owner
The Service Director performing this role left the Council at the start of June 2024 and has been replaced accordingly. She had 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.
The Council's Code of Corporate Governance as adopted in 2017 reflecting *CIPFA/SOLACE Delivering Good Governance Framework 2016* includes a requirement for regular review and best practice would suggest this may even be an annual process. This was subject to reviewed in 2020. No other Issues identified other than those included in the 2022/23 Statement. (see new areas 1).

11. Officer Governance
No new significant issues to report arose from the ELT's work this year.
Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme with strategic oversight from the ELT 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 and are covered in the financial position of the Council in this Statement.

12. Significant Partnerships
Partnerships range from the joint venture partnership and 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. Senior officers use this information to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. Every six-months, a report is provided to ELT as part of the quarterly assurance meetings that updates on key issues and risks across partnership working and the key partnerships.
Whilst the revised and strengthened governance framework has become embedded, the Council is continuing to work on a number of areas where there is scope for arrangements to be improved further.

13. Corporate Financial Management and Corporate Performance & Impact Reports
Twice-yearly Corporate Performance and Impact reports, covering key activities and the outcomes within the Council Plan, continued to be produced in 2023/24 in line with the expectations of the Administration. The Council will return to quarterly performance reporting, including a renewed set of key performance indicators to accompany the Council Plan priorities from quarter 1 2024/25. This will provide greater visibility of performance in key areas to aid an understanding of the effectiveness of the organisation. Overall understanding of the impact of the Council's performance and delivery of services continues to be the key purpose of reporting.

14 External Inspections, Regulatory Action & Peer Reviews

The central repository of the objectives, outcome and future timetable of all external inspections, audits, accreditations and reviews established by the Corporate Planning and Co-ordination Team from information provided by Service Directors enables areas for improvement and recommendations to be implemented to be identified quickly and progress monitored accordingly to ensure complete corporate oversight. This process will be embedded further into the work of the Team. A review is currently underway to identify any themes, and they will be communicated as part of preparation for the forthcoming Corporate Peer Challenge.

All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

What would be a Significant Governance Issue

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2022/23 Statement and some new areas. Those issues that meet one or more of the following criteria (suggested by CIPFA / SOLACE) have been regarded as *significant* and are included in this Statement:

A) It undermines / threatens the achievement of our four key Council priorities:
- to address our financial position in a fair and balanced way.
- to strive to transform council services to become more efficient, effective, and modern.
- to continue to deliver a greener, healthier Kirklees and address the challenges of climate change.
- to continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.

B) It is a significant failure to meet the principles of good governance.
C) It is an area of significant concern to an inspector, regulator or external audit.
D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee 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 (2022/23) Statement

Our previous Statements recognised 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 feature in a similar form for a number of years, though some aspects can be resolved during the year. A change of focus or circumstance with an issue may result in it being retained but in a revised form in the following year's Statement.

Good governance is about taking actions and making continuous improvement. Sufficient progress has been made since the 2022/23 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from those described in this Statement.

Issues from the 2022/23 Statement which are considered to be completed

2022/23 ISSUE	ACTION TAKEN
Corporate Planning & Resource Allocation processes and timing are not sufficiently joined to facilitate delivery of the Council's key objectives.	The two processes have been better synchronised so that the resource allocation process enables delivery of the Corporate Plan, with joint consideration and approval at Budget Council at the start of March 2024.
Partnership Governance and building on new relationships needed developing further.	A revised and strengthened governance framework has become embedded, although the Council is continuing to work on those areas where there is scope for arrangements to be further improved.
Governance of decision making, Member roles and place-based working needed strengthening.	Continued implementation and development of the current governance model with a focus on pre-decision scrutiny and delivery of improved communication and training to those involved.
Assimilation of new personnel into key corporate management roles within the Executive Leadership Team.	Appointments have been made to all the key posts concerned and effective new working relationships have been developed.

Issues from the 2022/23 Statement where further work or time to embed improvements is still required

No	Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in the remainder of 2024/25 and beyond, and target date for implementation, & Person Responsible
1	Ensure there is corporate oversight of progress to 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.	The Housing Regulator issued formal notice in March 2024, identifying areas where the Council needs to improve its compliance, specifically for the treatment of damp, mould and condensation and fire safety. Since then, the Council has met with the Regulator on a monthly basis to provide assurance on progress against an agreed Action Plan. The Regulator has undertaken to work with the Council to secure delivery, rather than apply statutory sanction. The Council alerted the Regulator in July 2024, concerning the correct inspection, testing and assurance regime for water quality in all tenanted properties. The Council has implemented the correct testing arrangements, (October 2024), with properties prioritised according to a risk assessment An Improvement 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 of Social Housing. The Scrutiny Committee for Growth & Regeneration also has Homes and Neighbourhoods standards within its remit, and it receives timely updates as part of its annual work programme.	Continue to deliver the Action Plan agreed with the Regulator within the timescales specified. (continuous) Assurance is provided to the Building Safety Assurance Board, Homes and Neighbourhoods Improvement Board, Regulator. (all monthly) Internal process review led by Director of Homes and Neighbourhoods, with input from the corporate Transformation Team, as part of the Improvement Programme (quarterly programme reporting)

	A, C, E	A six-monthly report, set out progress against the Regulator's concerns, as reported to the Cabinet committee in October 2024.	**Responsible:** Director of Homes & Neighbourhoods
2	Robust governance oversight and management of progress in implementing the significant changes that underpin the 2024/25 budget that is of key importance to ensuring the financial stability of the Council.	**2023/24** The serious financial position was partly mitigated by controls introduced in September 2023 including: - • Spending and recruitment controls • Review of all reserves- earmarked or otherwise- to determine if any of those reserves could be used to support the in-year position and if any could be moved to unallocated reserves to bolster the Minimum Working Balance (using a risk-based analysis - as per CIPFA guidance). • External review of MRP policy to generate short to medium term revenue savings to help the 2023/24 overspend and to provide balances over the next 2 to 3 years whilst the Council's financial position could be stabilised over the medium term. • 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. Collectively these actions helped reduce the revenue overspend from £20.3m (Q1 (23/24) projection) to	**For 2024/25** Continue to update monthly projections and to implement use of reserves to balance in year overspends. **For 2025/26** Budget proposals to Cabinet in December 2024 and out for consultation. Budget 2025/26 to be taken to February Cabinet and March 2025 Council for approval. 2025/26 budget provides significant additional funding for demand pressures and where services have overspent. This is expected to reduce the number and scale of budget variations in year. Regular Monitoring of revenue and capital budgets will continue with monthly updates to Executive Leadership, Cabinet and Council.

		£7.3m at outturn 2023/24 and consequently reduced the reliance on reserves. **<u>2024/25</u>** Completion of 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 2025/26 to 2029/30 based on a range of sound assumptions with an aim of providing a more robust base budget going forward. The approved budget for 2024/25 included savings of £42m and these are tracked each month as part of the suite of corporate reports. Quarterly reports to Members continue to highlight the in-year financial position and the need to further use short term reserves to balance the budget. At Q2 (24/25), the projected overspend was £9.9m after using £3m of unallocated reserves. Ongoing review of capital programme to ensure it remains affordable, with over £70m slipped into future years.	**Summer 2025** Refresh of MTFP to Cabinet to reflect new revenue pressures, revised capital plans and reserves strategies.
	A, C, E, F		**<u>Responsible:</u>** Director of Finance
3	The management, governance and use of data is not always effective, meaning that decisions are not necessarily informed by	The council's draft Data and Insight Strategy is designed to improve how the Council manages and uses data. Its content has regularly evolved as the council's needs have changed in the past two years	The Data and Insights Strategy will be brought forward for sign off in quarter 3, 2025/26. This will be subject to a robust

	robust evidence, as well as creating unintended financial and operational risks.	and is subject to reassessment and sign-off in 2025/26. Implementation of priority activities continues, alongside the Technology and Information Governance Strategies. For example, performance dashboards have been introduced, which supports the regular reporting of performance across the council.	implementation programme alongside the Technology Strategy.
	A, F		<u>**Responsible:**</u> Director of Strategy & Innovation
4	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 (DSG).	There is an agreed plan with the Department for Education to reduce the High Needs Block cumulative deficit by 2029/30. This requires the continuation of the DfE’s annual safety valve contributions and funds from the Council (which is factored into the 2025/26 budget and the latest version of the MTFP). This Plan has been revised with agreement of DfE. Council Services will continue to work collaboratively with schools and other partners to effectively manage the High Needs Block expenditure. Woodley Moor, a Satellite to Woodley School and College opened 01/10/2024. However, substantially increased demand, and other difficulties means that achievement of the goals requires substantial continued attention.	The Safety Valve plan includes - New special schools (one to be completed by September 2026) - Further Additionally Resourced Provisions and Satellite Provision, (the second phase of A due to be in place by 01/09/2025 - More effective processing and resource allocation as a part of the initial SEND assessment. (completion by 31/03/2025)
	A, E, F		<u>**Responsible:**</u> Executive Director of Childrens Services

New Issues

The annual review of the effectiveness of our governance arrangements in 2024 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In addition to those issues retained from the 2022/23 Statement, the following new ones have emerged through this process which require further remediation and management action.

New Issues which require action

No	Governance Issue / Theme	Reason for Inclusion	Action Taken and Planned in 2024/25 and beyond
1	The Code of Corporate Governance has not been reviewed formally since March 2020.	The Code underpins arrangements and the environment in which this Statement is compiled. (B)	The Code will be reviewed in line with CIPFA / SOLACE good governance practice by the Service Director, Legal, Governance & Commissioning to ensure it remains fit for purpose in the current position of the Council and the outcome reported to the CGAC in February 2025 and posted on the website.
			Responsible: Director of Legal Governance & Commissioning
2	Ensuring Accident Reporting is timely and in accordance with statutory regulations.	The Council was issued a Notice of Contravention by the Health & Safety Executive (HSE) for late reporting. (E)	Awareness has been raised across the Council. Communication on prompt accident reporting was circulated to all Kirklees Leadership Forum members in June 2024. Senior management are monitoring compliance closely with performance is reported to the Health and Safety Oversight Board. Managers must report accidents to the Corporate Health & Safety Team within 24 hours who will notify the HSE as required These measures have proved effective to date in improving management notification of accidents.
			Responsible: Head of Health Protection

The Executive Leadership Team (ELT) and Corporate Governance & Audit Committee (CGAC) will monitor progress during 2024/25 and beyond.

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The Audit Findings (ISA260) Report for Kirklees Council

Year ended 31 March 2024

23 January 2025

For Corporate Governance & Audit Committee

Agenda Item 11

Grant Thornton

Private and Confidential

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Chair of Corporate Governance and Audit Committee
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Audit Findings (ISA260) Report for Kirklees Council for the year ended 31 March 2024

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Gareth D Mills

Engagement Lead & Key Audit Partner
For Grant Thornton UK LLP

Contents

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Council ('the Council') and the preparation of the group and Council's financial statements for the rrrrended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

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

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

We received the group and Council's draft 2023-24 accounts on 28 June 2024. This puts the Council slightly behind the 41% of local government that produced their accounts by the statutory deadline of 31 May 2024 but still represents a good achievement for the Council. We would also note that the Council has continued to work with appropriate focus on the accounts closedown and audit to ensure that the Council does not become part of the LG accounts opinion backlog.

Our audit work was completed using a hybrid of on-site and remote work between July-November as planned. Our findings are summarised in Section Two of this report.

We have not identified any adjustments impacting on the Council's usable reserves. One misstatement was identified that impacted between cash, debtors & creditors on the Council's balance sheet, which had no overall impact to the total value of the balance sheet or reserves. In addition, our work identified an impairment to a school of £16.7m which has been adjusted since material and is detailed at Appendix D. Our work also identified an extrapolated misstatement of £3.3m in respect of gross internal areas used in the valuation of specialised land and buildings, also detailed at Appendix D, similarly this does not impact on the Council's usable reserves. There is one further unadjusted misstatement to report in respect of a former day care centre that required a reclassification to surplus assets and valuing using the fair value basis as at year end. Subsequent estimation has indicated an impairment of £1.2m which remained unadjusted as immaterial – no impact on useable reserves identified. Our work also identified several presentational and disclosure amendments which are detailed at Appendix D.

Audit adjustments are detailed at Appendix D. We have also raised ten recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

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

- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager, Engagement Lead and Review Partner, specifically in respect of significant audit risks of land and buildings valuation and the pension fund net balance valuation
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to check amendments agreed with management have been processed
- obtaining satisfactory responses from the Council's internal estates surveyors in respect of the valuation of land & buildings, and investment property
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, up to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited. Some presentational and narrative amendments have been made as detailed at Appendix D, however, we understand that management does not intend to update for these matters in respect of the Narrative Report. The AGS has been updated for these amendments.

Our anticipated financial statements audit report opinion will be an unmodified 'clean' opinion subject to the satisfactory completion of the above outstanding matters. We are targeting to complete our audit work in early February 2025 upon satisfactory completion of matters listed above. We expect to publish an updated version of this Audit Findings (ISA260) report at the time of issuing the audit opinion. This is expected to follow the Corporate Governance and Audit Committee meeting on 31 January 2025.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is now complete and a draft Auditor's Annual Report (AAR) has been shared with Council officers for their review and comments. We are expecting to formally report our commentary on the Council's arrangements and present our Auditor's Annual Report to members at Corporate Governance and Audit Committee in January 2025. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any statutory recommendations however out work did identify the existence of three significant weaknesses in the Council's arrangements and so we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. **Significant weakness 1: Financial Sustainability – Weaknesses in the Council's overall financial standing** Outturn in 2023-24 was an overspend of £7.3m and currently forecasting an overspend of £9.9m at Q2 in 2024-25. There are clear pressures on budgets (particularly around demand) but the Council did not fully anticipate or incorporate the pressures into its baseline budget in 2023-24 and similarly for 2024-25. Successful action has been taken in year to manage and reduce pressures but not fully mitigate. The impact is more acute due to a low level of useable reserves. **Significant weakness 2: Financial Sustainability – Under delivery against Dedicate Schools Grant (DSG) Safety Valve management plan with DfE and continued DSG overspends that are adversely impacting the plan to remedy the deficit** The Council had a cumulative DSG deficit of £43.7m at the end of 2023-24, and in 2024/25 the forecast at quarter one for the year was for an overspend of £20m. The Council did agree a new plan to improve this called a Safety Valve Management Plan with the Department for Education at the end of 2023-24 but this plan is not on track as at Q2 in 2024-25. Action is required to bring its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE. **Significant weakness 3: Social Housing Regulator's Regulatory Notice – The Council's failure to meet statuary health and safety requirements** In March 2024, the Social Housing Regulator published a Regulatory Notice identifying that the Council was failing to meet statutory health and safety requirements in some council homes. Remedial actions required by the Council to address the issue include: fire remedial actions resulting from fire assessments to be actioned, repairs required to address damp and mould and need to conduct water quality testing. In addition to the three significant weaknesses above, we have reported ten improvement recommendations in our AAR. Our AAR is due to be presented to the Corporate Governance and Audit Committee on 31 January 2025.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We cannot issue the audit certificate until we have completed our review of the Council's Whole of Government Accounts (WGA) submission and completed our work on the two public Objections we received on the 2023-24 accounts. We will keep management informed of our work in these areas and issue our certificate as soon as possible.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits for each of the following financial years up to the 2028 year. As a consequence of this, there is a requirement for the audit opinion on the Authority's accounts for this year (2023-24) to be issued by 28 February 2025. As noted on the previous page, we are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

We have included a table below setting out future accounts backstop dates for your reference.

Financial year	Backstop date (audit opinion and Auditor's Annual Report (VfM) must be issued by this date)
2023-24	28 February 2025
2024-25	27 February 2026
2025-26	31 January 2027
2026-27	30 November 2027
2027-28	30 November 2028

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With some inflationary pressures continuing and demand pressures showing little sign of abating, there are clear pressures being placed on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Our 2023-24 Value for Money assessment has not identified this matter to be of significant importance for Kirklees but we have considered it appropriate to include this context statement to provide Members with the knowledge of what Grant Thornton is observing across the local authority sector. The serviceability and sustainability of external borrowings is an area for which members should continue to have regard in carrying our their scrutiny and challenge role in terms of the Council's financial management and governance. Whilst we do acknowledge that this is not considered to represent a significant issue for Kirklees Council at this time, we have made some forward looking comments around external borrowings on page 15 of this report.

Acknowledgements

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

The accounts backstop date set at 28 February 2025 for the 2023-24 accounts year end has set a hard deadline for the audit opinion and closure of local government accounts that has not existed in preceding financial years. As auditors, we are pleased to report that this is not expected to impact the Authority and the expectation is that the 2023-24 audit opinion will be given in advance of this date. This has been achieved by the high level of engagement demonstrated by the Council's finance officers throughout the audit process and the tone from the top at the Council, appropriately resourcing the finance function and communicating the importance of concluding the audit and VfM work in a timely manner.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code').

Its contents have been discussed with the Head of Accountancy and the Service Director Finance (s151) prior to it being presented to the Corporate Governance & Audit Committee on 31 January 2025. We expect to publish an updated version of this Audit Findings (ISA260) Report at the time of issuing the audit opinion.

Our work on the Authority's value for money (VFM) arrangements is now complete. The outcome of our VFM work has been reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR), which is scheduled presented to the Corporate Governance and Audit Committee on 31 January 2025. A total of three key recommendations and ten improvement recommendations are reported in the AAR. Our findings are set out in further detail on pages 31 to 33 of this report.

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

Audit approach

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

- An evaluation of the group and Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's and Council's gross revenue expenditure on cost of services to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a full audit for the Council was required using component materiality based on the Council's single entity financial statements. In addition, we determined that additional group audit procedures were required on the valuation of KSDL's interest in the John Smith's Stadium, Huddersfield using group audit materiality. All audit procedures have been completed by the group engagement team (Grant Thornton). This is consistent with our audit approach last year.
- Substantive testing on significant transactions and material account balances and disclosures, including the procedures outlined in this report in relation to the key audit risks.

We have not amended our planned audit approach set out in our Audit Plan, dated 9 April 2024 and presented to the Corporate Governance and Audit Committee meeting on 10 May 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to the satisfactory completion of the outstanding items listed below, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee meeting on 31 January 2025.

Our proposed audit opinion is detailed at Appendix G.

These outstanding items include:

- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager, Engagement Lead and Review Partner, specifically in respect of significant audit risks of land and buildings, dwellings and investment property valuation and the pension fund net balance valuation
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to check amendments agreed with management have been processed
- obtaining satisfactory responses from the Council's internal estates surveyors in respect of the valuation of land & buildings, and investment property
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, up to the date of signing the opinion.

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan dated 9 April 2024 and presented to the Corporate Governance and Audit Committee meeting on 10 May 2024.

We detail in the table to the right our determination of materiality for the Council and Group.

Materiality area	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£16.25m	£16.2m	This equates to 1.35% of the Council's Gross Expenditure on Cost of Services presented in the 2022-23 audited financial statements
Performance materiality	£11.35m	£11.3m	This has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Group has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	£810k	£810k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Corporate Governance & Audit Committee.
Materiality for senior officer remuneration	£20k	£20k	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	Council	**Auditor commentary** Our work focussed on key estimates and judgements made by management. No entity-specific fraud risks were identified and communicated in our Audit Plan dated 9 April 2024 and none have subsequently been identified from the audit fieldwork procedures performed. In response to this risk, we have conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as instructed by relevant auditing standards. We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risks and due statutory accounting overrides prescribed by the Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates. **As part of our work, we have:** • evaluated the design effectiveness of management controls over journal entries • understood the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries. • analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals • challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias • identified and tested unusual material journals made during the year and the accounts production stage, journals late in the financial year that were crediting (reducing) non-pay expenditure, and those posted by senior management personnel for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions • reviewed and tested transfers between the General Fund and Housing Revenue Account, and intra-group journals. **Key findings** Our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
ISA240 revenue risk – risk of fraud in revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, as communicated in our audit plan dated 9 April 2024, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.	Council	Auditor commentary No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of income for its material income streams and compliance of recognition principles with the CIPFA Code. **Grant Income** • For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. Regard to principal/agent considerations has also been given as part of our detailed testing. • For income raised from council tax and non-domestic rates, which are of a predictable nature, we have performed substantive analytical based on the no. & value of rateable properties, applying any annual increases to rates as appropriate. **Fees, Charges and Other income** • Disaggregated the non-grant income transaction stream, identifying significant and recurrent income sub-streams. Examples include adult social care user contributions, housing rents (HRA), over which an understanding has been gained as to the nature of the income and recognition principles. Substantive procedures were performed on these income sub-stream populations to test the occurrence, accuracy and completeness of the income recognised. • Tested, on a sample basis, income transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions. • Designed and carried out appropriate audit procedures to ascertain that recognition of income is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2024. Key findings Our work has not identified any issues in respect of the risk of fraud in revenue recognition. There are no matters to report in respect of the Council's income recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the risk factors set out in PAF PN10 and the nature of the revenue streams at the Council, as communicated in our Audit Plan dated 9 April 2023, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • expenditure is well controlled and the Council has a strong control environment • there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers' funds • there is no immediate pressure on availability of general fund reserves at the Council • the Council has clear and transparent reporting of their financial plans and financial position.	Council	Auditor commentary No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of expenditure for its material expenditure streams and compliance of recognition principles with the CIPFA Code. • Updated our understanding of the Council's business processes associated with accruing for relevant expenditure at the end of the accounting period. **Expenditure** • Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded. • Obtained an understanding of the SAP GRIR - Goods Receipt Invoice Receipt (goods received not invoiced) and creditors closedown processes implemented to ensure that expenditure is accounted in the period to which it relates. • Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers. • Designed and carried out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2024. • Disaggregated the non-pay expenditure transaction stream, identifying significant and recurrent expenditure sub-streams. Examples include housing benefit payments, PFI unitary charges, the Locala public health contract, over which an understanding has been gained as to the nature of the expenditure and recognition principles. Substantive procedures were also performed on these expenditure sub-stream populations to test the occurrence and accuracy of the expenditure recognised. • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end. • Tested a sample of adult social care and children's services expenditure and agreed these transactions back to the care packages held on each subsystem, including verifying that each care package had been appropriately authorised and the care package values held on the system agreed to the amounts paid to the third-party providers. Key findings Our work has not identified any issues in respect of the risk of fraud in expenditure recognition. There are no matters to report in respect of the expenditure recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Valuation of land and buildings and council dwellings The Council re-values its land and buildings on a rolling three-yearly basis. This exceeds the Code requirement for valuations to take place at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.35bn for land & buildings and council dwellings) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. The closing valuation of land and buildings and council dwellings was identified as a significant risk, and one of the most significant assessed risks of material misstatement.	Council	**Auditor commentary** Whilst the overall carrying value of other land & buildings has decreased by £3m, there have been no key changes to either the Council's estate or the assumptions used in its valuation. We have corroborated the valuations being materially in line with the prior year to the BCIS tender price index, most relevant to specialised buildings, which showed annual growth of just under 3% at a headline level. In addition, no material changes have been identified in local-to-Kirklees market-based assumptions, and as such there are no indicators of material movements in respect of EUV assets. The most significant individual movement within other land & buildings population was a valuation decrease of £7m in respect of Dewsbury Sports Centre, where reinforced autoclaved aerated concrete (RAAC) had been identified and the centre closed and impaired as a result. The value of council dwellings has increased by just under £13m (or 1.6%) which is consistent with house prices being broadly flat over the year. The £22.5m of dwellings additions has broadly equated the depreciation charge in year, which supports the principle of spend from the major repairs reserve being used to maintain a remaining useful life for council dwellings of 26 years. **As part of our work, we have:** • evaluated the design effectiveness of controls in place around the valuation process • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & written to the valuer to confirm the basis on which the valuation was carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • performed indexation on properties not revalued in the year to establish that there was no risk of material movement • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of buildings and give a view on the adequacy and appropriateness of management's external valuer's report • agreed, on a sample basis, the internal floor areas (GIAs) to the Council's K2 property asset management software and AutoCAD building measurement software • for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations • for council dwellings, valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites. **Key findings** Our work identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. The impact of this impairment is detailed on page 49 of this report. In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted by management on the basis that this is an extrapolated and not a factual error, and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 51 of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Valuation of Investment Properties The Council re-values its investment property portfolio annually for in line with the Code requirements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £90m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of investment property in the Council's financial statements is not materially different from the fair value at the financial statements date, where an alternative valuation reference date is used. We therefore identified the closing valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council	**Auditor commentary** The carrying value of investment property has decreased by 7.5% in year to £90.7m. The majority of this £7m decrease can be explained by losses in the fair value. Over 60% of investment property (by value) is land. Of the £7m decrease, £3m relates to additions posted between January and the end of March 2023 which were subsequently impaired by the valuer as non-value enhancing and the remainder (£4m) relates to decreases in land values. This is consistent with marginal decreases in national indices and a softening in values offered for residential land, aligned with a slightly weaker housing market nationwide. **As part of our work, we have:** • evaluated the design effectiveness of controls in place around the valuation process • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • discussed with the valued and evaluated the appropriateness of the basis of the valuation • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding and we have written to the valuer to confirm the basis on which the valuation was carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of investment property and give a view on the adequacy and appropriateness of management's external valuer's report • reviewed the classification of investment property assets for consistency with the Code and IPSAS 16 definition. Under the definition, an investment property is one that is used solely to earn rentals or for capital appreciation or both. This procedure is not expected to directly inform our work on the valuation of investment property (significant risk) but remains a key audit procedure nonetheless. • for investment properties valued on a fair value (FV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. Similarly for those land assets, we have obtained market data for both sold and currently marketed land to assess the appropriateness of the adopted values per acre. **Key findings** No material issue have arisen from our testing of investment property valuations, with the fair values adopted considered reasonable. We were also satisfied, to a material extent, with the classification of the population of land and buildings as investment property. Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2024, there were investment properties totalling £9.2m which have not been subject to annual revaluation, which is not compliant with Code requirements. Management asserts that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £11.3m, and management may be required to reconsider and adjust the threshold for properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. We have raised a management recommendation at Appendix D on this matter.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net surplus	Council	As part of our audit work, we have:

Risks identified in our Audit Plan: Valuation of pension fund net surplus

The Council's pension fund net surplus, as reflected in its balance sheet as the net defined benefit surplus, represents a significant estimate in the financial statements.

The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (£144m on the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net IAS 19 surplus. In particular the discount and inflation rates, and life expectancy.

2023-24 is the second year that the Council has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation and the IFRIC 14 net pension surplus recognition and valuation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net surplus as a significant risk.

Relates to: Council

Commentary

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net surplus is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we have performed any additional procedures suggested within the report
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- confirmed that pension fund asset valuations were based on a 31 March 2024 valuation date.

Additional commentary and work undertaken in respect of pension surplus position

Pension Fund Asset position:

The audited body presented a £144m surplus in its draft accounts based on the IFRIC 14 calculation supplied its actuary Aon. There has been an increase in the surplus calculated due to a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS 19 accounting standard) alongside a decrease in the inflation (pension increase) assumption.

We have assessed the £144m surplus to be an appropriate management estimate. This judgement has been reached having considered the following points. The calculation assumes a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus. The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used. Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 22-year recovery period. Our work confirmed that the IFRIC 14 assumptions used were in keeping with the range of assumptions that were deemed appropriate by the CIPFA IFRIC 14 guidance and the commentary of PwC as the external auditor's expert.

2. Financial Statements – other risks

Level of External Borrowing

Issue

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income.

We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes.

Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans. The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Commentary

As an Authority, Kirklees Council has borrowing totalling just under 90% of its capital financing requirement so remains in an under-borrowed position and its unfinanced capital spend has risen by just under £40m in 2023-24. Our work has not highlighted the Council pursuing the acquisition of investment property or making other illiquid investments with the target of generating a return on capital that are not expected to be used to deliver services. As such we have not identified any indicators of high inherent risks in this area from the work performed.

However, we would comment that the Council is pursuing some high value regeneration schemes that are currently in their early stages of development which are expected to sum to over £290m. These include the Cultural Heart development scheme (est. £250m), full refurbishment and letting of the George Hotel (est. £30m) and re-development of the Huddersfield Open Market (est. £16m). Considering the constricted revenue budget envelope in which the Council is operating there is a risk that any construction overspends or additional interest costs from unplanned borrowing spill over and impact the revenue position, and potentially threaten the overall financial sustainability of the Council.

From our sector experience, we have also observed high-value schemes being progressed with the business case noting strong commercial interest and anchor tenants subscribing to schemes which include cinemas, food outlets, entertainment venues and shopping centres. Unfortunately for a number of other authorities, there are instances where schemes have been completed but by which point the commercial interest has evaporated based on macro economic factors or changes in the operator's business plans, resulting in adverse financial impact for the local authority concerned.

Auditor view

These risks require close management by the Council, ensuring the business plan and commercial feasibility remains under scrutiny throughout development and the contractual provisions with third parties are appropriate and sufficient to protect the Council's regeneration, commercial and financial interests.

The Council should also set up its own sensitivity analysis, to identify how any capital overspends, the need to take additional borrowing, and the potential for rental void periods (untenanted) could impact on the Council's wider financial standing. The Council should then assess whether these financial risks are palatable and ensure decisions taken are aligned with a set level of financial risk, which the Council is willing to accept.

Management response:

Noted. It is agreed that capital schemes should have business cases that cover sensitivity analyses around key variables and reasonable estimates should be used therein. Furthermore, these should be updated at key points in the relevant programme.

However the existing mitigations listed below should be recognised:

- *The Council has ensured sound business cases have been considered and approved where appropriate for all regeneration schemes. The business cases all follow the standard format used by HM Government, i.e. based on HM Treasury Green Book 5 case business case.*
- *By way of example, gateway processes have been employed for Our Cultural Heart, ensuring Cabinet remain able to decide for each of the 5 phases, independent of previous commitments and with timely information.*
- *The council has appointed a Strategic Delivery Partner (Turner & Townsend Ltd), to ensure the required skill set and capacity is available for delivering regeneration schemes at scale and pace across a varied construction programme.*
- *The chosen form of contract for construction helps manage risks and apportion them appropriately, i.e. Design & Build contracts where applicable, to quantify and apportion risk to the contractor, keeping large scale construction projects to time and budget.*
- *Income assumptions have been prudent in all cases where commercial income is required, i.e. George Hotel. Sensitivity testing has been undertaken and made available to cabinet to help inform their decisions.*

2. Financial Statements: Key findings arising from the group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

No changes have been subsequently identified to our group risk assessment as presented in our Audit Plan. No misstatements have been identified from our group audit work performed.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Enacted audit approach
Kirklees Council	Yes	Full audit of the Kirklees Council accounts as the significant component within the Group. Audit of the financial information of the component using component materiality.	Significant risks: • Management override of controls • Valuation of land & buildings and council dwellings • Valuation of investment property • Valuation of defined benefit net pension fund surplus	Full scope audit performed by Grant Thornton UK LLP.
Kirklees Stadium Development Limited (KSDL)	No	Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium – the sole line item in KSDL's accounts that was material to the group in 2022-23, however testing in 2023-24 has identified that a valuation loss has resulted in the Council's equity share is no longer material.	No significant risks identified that relate to the Group audit opinion. KDSL's equity share is now not material (£14.3m) to the group and therefore does not give rise to a high inherent risk of material misstatement (only 1 x our audit materiality). The equity share has decreased YoY – 2023: £18.8m. A £10m fall in the building valuation at 40% for the Council's share - £4m is the reason behind the decrease in the Council's equity share.	We have performed targeted substantive testing of the material balance within KSDL (closing valuation of the John Smith's sports stadium) and the equity accounting of KSDL in the group accounts.

Findings

There are no key findings in respect of the group audit work.

We understand from officers that there is the potential for the Council to enter into a transaction to enact the restructuring of KDSL in the coming months. The Council has assessed whether the potential for this transaction to occur would have any material impact on the group accounts for 2023-24, and concluded that there is no such impact. As auditors, we have concluded that the assessment presented by the Council is appropriate and consistent with Code principles. As such, no material impact on the 2023-24 financial statements has been identified. Finance officers should continue to keep abreast of how this potential restructuring transaction progresses to ensure this is this is appropriately captured in the following period's financial statements.

2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	In the draft accounts, management disclosed '*that work on the implementation of the above Code change is ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet*'. We understand from management that the assets likely to fall within the scope of IFRS16 are generally known – c200 vehicles and a small number of significant value lease buildings. The changes in the way in which the lease liability is accounted for under IFRS16 is also understood. However, work is ongoing to collate information in respect of: • lease agreements for c100 vehicles (included in the c200 above) that are due to end during 2024-25, where leases might be extended • detailed analysis from colleagues in the Council's Assets & Estates team in respect of low & medium value lease buildings as a lessee and lessor, including lease agreements. • establishing and applying an appropriate calculation methodology for PFI lease liabilities across all four PFI/PPP schemes in which the Council participates. The Council also notes that is has purchased and implemented specialist software to record and account for assets under IFRS 16.	There exists a Code requirement for local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. In addition, the IAS 8 accounting standard requires the disclosure of a reasonable estimate of the possible impact on the entity's financial statements that will arise on initial application of IFRS 16. The Council's disclosures do not address all points required by the standard and we have raised this challenge with management during the course of our audit work. Having discussed this matter with management, we acknowledge that: • based on the business activities of the Council and the population of identified vehicles (c200), it is not expected that the impact of application of the IFRS 16 standard will be material and as such this will not constitute a material disclosure to the financial statements. This assessment is based on 200 vehicles with a maximum operating lease value estimated at £20k per vehicle – totalling £6m. This is supported by the total remaining minimum lease payments for operating leases at note 39 which total £3.3m. Both values are not material. • IFRS 16 as an accounting standard in local government is not expected to materially impact the presentation and accounting for operating leases as a lessor • For the Council's four PFI/PPP schemes, some impact may arise due to the treatment of annual indexation under IFRS 16 requiring remeasurement of the liability as opposed to simply expensing to the CIES as 'contingent rents' under IAS 17. The additional complexity on initial application arising from the Authority being party to four PFI schemes may be reasonably expected to require additional time to work through and has therefore not been considered as a significantly deficiency in the Council's application of the Code in 2023-24, on the basis that the impact assessment has not yet been concluded in this area. Therefore, as per management's assessment, and to a material extent, the narrative disclosures presented in the draft financial statements have been considered to be compliant with Code requirements. Our work has been concluded in this area for the 2023-24 accounts opinion and work will re-commence following the Authority's initial application of the IFRS 16 standard in 2024-25. We have raised an improvement recommendation to reinforce the need for appropriate arrangements to be in place to support with the initial adoption of the IFRS 16 standard in 2024-25.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings: valuation of other land & buildings – £531m	Other land and buildings comprises £416m of specialised assets such as schools, leisure centres, and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision as existing buildings. The remainder of other land and buildings (£110m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end based on market comparables such as the capitalisation of passing rent (income approach) or the comparison to similar land & buildings on the open market (comparative approach). EUV assets include offices, public car parks, and council depots. There is an additional £5m of land & buildings held at historic cost which is not Code compliant albeit it does not represent a material issue. The Council has engaged Wilks, Head and Eve LLP to complete the valuation of properties as at 31 December 2023 on a three yearly cyclical basis. In the draft accounts around 56% of total other land & buildings (by value) were revalued during 2023-24 as disclosed in the revaluations table as shown in the draft accounts. The capital accounting function worked with its internal property surveyors to ensure the assets included in the population of assets to be valued offered appropriate coverage across the sub-types of buildings held, and the Council communicated significant changes to existing land & buildings, such as major refurbishments, repurposing, with the external valuers to be captured in the valuations, as the valuer considered appropriate. Management's approach included instructing their external valuer to value all assets with a carrying value greater than £5m on an annual basis to ensure that good coverage (based on £ values) would be achieved. Management has also considered the year end carrying value of land and buildings not valued in year to determine whether there has been a material change in the total value of these buildings. This assessment of assets not revalued in year has not identified a material change to these assets' current value compared with their carrying value as at 31 March 2024. Management's assessment was also performed for assets valued in year, with a valuation reference date of 31 December 2023, to determine whether any material movements were identifiable for the three months up to the year end of 31 March 2024. No material changes in current value were indicated from the Council's assessment and the carrying values of these assets were therefore not adjusted. The total year end valuation of land and buildings was £531m, a net decrease of £3m from 2022-23 (£534m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • reviewed the assumptions used by the expert in the calculations, including the accuracy of gross internal areas (floor areas) • considered the valuation method used to revalue assets, and ensured that the method is suitable for the type of land or building • in relation to assets not revalued in the year, and those valued as at end December 2023, we have reviewed relevant cost- and market-based indices (e.g. BCIS & MSCI) to assess the appropriateness of management's assessment that the assets' carrying value is not materially different from their current value at the year end. This included considering changes in local market rents and yields for EUV assets (obtaining Huddersfield- and West Yorkshire-based data where available) Our work identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. The impact of this impairment is detailed on page 49 of this report. In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted by management on the basis that this is an extrapolated and not a factual error, and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 51 of this report.	● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions that are not fully supported with a clear rationale as to their relevance and appropriateness

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £90m	The Council has engaged Wilks, Head and Eve to complete the valuation of investment properties as at 31 December on an annual basis, as required by the CIPFA Code. A total of 96% of investment properties (by value) were revalued during 2023-24. Investment properties (including land assets) have been valued by a RICS-registered valuer as per Code requirements, with reference to market comparables and capitalisation of market-based rents using an appropriate yield, in line with accepted fair value valuation practices. The total year end valuation of investment property was £90m, a net decrease of £7m from 2022-23 (£97m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate, including property areas, leases, and passing rents • agreed, on a sample basis, land areas to title deeds and internal floor areas to AutoCAD floor plans, as appropriate • independently obtained market comparables for the Kirklees and West Yorkshire locality to assess the appropriateness of market rents and yields used in the valuation calculations.	● Amber We consider the estimate is unlikely to be materially misstated but have commented on page 13 in relation to £9.3m of investment property that is not revalued annually, contrary to the requirements of the CIPFA Code.
Land and Buildings – Council Housing - £825m	The Council owns 21,729 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged District Valuer Services to complete the valuation of these properties with a valuation reference date of 31 December 2023. To assess the current value of the council dwellings as at 31 March 2024, management challenged their external expert to undertake a market exercise for the first quarter of 2024, to determine whether there had been a material movement in the value of the housing stock in this period. This exercise reported that market indices, including data from HM Land Registry indicated a decrease in values totalling 2.5%. This was considered alongside the re-performance of a selection of beacon valuations to assess the relevance of Kirklees headline indices to the Council's asset base of council dwellings. It was concluded that the decrease should be applied and this resulted in a decrease in the carrying value of £20.7m, which was incorporated by management into the draft financial statements. The year end valuation of Council Housing was £825m, a net decrease of £13m from 2022-23 (£812m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • confirmed the application of the 41% social housing discount factor. This is in line with the DCLG Stock Valuation Guidance 2016 • discussed the selection of the beacon with management's valuer to understand and assess how this is representative of the remaining properties in each archetype • independently obtained, on a sample basis, comparable properties from web sources that list sold properties (Zoopla, Rightmove) and assessed the appropriateness of the beacon valuation adopted by management's expert • we have reviewed the valuation for a sample of non-beacon properties with reference to the beacon valuation, and considered the appropriateness of adjustments made to triangulate a valuation for the variant. Where adjustments have been made for additional bedrooms, we have sought market data for sold properties (Zoopla, Rightmove) to appraise the valuation adopted for the variant. • reviewed market data and house price indices to corroborate the 2.5% year end decrease adjustment applied to the year end stock valuation.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £144m (2023: net pension surplus £88m) IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.	The Council's Local Government Pension Scheme net pension surplus at 31 March 2024 is £144m (PY £88m surplus) comprising the West Yorkshire Pension Fund Local Government Pension Scheme obligations. There is a £54m defined benefit pension liability relating to LGPS unfunded and Teachers pension obligations (2023: £59m). The Council continues to engage Aon to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension surplus, small changes in assumptions can result in significant valuation movements. There has been a £86m net actuarial gain for the Council's LGPS funded pension obligations during 2023-24. This improved position is largely a result of an increase in the discount rate with a decrease in the CPI inflation assumption.	We have: • Assessed the competence, capability and objectivity of management's expert, Aon. • Assessed the actuary's approach taken and deemed it reasonable. • Used PwC as an auditor's expert to assess the actuary and the assumptions applied – please see the table below. The PwC report has also indicated that they are comfortable with Aon's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2024 for all employers. • Confirmed the completeness and accuracy of the underlying information used to determine the estimate including performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation. • Corroborated the increase in the net pension surplus (£86m actuarial gain) to PwC's commentary. • Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension fund disclosures in the notes to the financial statements with the IAS19 report from the actuary. • Obtained assurances from the auditor of the West Yorkshire Pension Fund as at the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • Confirmed that asset valuations were based on a 31 March 2024 valuation date.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value (Aon)	PwC comments	Assessment
Discount rate	4.80%	Assumption appears reasonable.	● Green
Pension increase rate	2.60%	Assumption appears reasonable.	● Green
Salary growth	3.85%	Assumption appears reasonable.	● Green
Life expectancy – Males currently aged 45 / 65	22.3/21.0	Assumption appears reasonable.	● Green
Life expectancy – Females currently aged 45 / 65	25.2/24.2	Assumption appears reasonable.	● Green

Our work has not identified any evidence to conclude that key assumptions are not appropriate, in line with the table shown above. Detailed audit procedures and challenge of management with regards the IFRIC14 pension asset ceiling calculation indicated an asset ceiling of £144m, in line with that recorded in the draft accounts.

Overall, we are satisfied with the judgements made by management and its recognition of the net pension asset along with the supporting disclosures made in the financial statements.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation (note 37) £691m	Management has taken into account three main considerations in accounting for grants, as set out in sections 2.3 and 2.6 of the Code: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Where the Council has determined that it is acting as an agent and it does not recognise grant income. Conversely, where the Council is acting as the principal and it has credited the grants and contributions to the Comprehensive Income and Expenditure Statement. Management's assessment considers relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced and capital grants are credited to taxation and non-specific grant income and disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.	The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. As part of our audit work, we have performed the following: • substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • for the samples selected, we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • assessed, for the sample of grants received, whether the grant a is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES (i.e. specific grants recognised above the line in net cost of services and non-specific grants recognised below the line in taxation and non-specific grant income) • assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. Two disclosure adjustments affecting note 37 has been identified from our work. There is no overall impact on grants recognised in the CIES. i. DWP – Rent Allowances – £33,057k presented in the draft accounts, adjusted to £30,885k (decrease of £2,172k) ii. DWP – Rent Rebates - £29,796k presented in the draft accounts, adjusted to £31,968k (increase of £2,172k) iii. Social Care Support Grant - £30,041k presented in the draft accounts adjusted to £29,810k (decrease of £231k) iv. Other Revenue Grants and Contributions - £27,546K presented in the draft accounts adjusted to £27,777k (increase of £231k)	● Green (following audit adjustments) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Key estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £5.3m There continues to be an increased level of scrutiny from auditors following several cases of highly publicised financial challenges at certain local authorities with some resulting in S114 notices. Many of these high-profile cases involve MRP charges that on reflection were deemed to be inappropriate.	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt know as its Minimum Revenue Provision (MRP). The basis for the charge is set out in the regulations and statutory guidance. The Council publishes an MRP policy annually as part of its annual budget setting process, which is reviewed for compliance against statutory guidance and approved if concluded to be appropriate. The annual MRP charge for 2023-24 was £5.3m which was a £5m reduction on the prior year (£10.3m). This represents a 0.6% charge against the opening Capital Financing Requirement compared with 1.3% charge against the opening Capital Financing Requirement in the prior year. The Council changed a number of assumptions in the calculation of MRP in year but did not opt to explain changes to Members. We note that management initially did not consider that its MRP policy had not changed significantly such that no further explanation to members was considered necessary. The initial planned 2023-24 MRP charge was £11.9m. This has been reduced to £5.3m, which is made up of a £2.6m repayment on HRA debt and £2.7m for loan to KSDL deemed irrecoverable and therefore this amount has been provided for as a charge to revenue. The 2023-24 reduction has been achieved as a result of the changes to two assumptions in the calculation as explained below: a. The discount rate used in the annuity method has been increased to 4.89%. The effect of this is to profile the highest charges into later years. The annuity method takes into account the time value of money and the higher the discount rate used, the greater the effect of unwinding (profiling the highest charges in later years). Whilst the Council has used rates as at the year end, if the BoE base rate and PWLB rate fall to a lower long term average that 5%, this assumption may no longer be prudent. b. The period over which the MRP is being provided is now being calculated using a single weighted average asset life of 34 years. The effect of this change has been to increase the period over which the MRP charge is being made on assets acquired in the earliest years – e.g. the provision for 2016-17 spend is now being made over 34 years as opposed to 24 years. In this way the MRP is being provided over a period greater than the asset life, however, the Council notes that 2022-23 spend was expected to be provided over 35 years whereas this will now be 34, and as such the spend to date will be fully provided for over a shorter period than originally expected. In this regard, the Council considers its revised approach to be more prudent than the former method. Paragraph 35, Asset Life Method of the statutory guidance states that "Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset." As such, the statutory guidance does not explicitly set out whether a weighted average is approach is most appropriate by the overarching principle per paragraph 23 is for prudent provision to be made, which the Council considers to be appropriately satisfied.	• The MRP policy & calculation is compliant with all relevant requirements of DLUHC, MHCLG & the Prudential Code. • We compared the MRP charge as a percentage of the Capital Financing Requirement. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. For the Council, the 2023-24 charge equated to 0.6% of the opening CFR (or a 166-year asset life) due to a previous Council-identified overprovision of £9m being factored into 2023-24. If this were excluded the % stated would be 1.66% giving a life of 59 years. • We understand a key reason for the debit to General Fund being lower than expected is the annuity methodology applied, which creates an increased charge over time with the highest annual debits to general fund occurring in the final years. Assuming no new borrowing is taken, the charge is set to peak in c33 years at around 580% of the 2024-25 level. The annuity method it is a permitted option albeit it does create potentially greater budget pressures in future years. • Those charged with governance are required to monitor the MRP charge annually, and understand the long-term impact of the charge's profiling, as a matter relevant to their oversight of the financial reporting process. This has been emphasised during discussions with management and we have observed that a treasury management update paper was presented to Corporate Governance and Audit Committee in December 2024 that explained the longer-term impact of the change in the MRP calculation assumptions to Members. • Following consultation, MHCLG has clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. • This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. No non-compliance with this requirement identified. **This finding has been captured in our reporting on the Authority's arrangements to secure value for money and is linked with the significant weakness identified in respect of governance. A key recommendation has been raised in our Auditor's Annual Report, as summarised on page 5 of this Audit Findings report.**	● Amber We consider management's process contains assumptions that we consider to be optimistic The application of CIPFA Code and statutory guidance is considered to be towards the aggressive end of the acceptable range

2. Financial Statements: Information Technology

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). As part of our audit work, IT specialist auditors have assisted the core audit team in conducting an assessment of the design and implementation of relevant ITGCs.

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

SAP was the only IT application reported as 'in scope' in our audit plan dated 9 April 2024. Early IT audit work identified that single-sign on (SSO) was in use at the Council which as resulted in Active Directory also coming into the scope of our IT audit work. Active Directory is a Microsoft directory service used to manage devices, users, domains, and objects within a Windows domain network. Active Directory has been brought into scope since SSO means that it indelibly linked with SAP user access rights (security management).

Four 'improvement opportunity' recommendations have been raised overleaf in respect of SAP. Five recommendations were brought forward from the prior year, of which two have been fully addressed and three remain outstanding.

			ITGC control area rating		
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green
Active Directory	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Grey	● Grey

Assessment

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

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2. Financial Statements: Information Technology

Assessment	Issue and risk	Recommendations
Green	**Inappropriate access to configure and delete audit log in production** During our review, we noted that twelve (12) users had the ability to both configure and delete audit logs via SAP T-Codes SM19 and SM18, respectively. These users were understood to be IT officers from the BASIS and HD-One teams. **Risk** Access to audit log configuration (via SM19) within SAP gives users the ability to create, modify or delete audit logs owned and configured by other users. Where this ability is not appropriately restricted, audit logs may not be sufficiently maintained. Sufficient logs may not be available in the event of investigations for error or fraud detection.	Management should segregate a user's ability to configure (SM19) and delete (SM18) user security event logs within production. We also recommend the management also review the assignment of this access. Where possible, limit users with these privileges assigned to members of the System Support and related service teams. Any users that do not require these privileges in an ongoing manner to perform their job role should have this level of access removed. If for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include usage of Firefighter accounts with a set validity period based on formal approvals. **Management response:** *HD One and the Basis team require elevated access which, as part of the application, gives them access to SM18/SM19. SM19 is an integral part of this elevated access; it cannot be segregated from SM18; to do so would prevent them carrying out their jobs.* *The number of staff with this access has been reduced to the smallest number possible. All access is logged within SAP as standard, and this will be reviewed periodically with the teams concerned. It is also available for internal audit if required.* *We have reasonable and proportionate controls in place to manage this risk.*
Green	**Segregation of duties conflicts between SAP change develop and implementer access** During our audit, a segregation of duties conflict was observed for the following users: • SAPSUPPORT • BYRNEC These users were assigned SAP development key along with ABAP developer access in the development environment (via SAP T-Code SE38 or SE37 or SE80 or SE11 or SE11_OLD or SE13 or SE14) and transport access in the production environment (via T-Code STMS with S_TRANSPRT and RFC authorisations). We also observed that there was no proactive monitoring in place to verify the appropriateness of any developers also implementing their own changes. We reviewed the TPALOG reports from both development and production environments and noted that there was no transport developed and import to production environment by same users during FY22/23. **Risk** The combination of access to develop changes and the ability to implement those changes in production is a segregation of duties conflict that could lead to an increased risk of inappropriate or unauthorised changes to data and programs being made.	Management should review this access assignment to ensure developers do not also have access to transport utilities in the production environment that would allow changes to be implemented. Where management believes for operational reasons, this access cannot be fully segregated a risk assessment should be undertaken and other mitigating controls considered (i.e. periodic monitoring of changes to identify those with the same developer and implementer and verify appropriateness). **Management response:** *Please note, all development work is undertaken by a separate IT team and the BASIS team implements those changes. Transport keys are therefore essential to their roles.* *The developer key for SAPSUPPORT has been previously removed.* *The SAPSUPPORT user has been removed in production and replaced by a distinct user (SAPPRODSUP) without transport authorisations. The user will be locked and delimited unless it is required. A screenshot of this new user's role has been attached separately.*

2. Financial Statements: Information Technology

Assessment	Issue and risk	Recommendations
Green	**Improvements to privileged generic account management** During our audit, we observed 3 generic dialog accounts that had privileged access within SAP. These three accounts were used by third party support consultants. We noted that the activities performed via these generic accounts were not proactively monitored by management to ensure they were only used for approved reasons. **Risk** Activities performed via shared generic accounts may not be linked to specific individuals, eroding accountability. Unauthorised transactions performed via these accounts may not be detected.	Management should consider performing an evaluation of the appropriateness and necessity of the generic accounts identified. This should include consideration of whether: • Activity could be performed through individually named users accounts with generic accounts reduced and only used for specific pre-approved activity; and • Accounts within the SAP application could be made into 'SYSTEM' user type, to allow them to run background jobs but not be directly accessible for login. • If accounts are obsolete or not-in-use and if they could be disabled or deleted. Where these controls will be owned / operated by external organisations management should consider disabling the accounts and only enable these accounts on need. Activities performed by the third parties should be monitored. **Management response** • *These accounts are required contractually and used solely by trusted 3rd party support partners. All activity by these accounts is recorded in SM20 and available for auditing and review if required. The accounts are locked when not in use and access only granted by arrangement with the BASIS team which includes registration of the named consultant that will connect to the system.* • *As previously noted, we have reasonable controls in place to manage any risk associated with this item.*
Green	**Sharing password protected document for Active Directory generic accounts** During our review, we noted that six (6) generic administrative accounts were shared and passwords for these accounts were stored in a password protected word document, which was accessible to the Server team on SharePoint. In additions, there was no mechanism to monitor the usage of these generic privilege accounts. **Risk** Sharing password-protected documents on SharePoint presents several risks, including the potential for unauthorized access, difficulties in managing and tracking access to the passwords, and the possibility of passwords being compromised.	Where possible, privileged generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. by using a password vault tool, logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. **Management response** *This spreadsheet is secured in a protected SharePoint site that is only accessible to the server team. It contains service account details that cannot be securely stored in another location and only the Server Team can access this file.* *The Council believes the mitigating controls are proportionate to the risk presented.*

Assessment

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

2. Financial Statements: Information Technology – Prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Inappropriate access to configure and delete audit log in production	This issue has been partially remediated. In our previous finding we noted fifteen (15) users, this has decreased to twelve (12) users for critical transactions in FY24. Please refer to finding no. 1 on the IT general controls assessments section.
X	Segregation of duties conflicts between SAP change develop and implement access	This issue has not been remediated. In our previous finding we noted one (1) user, this has increased to two (2) users for critical transactions in FY24. Please refer to finding no. 2 on the IT general controls assessments section.
X	Improvements to privileged generic account management	This issue has not been remediated. Please refer to finding no. 3 on the IT general controls assessments section.
✓	Insufficient formal process in managing SAP self-assigned roles	This issue has been remediated. Inspected the listing, we noted that there were no instances of self assigned roles or profile during the audit period.
✓	Insufficient formal process in managing vendor accounts in SAP	This issue has been remediated. GT obtained appropriate approvals to evaluate the use of vendor IDs with logging and review and noted no exception. Further GT also noted that SAPSUPPORT1 and SAPSUPPORT2 were also not used in this audit period.

Assessment

✓ Action completed

X Not yet addressed

2. Financial Statements: Internal Controls

Transaction cycle	Effectiveness of the system of internal control	Basis of assessment
Valuation of other land & buildings including council dwellings	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Valuation of investment properties	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Valuation of defined benefit net pension balance	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Management override of controls – Journal entries	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Other	Our assessment detailed above has been performed in line with requirements as per ISA (UK). If we were to have performed more extensive procedures on internal controls, beyond ISA (UK) requirements, we may have identified more deficiencies to be reported.	

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance & Audit Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been appropriately disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which will be presented to management and those charged with governance prior to giving the audit opinion.
Audit evidence and explanations	All information and explanations requested from management were provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and counterparties that hold the Council's deposits. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. Some presentational changes were identified and reported to management – these are noted at Appendix D.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management. We would like to thank the Council officers for their help and support during the audit process.

2. Financial Statements: other communication requirements

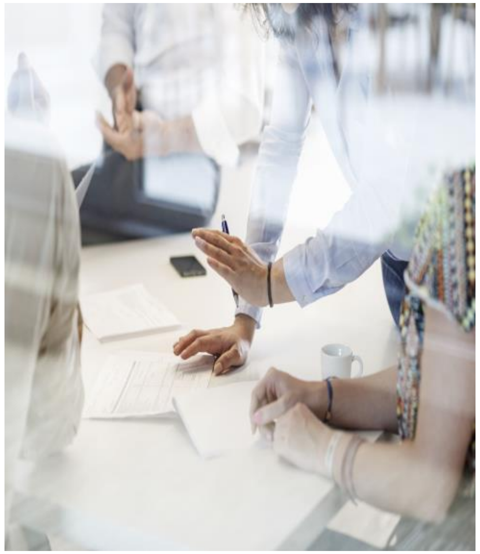
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As in prior years, only limited work is expected to be required on this, as the Group and Council is not expected to exceed the audit threshold in 2023-24.
Certification of the closure of the audit	We cannot issue the audit certificate until we have completed our review of the Council's Whole of Government Accounts (WGA) submission and completed our work on the two public Objections we received on the 2023-24 accounts. We will keep management informed of our work in these areas and issue our certificate as soon as possible.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which will be presented to Corporate Governance and Audit Committee in January 2025, incorporating management's responses to the Key Recommendations identified below.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code, see Appendix G.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial Sustainability – sufficiency and resilience of the general fund reserves position, management of budgetary pressures & Weaknesses in the Council's overall financial standing	We held discussions with senior management to understand the view of senior officers on the Council's financial position and actions being taken to strengthen the reserves position, and work to a position where general fund reserves are not required to support the day to day revenue budget. We reviewed relevant budget report and the Medium Term Financial Plan and challenged management on the appropriateness of assumptions and sufficiency of usable reserves balances. We benchmarked the Council's position against other Local Authorities in similar positions.	This significant weakness was first reported in our 2021-22 Auditor's Annual Report. Since then, management has made progress in identifying the key drivers of annual budget imbalance, and developing savings plans for the Council to achieve financial balance. The Council has improved the process for generating and monitoring savings, having changed the focus from one off items, and the Council has a plan to increase reserves, though there are still significant budget pressures arising in year and available reserves have reduced. There is further work required to: • manage budget and demand pressures arising in year more closely and implement timely mitigations • ensuring pressures, growth, assumptions and future savings levels are accurately captured in the MTFS which should offer a more realistic baseline budget. • determine the target level of reserves it wishes to achieve in future years of the MTFS	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.
Financial Sustainability – Management of the DSG deficit position	We held discussions with senior management to understand their views on the Council's progress in meeting the Department for Education's revised target of eliminating the DSG deficit by 2030. We reviewed relevant reports and detailed recovery plans and challenged management on the appropriateness of the assumptions used. We assessed the Council's current position against the revised plan and noted that the Council is once again 'off-track' with its delivery.	This significant weakness was first reported in our 2022-23 Auditor's Annual Report. At the end of the 2023-23 financial year, we were not satisfied that the Department's target was reasonably achievable and at that point the Council was 'off-track' against its agreed recovery plan with the DfE. In 2023-24, the Council agreed a revised pathway with the Department that set a revised date of 2030 to eliminate the DSG deficit. For 2024-25, the Council is forecasting a DSG deficit of £61m at outturn compared with the Safety Valve agreement plan of £50m. At the time of reporting, the Council is under-delivering on the revised Safety Valve agreement.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.

3. VFM: our procedures and conclusions

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Improving economy, efficiency and effectiveness - compliance with the Social Housing Regulator standards	We reviewed the Regulatory Notice published by the Social Housing Regulator following a self-referral from the Council after failing to meet statuary health and safety requirements in some council homes. The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements.	Consistent with the reporting from the Social Housing Regulator, our work identified that the Council has outstanding actions in relation to: • fire remedial actions resulting from fire assessments • repairs required to address damp and mould • water quality testing. These have been referenced in the Key Audit Recommendation raised in our VfM report.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.

4. Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260, the Ethical Standard (December 2019) issued by the UK Financial Reporting Council (the "FRC Ethical Standard" or "The Standard") that are relevant to this engagement.

We have determined that Kirklees Council is a public interest entity and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this letter.

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK ("Grant Thornton UK") and other Grant Thornton firms and associated entities ("Grant Thornton") and covered persons (as defined in the FRC Ethical Standard) and the Council, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity.

The FRC Glossary of Terms – Ethics and auditing defines a 'covered person' as: a person in a position to influence the conduct or outcome of the engagement.

In this context, we report the following independence matters to you:

All members of the engagement team and all covered persons within Grant Thornton UK LLP have confirmed their independence from Kirklees Council and its group entities.

No gifts and hospitality have been accepted by members of the engagement team or covered persons from the Kirklees Council and its group entities.

In the context that this is a public sector audit engagement, no work has been undertaken on this engagement by other Grant Thornton firms or member firms overseas.

We have received confirmation that our directly engaged auditor's expert for property valuations, Gerald Eve LLP, is independent of the Council.

We have received confirmation that our auditor's expert for IAS 19 defined benefit pensions, PwC, is independent of the Council. PwC were engaged to undertake this role by the National Audit Office (NAO).

We have not identified any independence issues to report.

We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee (taking the average over the previous three years).

Once the Financial Reporting Council's Ethical Standard is applied to the fourth accounting period, the permitted level of non-audit fees for that period cannot exceed 70% of the audit fee. Based on the current fees, this would not have an impact on the non-audit services that we would be able to provide to you.

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

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

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group & Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group & Council or investments in the Group & Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group & Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's & Council's board, senior management or staff.

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

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit claim	68,506 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £68,506 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the form MPF720A submission and are carrying out work on the information submitted to the Department for Work and Pensions (DWP) by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DWP)	We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these will be discussed and agreed with the member of informed management who is authorised by the Service Director Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (the Service Director Finance (s151)). We agree the factual accuracy of our findings with a member of informed management before issuing it to the DWP. We are satisfied from previous experience that the purpose of our testing and the potential impact of our findings on the form is understood by a member of informed management.
Certification of Initial Teacher Training grant	5,286 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,286 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Department for Education)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by Department for Education and on its completion issue a report of factual findings. We will discuss any amendments and factual findings with the Council's Responsible Finance Officer as a member of informed management. The Council's finance managers will make their own decisions whether to amend for any errors identified and the local authority and the DfE form their own conclusions on the report.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers' Pensions return	12,500 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to Teachers' Pensions)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by Teachers' Pensions and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to Teachers' Pensions.
Certification of the Pooling of Housing Capital receipts	10,000 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the submission and are carrying out work on the information submitted to DLUHC by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DLUHC)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings. The local authority and DLUHC form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and DLUHC).

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of compliance with subcontracting funding rules Education and Skills Funding Agency – post 16	10,000 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Education & Skills Funding Agency)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by the Education & Skills Funding Agency and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to the Education & Skills Funding Agency.

These services are consistent with the Council's policy on the allotment of non-audit work to your. All of the audit-related services listed above were communicated in our Audit Plan to your Corporate Governance and Audit Committee at its meeting on.

None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

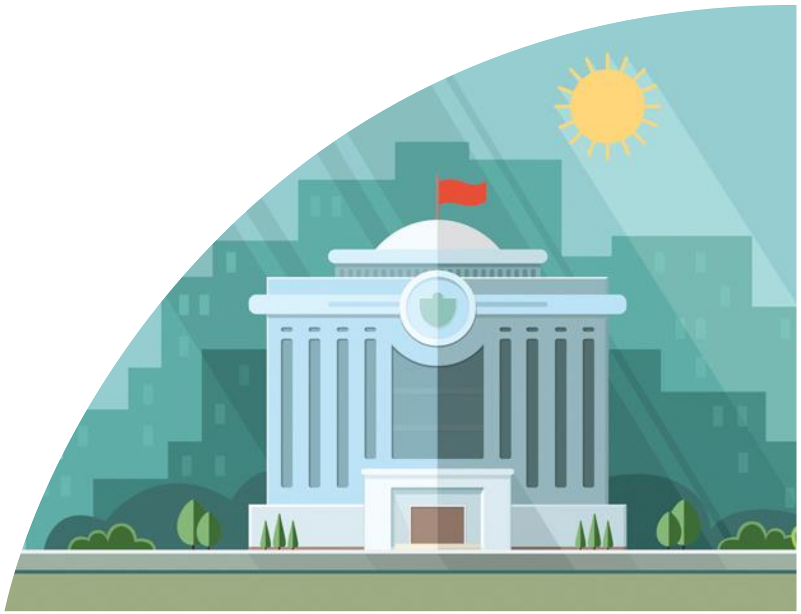
C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Management Letter of Representation

G. Audit opinion



A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern including support measures when making the going concern assessment	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence	•	•
Details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit / additional services by the firm and any breach or apparent breach of that policy	•	•
Key audit partners involved in the audit		•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Methodology used to perform the current year's audit and details of any substantial variation between system and compliance testing from the previous year		•
Quantitative level of materiality determined and qualitative factors considers in its determination		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		•

Our communication plan	Audit Plan	Audit Findings
Significant difficulties encountered during the audit		•
Significant matters arising in connection with related parties		•
Other matters that are significant to the oversight of the financial reporting process		•
Confirmation of independence of external experts or other auditors used as part of the audit		•
Valuation methods employed and impact of changes to methods		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Confirm all requested explanation and documents have been provided		•
Distribution of tasks amongst auditors where more than one auditor has been appointed		•
Identify work performed by component auditors outside of the GTIL network in relation to consolidated financial statements		•
Scope of consolidation and compliance with financial reporting framework		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

Our Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings Report is issued prior to approval of the financial statements and presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified a total of five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our 2024-25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**1. Outlier data used in the calculation of the annual leave accrual:** The calculation of the year end accrued leave creditor is based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to Council) and the highest at 315 days accrued. The average is 11 days but the middle value (median) is almost half of that at just below 6 days. This has given rise to some estimation uncertainty in the calculation of the accrual albeit not material. Using the median value rather than the mean would reduce the accrual from £12.9m to £6.7m (fall of £6.2m).	For the year end annual leave accrual to be calculated with a greater degree of precision in 2024-25, we recommend that a data collection exercise takes place in the remaining months of the financial year and any outliers are appropriately challenged by management. We also note that there is a budgetary control & management aspect too in that we would expect the control environment to support the monitoring of annual leave being taken to ensure this aligns with the Council's business need. Whilst leave appears to be being taken in line with the Council's Employee Handbook, the high degree of freedom involved could give rise to resourcing challenges arising from an excessively unbalanced profiling of leave across financial years. Management response: ***The accrual is an estimate based on a sample of employees over a range of services taken at a point in time. The sample was used to calculate an average number of days leave and flex and applied to employee numbers and salary costs and the £12.9m sits within unusable reserves.*** ***Outliers cannot be eliminated as that is part of the sample, however management note the potential impact and use of the median will be considered when sampling is repeated (this is done every three years).***
Low	**2. Employee Handbook – Document Out of Date:** To assess the arrangements for officers to carry forward untaken leave, we obtained a copy of the Employee Handbook, that sets out the terms and conditions of service. Our review highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council's protocols in respect of hybrid and remote working.	To satisfy proper governance protocols of maintaining an up-to-date suite of Council policies, we recommend that this Employee Handbook document should be updated to capture changes in the working environment and the Council's working practices and policies. We would suggest that this be completed within the next six months. Management response: ***Noted and to be reviewed, though it should be recognised elements of the handbook have been updated during the period (such as pay scales).***

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a possible risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● Low	**3. Adult Social Care – Client Contributions – accurate recording in general ledger:** Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger of £72,500 but where the individual's financial assessment supported the Council to collect a total annual client contribution of £4,784. Whilst the client has been invoiced as per their financial assessment and this does not give rise to a material issue in the annual accounts, the Council should ensure that transactions are accurately reflected in its general ledger.	We understand from management that a direct interface is required between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring. The Adults service confirmed to external audit that work has commenced to develop the interface, however, it was not part of the original Mosaic Go Live in February 2024 and it still needs further development and testing before it can be made live. Our recommendation is for this workstream to continue to be progressed with an implementation date set for the beginning of the 2025/26 financial year. We would also recommend that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced. Management response: ***Systems interfaces and reporting streams are being worked on currently as part of the ongoing Mosaic Implementation workstream. There is a planned approach with a programme of changes being implemented from a data engineering perspective, that will allow for all the necessary checks to be made as part of ongoing monitoring, and during closedown.***
● Medium	**4. Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class** Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2024, there were investment properties totalling £9.2m which have not been subject to annual revaluation, which is not compliant with Code requirements. Management asserts that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. The value of this sub-£250k population currently excluded from the Code requirement for an annual valuation has risen in recent years towards our audit performance materiality threshold of £11.3m. With continued increases, there is a risk that the Council does not comply with CIPFA Code requirements, to a material extent, which could impact on the auditor's opinion in future periods.	Management should reconsider and adjust the threshold for investment properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. Management response: ***Of the £9.2m assets not valued in 2023/24 the HRA represents £5.6m and the GF £3.6m. The Council applies a de-minimis threshold for annual revaluation due to impracticality and the cost of revaluing every asset annually when these values would not significantly change year on year (i.e. will not cause a material misstatement).*** ***Management are also expecting future Code amendments to reduce the audit focus on these items, following recent comments from the National Audit Office, CIPFA and PSAA. We feel it is relevant to advise that this process has been agreed with the two previous Key Audit Partners at GT and been in place for the last 5 years' audits and accepted.***

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**5. Use of recharges in the Council's financial statements without supporting data and a reconciliation process to verify the validity of these recharges:** The Council currently uses a number of recharges in the financial statements. These are used to allocate costs to services to record the total cost of delivering each service which supports the Council's budget management and financial monitoring. There are also a number of instances when an internal service deliver services for another service – for example, repairs carried out on a Council-owned school by building services would result in an internal recharge to the school's budget. From a financial accounts perspective, this internal charges should be eliminated as they do not represent income and expenditure with third-parties. Leaving internal transactions in the accounts serves to gross up both income and expenditure but are not a true reflection of the quantum of the Council's transactions with third-parties in any given year. Currently, the procedures for recording and coding recharges in the general ledger are not sufficient to be able to match income and expenditure recharges and eliminate these out of the accounts. The current process is to record an amount for income recharged and designate this as Income - Internal Recharges at note 9 in the accounts, however, this cannot be matched against the expenditure to be recharged and therefore, the accuracy and validity of this value cannot be practicably demonstrated to external audit. The Council has made some progress already given it has removed some recharges being made in respect of the HRA – previously Homes and Neighbourhood officers' pay costs were being recharged to the HRA. These costs are now being charged directly to the HRA account. The impact of this change has been a £36m reduction in employee benefits expenditure disclosed at note 9, which is offset by the reduction in internal recharges (internal income). This change in accounting has eliminated the need for an internal recharge and it is our view that this has brought about simplification in respect of both the accounts closedown and audit process. As external auditors, we would encourage the Council to continue with its endeavours to simplify its internal accounting processes.	As external auditors, our focus is to verify the accuracy and validity of transactions recorded in the financial statements and there may be several options open to the Council to respond to this recommendation. One option may be to pursue a similar course of action to that undertaken on HRA – Homes and Neighbourhood employee expenditure where the option for the recharge mechanism has been removed with all charges now made directly to the housing service (HRA account). Another option may be to improve the coding and transparency within the general ledger so that recharged transactions can be eliminated on preparation of the financial statements. Since we are now towards the later stages of the 2024-25 financial year, it may not be possible to implement a full response to this recommendation in advance of next year's accounts closedown and financial statement audit but we would encourage officers to progress this recommendation to the extent possible in the remaining months of the 2024-25 financial year. Management response: *Noted and the Council has commenced a process to reduce the number of recharges and reduce the administration around the process.*

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**6. Maintaining up to date knowledge of the Council's buildings estate:** Our audit work has identified examples where changes to the function, internal floors areas of buildings within the Council's buildings portfolio including one school that has been taken out of service, and these changes in estate have not been notified to the finance function or management's external expert valuer. In the cases identified, decisions appear to have been taken by the service but the relevant information and likely impact on the buildings portfolio, has not flowed to the capital finance team to be considered and reflected as appropriate in the annual accounts. The recommendation is not being made to suggest that proper governance procedures have not been followed in the decision making, but that the free flow of information and fluid communication between Council functions has not taken place as could be expected. This has resulted in additional challenge of Council officers during the external audit process and also two resulting audit misstatements have been identified: i. Impairment of Almondbury Community School totaling £16.7m which closed 31 August 2020. Expectation that this is to be demolished for the site to accommodate a new SEN school – impaired down to land value. ii. Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m.	Our recommendation would be for management to build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This would include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale. It is noted that building refurbishments and extensions appear to being captured at present and therefore, we do not consider that further enhancements to existing procedures are required. Management response: ***Noted. This has not been a problem in previous years. This year though, three individuals covered the internal surveyor role in less than 12 months; however the surveyor has now settled in post so improvements are expected and regular finance/estates meetings proposed.*** ***There has also been a significant increase in the number of changes to the estates which are ongoing such as closure, disposals and change of use. Building measurements information to be resolved by Assets and Estates.***
Medium	**7. Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings** The Council currently uses a valuation reference date of 31 December each year, which it considers Code compliant and to be sufficiently close to the reporting date for the valuations to be reflective of the assets' current value as at the end of March. All capital spend posted as capital additions is currently accounted for by the Council as value enhancing, and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3 (pre-valuation), the current arrangements may be considered appropriate since the Council's valuers are able to undertake an assessment of whether capital spend is value enhancing or non-enhancing, and either support the new carrying value or impair the asset down to its pre-capital addition carrying value, as appropriate. However, for capital spend posted in quarter 4, current arrangements do not afford the expert land & buildings valuers an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently. Non-enhancing capital additions that are posted in quarter four of a financial year would be impaired, where appropriate, at the time of their subsequent valuation in the following financial year. The recommendation to enhance arrangements would enable the Council to further ensure that the year end carrying value of land & buildings is appropriate.	The capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the closing valuation of land & buildings is not overstated. This may include additional working with the Council's external expert valuers, to build in additional process steps in order to address this matter. A robust approach to address this matter would be to move the valuation date to 31 March to align with the financial year end. This would enable the expert valuer to be presented with all relevant capital spend to make their assessment on a given asset's year end valuation. Management response: ***Noted. However, the Council cannot move the valuation date to 31 March as this would not allow the statement of accounts to be completed by the statutory deadline date. The current approach is based on a pragmatic methodology to ensure that the balances are materially correct.***

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**8. Appropriate challenge by management of the external valuer on the valuation approach – Mainstream schools & Energy from Waste Facility:** Management response to the valuation challenge raised by external audit in relation to the valuation of schools and the energy from waste facility. i. **Valuation of mainstream schools** – in the Council's accounts, schools have been valued based on their 'as built' size. The CIPFA Code prescribes that operational land & buildings should be valued based on a modern equivalent that would deliver an equivalent level of service. For schools, the commonly observed approach to value mainstream schools is by using Building Bulletin 103: Area Guidelines for Mainstream Schools, which offers a calculation for the required gross internal area (m2) based on the actual number of pupils on roll. The Council's external valuer has not used this approach with the valuation based on the 'as built' size. The response to auditor challenge has been that current approach is considered appropriate. The audit team challenged our own auditor's expert to undertake additional work in respect of the valuation of schools since Kirklees Council is an outlier in terms of the valuation approach adopted for mainstream schools. Our expert reported to us that some schools would likely be of a similar value using the pupil numbers approach, a number would decrease in value and some were indicated to increase in value. They reported it would not be practicable to draw meaningful conclusions across the whole population of mainstream schools based on the sample checked of around 10 schools. We have therefore drawn our audit conclusion that our expert's work does not indicate any material misstatement exists in respect of this schools subpopulation, however, we are of the view that the Council should develop a clearer rationale as to whether BB103 pupil numbers would be an appropriate valuation methodology for the Council and whether this would give a more true and fair valuation of mainstream schools in the Council's accounts. ii. **Valuation of the energy waste facility** – in the Council's accounts, this asset has been valued at £12m based on its end life being 2028 giving a 4-year remaining useful economic life. It is understood that the Council is considering its options beyond the end of the current contract with Suez Recycling and Recovery in 2028. A Cabinet paper dated April 2024 suggests that £25m of capital investment would be required to maintain current operations beyond 2028. A new-build facility is estimated to cost north of £120m and so we have challenged whether the £12m is an appropriate valuation or whether the value should be higher than than based on the fact that the Council will obtain the operational capacity close to that of a new facility with only £25m of capital investment. Our challenge concluded this year on the basis that the Council engaged a RICS registered valuer to conduct the valuation but we note that it would be beneficial for Council officers to conduct additional stand-back reviews of the valuations provided, which in this case may include reviewing valuations against actual build costs or those publicly available from other authorities.	For the two asset valuations identified, we recommend working with its internal surveyors to discuss and jointly understand the relevant factors around the valuations in question such as current usage, expected remaining service life, capital lifecycle and renewal costs expected in future accounting periods. Particularly for schools, it may also be appropriate to consider whether pupils on roll at a number of schools are broadly stable year-on-year and could therefore be used as a basis for an asset valuation. Management should ensure it is working constructively with its external valuation expert, including raising challenge where appropriate, to ensure that the assumptions and methods that underpin its asset valuations have a sound rationale tailored to local factors and conditions at Kirklees Council. Management response: ***Management and its expert believe that the Council's methodology is appropriate. We will however continue to assess the impact of methodological differences and ask the new valuer their opinion and approach to valuing these assets alongside the internal surveyor and asset managers.***

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**9. IFRS 16 'Leases' implementation from 1 April 2024:** IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. This is a shadow year (23-24) for the implementation of IFRS 16. IFRS 16 updates the definition of a lease to: "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration. IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases. The implementation process is expected to be a time and resource consuming exercise, to identify such lease contracts and ensure they are complete and accurate. A Council of Kirklees' size (large metropolitan council) would potentially have many such contracts to be considered/identified, to ensure those are within the scope of IFRS16 standard. The Council has reported on this Standard at Note 3 to the account, Accounting Standards that have been issued but have not yet been adopted. In that note, the Council has indicated that work on the implementation of the above Code change is ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet. On page 17 of this report, the volume and types of leases that may be captured by this Standard have been indicated to readers. In addition, there are other considerations when it comes to application of IFRS16 in the public sector. This includes assets with peppercorn rents which are within the scope of IFRS16. Also, exemptions for leases with low value assets and short-term leases. In addition, the impact on the accounting for the Council's four PFI/PPP schemes also requires due consideration. Some accounting impact may arise due to the treatment of annual indexation under IFRS 16 requiring remeasurement of the liability as opposed to simply expensing to the CIES as 'contingent rents' under IAS 17. Considering this is a time and resource consuming task and potentially high number of such contracts at the Council, the implementation of this exercise should be accelerated and the resource requirements to complete the work should be reviewed for sufficiency. We note that the 2024-25 financial statements year-end is circa four months from this report date. If this work is not completed satisfactorily to the accounts closedown timetable, there is a risk that the Council does not identify and properly account for all the contracts within the scope of IFRS16, which may give rise to the potential for misstatements in 2024-25 Statement of Accounts.	We recommend the Council to accelerate the implementation of IFRS16 to ensure such leased assets are completely and accurately captured before 2024-25 accounts closedown. Managements should ensure that there appropriate arrangements to be in place to support with the initial adoption of the IFRS 16 standard in 2024-25. Management response: *The Council is ongoing with its implementation to adopt the standard during 2024-25.*

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**10. Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice 2023-24:** Our audit opinion expresses an opinion on whether the Other information, comprising the Annual Governance Statement and Narrative Report, is misleading in any way and highlights any inconsistencies with information presented in the financial statements. As such we are not required to conduct the full scope audit procedures on the Other information, nonetheless the Council is required to present an Annual Governance Statement and Narrative Report that are fully compliant with the CIPFA Code of Practice. Our review of these documents highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code. We have listed the key additions that we consider to be necessary for full compliance. Narrative Report Our review of the Narrative Report identified a comprehensive finance commentary covering key metrics. Our principal challenge to officers was how the report covers off non-financial performance and operational performance - ultimately how well the Council is delivering on its non-financial objectives in the Council plan. The Code is clear that the Narrative Report should identify and present a range of the Council's non-financial performance indicators (e.g. KPIs) and provide an accompanying narrative commentary setting out an assessment of the Council's non financial performance during the year. The Code also states that the Narrative Report should contain appropriate detail for a user to evaluate future sustainability and the effect on service provision, including assessing future cash flows. We are of the view that additional detail would be beneficial in the report to properly address this requirement.	We recommend the Council refreshes its Narrative Report checklist to ensure all Code requirements are captured. Early work in this regard should enhance the quality and detail included in the draft reports and ensure that all Code requirements have been covered in the draft Narrative Report presented to CGAC and External audit. We note that this recommendation does not entail the Authority disclosing additional information that is highlighted as best practice in the Code but it is around ensuring the minimum disclosure requirements have been addressed so that the Authority is fully complaint with the CIPFA Code of Practice. Management response: ***Whilst noting the recommendation, the Code states that this section of the Accounts is outside the scope of the audit and the resulting audit opinion.*** ***Management are content that the Narrative Report satisfies the statutory requirements laid out in the Code and would stress that within the requirements of the Code, the content and style of the Narrative Report is at the discretion of the Council.*** ***Management are also content that the information contained within the Narrative Report is not only consistent with prior years disclosures but also in-line with other neighbouring authorities.***

C. Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2022-23 financial statements, which resulted in three recommendations being reported in our 2022-23 Audit Findings ISA260 Report. We have followed up on the implementation of our recommendations and note that two of the three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Related Party disclosures: During our 2022-23 audit, we identified that several Council members held financial interests in companies that were not notified to the Finance team. We reported that this presented a risk that the Related Party disclosures in the financial statements were incomplete. Our recommendation was that management review its process for gathering all relevant information that may require disclosure at the related party transaction note. We also reported that where member declarations are not received management should consider investigating possible financial interests held by members using publicly available information.	External audit comments: Our audit work has not identified any instances where the disclosures of related parties are not compliant with the Code and IAS 24. As such, no under disclosures of relationships or transactions, that are either material by nature or financial value, have been identified from our work. Our Auditor's Annual Report (value for money) did identify an instance at a Cabinet meeting where a potential conflict of interest was not clearly recorded and subsequently managed. This has been captured in our Key Recommendation around Governance – Promoting an open and transparent culture, summarised on page 5 of this report.
RECOMMENTATION OUTSTANDING	Gifts and Hospitality Registers: In the prior year we reported that whilst a register of gifts and hospitality maintained and published for Councilors, there is no such register for senior officers. We recommended that management consider publishing a gifts and hospitality register for senior officers to further promote a culture of transparency within the organisation.	External audit comments: From our audit work this year end on related parties, we were not furnished with records of declarations of gifts and hospitality for officers. We understand from the Council's central finance colleagues that Services are expected to hold this information themselves but based on current arrangements this cannot be practically verified and the recommendation stands in that not having a central repository of officer declarations means that potential conflicts and breaches of the Council's own Code of Conduct may not be identified timely. <u>Management comments - January 2025:</u> ***Noted. A Council wide Conflict of Interest Register has recently been rolled out and the intention is to do the same with Gifts and Hospitality.***
RECOMMENTATION OUTSTANDING	Publication of draft financial statements: The 2022-23 draft financial statements were due to be published by 31 May 2023 and audited financial statements (or appropriate notification) by 30 September 2023. We understand that management took the decision to publish the draft financial statements by 30 June 2023 in line with their existing timetable, rather than bringing this forward by a month. We reported that management should have regard to nationally-set publication deadline and consider working towards revising its accounts production timetable accordingly.	External audit comments: We would encourage the Council to observe nationally-set deadlines but we do acknowledge the Council's intent to achieve balance across timely delivery, the available level of finance officer capacity and the Council's aim to deliver a high quality set of draft accounts with quality assurance built into the process. <u>Management comments - January 2025:</u> ***Noted. Management made the decision to ensure the closedown timetable for the draft financial statements for 2023-24 allowed for accounts to be produced mid-June 2024 to give officers sufficient time to ensure the most accurate draft accounts possible and enabling publication by the end of June 2024. This was communicated to Corporate Governance and Audit Committee and to External Audit in advance. The 2024-25 accounts are due to be published by 30 June 2025 based on the updated statutory deadlines.***

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves
Impairment of Almondbury Community School - £16.7m During the performance of detailed land & buildings valuations testing, we reviewed the Information Schools Service web page to identify the number of pupils on roll at Council-managed schools to support the valuations work and demonstrate continued operation of the schools held on the Council's fixed asset register. This review identified that Almondbury Community School school had been closed to pupils, and following challenge of management, it was identified that this closure had not been reflected in the valuation as at 31 December 2023. We understand that there are plans in place for the existing building to be demolished in the next 2 years and the site to be used to construct a new special school on the site, into which the current Woodley School and College will relocate. We understand these plans are linked with the Council's DSG recovery plan to expand and enhance in-house SEND provision. To address the impairment indicator, management commissioned its expert valuer to prepare an additional valuation for Almondbury as at 31 December 2023, as a surplus asset which assumed that the building had no remaining service potential (given demolition plans). The revised valuation indicated a value of £400k for the land element. Management has adjusted for this in the updated financial statements with the other land & buildings asset being impaired down to £nil and an addition of £400k being accounted for as a surplus asset. Following the identification of Almondbury Community School, additional checks were performed across all schools on the balance sheet in the form of a lookup to the DfE's register of open schools. No further issues were identified from the additional checks performed.	Debit CIES Children & Families expenditure (increase expenditure) £10.6m Reverse effect through the MiRS: Credit CIES Children & Families expenditure (decrease expenditure) £10.6m Overall impact £nil	Credit (reduce) property, plant & equipment – other land & buildings £16.7m	£nil	Debit (reduce) revaluation reserve £6.1m Debit (reduce) Capital Adjustment Account (CAA) £10.6m All of the impact arising this adjustment has been absorbed by unusable reserves
Overall impact	£nil	(£16.7m)	£nil	£16.7m

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D. Audit Adjustments

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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Reason for not adjusting
Erroneous adjustment posted to the Cash and Cash Equivalents balance: An inaccurate adjustment was processed on the school enabling account used by the Council to reconcile schools' cash balances. The account is used in the period starting when the returns filled out by each school before breaking up for Easter holidays on 18 March 2024, and the reconciliation period continues in the following weeks up to the financial year end of 31 March 24. During this period, the schools will continue to make payments to suppliers and third-parties using their own bank account, paying off invoices on the creditors ledger. In this way, cash was flowing out of the Council to the schools' suppliers and the schools' creditors balances should therefore have been decreasing, commensurate with the value of the payments being made. The accounting entry for the Council should have been to debit creditors by £0.57m and credit its cash and cash equivalents by £0.57m. However, the opposite entry to debit cash and cash equivalents and credit creditors was posted at year end, which has now been identified as incorrect. The entry to correct this transaction is shown in the table to the right. Since the accounting entry was posted opposite to the way as was correct in the first instance, the first entry would be to reverse this back to £nil and then post the correct entry as indicated above. To correct this in one set of transactions has resulted in a entry to cash and cash equivalents that is twice the magnitude of the original erroneous entry (i.e. £1.14m). We understand management does not intend to adjust for this on the grounds of materiality.	£nil	Credit (decrease) Cash & Cash Equivalents £1.14m Debit (decrease) Special Creditors (short-term) £1.14m	£nil	Considered immaterial by management
Overall impact	£nil	£nil	£nil	

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D. Audit Adjustments

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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves	Reason for not adjusting
Variances identified in gross internal area (GIA) data used in the valuation of buildings that use the DRC basis of valuation As part of our detailed testing on the valuation of land & buildings, verifying the accuracy of source data used in the valuation, we performed work to agree a sample of gross internal areas back to the AutoCAD floorplans held by the Council's estates function. This sample testing comprised testing a sample of 27 buildings, 14 of which with a NBV greater than £5m (combined NBV of £159m), thereby placing a focus on testing high value buildings. This work identified a number of variances, including 7 that showed variances greater than 5% with an average variance of 42% and a total range of 350% (-33% to 317%). With a total sample population value of £170m from a total of DRC land & buildings population of £416m, we have considered coverage sufficient to perform an extrapolation procedure to determine an extrapolated error value for the total population. An extrapolated error totalling £3.3m (increase to valuations representing an understatement) was identified, which represents a c1% error rate. Whilst the error rate could be considered low based on the average of all variances, the range of variances above indicates there are some inaccuracies in the datasets, which the Council should look to remedy as a matter of good housekeeping. We note that the land element has been removed from the £416m to calculate the £3.3m extrapolated error, since GIA records are not expected to impact on the valuation of land.	£nil	Debit (increase) valuation of other land & buildings £3.3m	£nil	Credit (increase) unusable reserves £3.3m either posted to the Revaluation Reserve OR via CIES, through the MiRS and, into the Capital Adjustment Account (CAA).	Considered immaterial by management
Overall impact	£nil	£3.3m	£nil	(£3.3m)	

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D. Audit Adjustments

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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves	Reason for not adjusting
Transfer of Homestead Centre (former day care centre) from other land & buildings to surplus assets and revaluation using fair value approach Our work identified that the Homestead Centre, with a carrying value of £1.6m, had been closed by the service prior to the 2024 year end and had been earmarked for sale but not actively marketed as at the year end. As a result of the building being closed to service users, a transfer of the asset prior to the balance sheet date. As per the Code, surplus assets are required to be measured at fair value. The Code defines fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Per the October 2024 auction, the combined land & building had an auction estimate of £400k, which may be used as a reasonable proxy for its fair value. The impact of this change in asset sub-classification and fall in the valuation is shown to the right. Management has opted not to adjust for this misstatement on the grounds of materiality.	Debit CIES Adults & Heath expenditure (increase expenditure) £0.5m Reverse effect through the MiRS: Credit CIES Adults & Heath expenditure (decrease expenditure) £0.5m Overall impact £nil	Credit (decrease) valuation of other land & buildings (£1.6m) Debit (increase) valuation of surplus assets £0.4m	£nil	Debit (reduce) revaluation reserve £0.7m Debit (reduce) Capital Adjustment Account (CAA) £0.5m All of the impact arising this adjustment has been absorbed by unusable reserves	Considered immaterial by management
Overall impact	£nil	(£1.2m)	£nil	£1.2m	

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D. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Account balance / disclosure note	Description and value	Adjusted?
Statement of Cash Flows	Adjustments have been processed to accurately reflect the Council's cash flows in year as described below: • Adjustment to receipts and repayments in respect of borrowings to accurately reflect cash flows with third-parties (external to the Council) Decrease to cash receipts from short- and long-term borrowing (within financing activities) (-£20.829m) - reduces cash inflow on this line Decrease to cash repayments of short- and long-term borrowing (within financing activities) (-£20.829m) - reduces cash outflow on this line • Adjustments to net surplus/deficit on the provision of services for non-cash movements to accurately reflect REFCUS and collection fund entries Decrease other receipts from financing activities (within financing activities) due to erroneous entry (+71k) - reduces cash inflow on this line Decrease other receipts from investing activities (within investing activities) to reflect an additional £1,390k of REFCUS grant that has been included on this line but does not represent a capital grant (+£1,390k) - reduces cash inflow on this line Increase adjustments to net surplus/deficit on the provision of services for non-cash movements (-£1,460k) – this is the balancing entry for the two lines directly above (£71k and £1,390k) – the two entries above are reducing the cash inflows to correct erroneous entries in the draft accounts	✓
Note 34 Officers' Remuneration	<u>Senior Officers' emoluments</u> For all senior officers disclosed in the table in the draft accounts, errors were identified in the columns ***employer pension contributions*** and ***total remuneration including employer pension contributions.*** The error arose since national insurance contributions had been disclosed as employer pension contributions. The disclosure note has been updated to accurately reflect the employer's pension contribution and the total column also updated accordingly. The annual salary for the postholder ***Service Director – Finance, Transactional Services (s151 Officer)*** was identified to exceed £150k. For transparency, the CIPFA Code requires disclosure of the postholder's name when the annual salary exceeds this threshold. The name Isabel Brittain has therefore been added to the disclosure. One of the postholders disclosed changed role in year Service Director to Strategic Director for Children's Services. The first draft included the salary earned as Service Director and Strategic Director. Service Directors are not disclosed in this table based on how the Council has defined its key management personnel. This table has therefore been amended to only disclosure Strategic Director element of the total salary paid.	✓
Narrative Report & Annual Governance Statement	We have proposed some presentational changes to the Narrative Report to improve the clarity and completeness of the information presented to the reader, principally entailing adding some additional narrative and figures to illustrate non-financial & operational performance in 2023-24. This includes narrative to explain how the Authority has delivered on the objectives set out in its Council Plan and also a balanced summary of delivery against the KPIs the Council has set for itself, covering both strong areas of performance and also highlighting potential for improvement. Some auditor comments were also provided on the Annual Governance Statement. Whilst it was noted that the body of the report provided a detailed summary of the key governance matters impacting the Authority, and also actions taken in respect of governance matters identified in the prior year, we did identify improvement matters to ensure full compliance with Code requirements for the statement. The changes identified were to include an acknowledgement of responsibility for ensuring that there is a sound system of governance and to provide an overall view and assessment on the effectiveness of the Authority's current governance arrangements.	AGS updated. Management is not intending to adjust the Narrative Report – we have raised a recommendation in this regard on page 47

D. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Account balance / disclosure note	Description and value	Adjusted?
Note 19 Financial Instruments	The financial liabilities table disclosed on page 69 has been amended to remove statutory and taxation creditors from the disclosure as financial liabilities, since these creditors relating to employer taxes do not satisfy the Code definition of a financial instrument in that they arise from taxation and not a contract. The impact of this adjustment has been to reduce short term creditors at amortised cost from £68,091k to £53,242k (-£14,849k). There has been a corresponding increase to non-financial liabilities. This change has also impacted on the sub-notes and tables included at note 19. The financial assets table disclosed on page 68 has been amended to classify finance lease receivables as a financial asset on the basis that they represent holding a right to receive cash. This change has resulted in a £3.3m increase to non-current debtors, finance leases at amortised cost by bringing in an additional line summing to a total of £3.3m. There has been a corresponding decrease to non-financial assets. This change in classification has also resulted in a change to fair value disclosure on page 72. This finance lease receivables with a book value of £3.3m have been assessed to have a fair value of £5.3m which has been added to the cell fair value, long-term debtors at amortised cost in that table on page 72.	✓
Note 41, Defined Benefit Pension disclosure note	Our review of the pensions disclosures within Note 41, Defined Benefit Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity and special purpose investment vehicles where there is no readily available comparable market information) around the estimation uncertainty in relation to the valuation of these assets. Kirklees Council holds approximately 12.9% of the scheme's level 3 assets (£2.56bn) which calculates Kirklees' share of said assets to be £330m. The pension fund has attached an estimation range of 13.96% and therefore the calculated valuation estimation range relevant to Kirklees is £46m. This is therefore a material disclosure for the Council.	Management is not intending to adjust
Note 37, Grant Income	A disclosure adjustment affecting note 37 has been identified from our work. There is no overall impact on grants recognised in the CIES. i. DWP – Rent Allowances – £33,057k presented in the draft accounts, adjusted to £30,885k (decrease of £2,172k) ii. DWP – Rent Rebates - £29,796k presented in the draft accounts, adjusted to £31,968k (increase of £2,172k)	✓
Various notes	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of audit-related services.

Audit fees	**Proposed fee**	**Final fee**
Scale fee	£425,058	£425,058
Increased audit requirements of ISA 315 Revised – "Identifying and assessing the Risks of Material Misstatement" – (new controls requirement not included in the PSAA tender submission). The final fee also captures the additional work required on ISA240, not included in our audit plan. The total fee for this work is being charged at the PSAA standard fee for metropolitan councils of £15,690.	£12,550	£15,690
Engagement of auditor's external expert in respect of the valuation of other land & buildings, council dwellings and investment property (this is a direct pass through of costs from our valuation expert)	£3,000	£10,988
Total audit fees (excluding VAT)	**£ 440,608**	**£451,736**

Non-audit fees for other services	**Proposed fee**	**Final fee**
Audit Related Services – Grant Certification Work		
Certification of Housing Benefit claim	£68,506	TBC
Certification of Initial Teacher Training grant	£5,286	TBC
Certification of Teachers' Pension return	£12,500	TBC
Certification of the Pooling of Housing Capital receipts	£10,000	TBC
Certification of compliance with subcontracting funding rules Education and Skills Funding Agency – post 16	£10,000	TBC
Total non-audit fees (excluding VAT)	**£106,292**	TBC

None of the above services were provided on a contingent fee basis. The total of the proposed audit-related fees sum to 24%, which is within the non-audit/audit-related service fee cap of 70% as set out in the FRC Revised Ethical Standard 2019.

This covers all services provided by us to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No.1 Whitehall Riverside
Whitehall Rd
Leeds
LS1 4BN

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

Dear Grant Thornton UK LLP

Kirklees Council Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council and its joint venture undertaking Kirklees Stadium Development for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

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

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

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the group and Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

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

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

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

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

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

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

   a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
   b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
   c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

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

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

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

Information Provided

xvii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and

F. Management Letter of Representation (draft)

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

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

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

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

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

a. management;

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 31 January 2025.

Yours faithfully

Name.................................

Position...............................

Date..................................

Signed on behalf of the Council

G. Audit opinion (proposed)

Independent auditor's report to the members of Kirklees Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Authority (the 'Authority') and its joint venture (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Authority and Group Cash Flow Statement, the notes to the financial statements, including a summary of significant accounting policies, the Group Comprehensive Income and Expenditure Statement, the Group Statement of Movement in Reserves, the Group Balance Sheet, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/34; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

In our evaluation of the Service Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Service Director Finance with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Overview of our audit approach

Financial statements audit

Overall materiality

Group: £16,250,000, which represents 1.34% of the group's gross expenditure on cost of services.

Authority: £16,200,000, which represents 1.33% of the Authority's gross expenditure on cost of services, capped at an amount less than group materiality for group audit purposes.

Key audit matters were identified as:

- closing valuation of other land and buildings, and council dwellings (Authority only, same as prior year);
- closing valuation of investment property (Authority only, same as prior year); and
- valuation of the net surplus related to the defined benefit pension scheme (Authority only, same as prior year).

There were no key audit matters reported in our auditor's report for the year ended 31 March 2023 that have not been reported in our current year's report.

There were no key changes in the scope of the audit from the prior year.

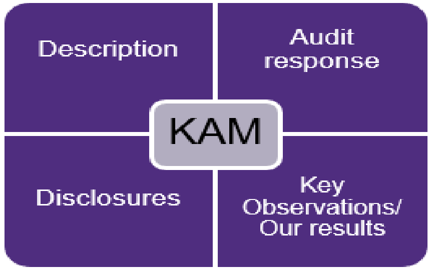
Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

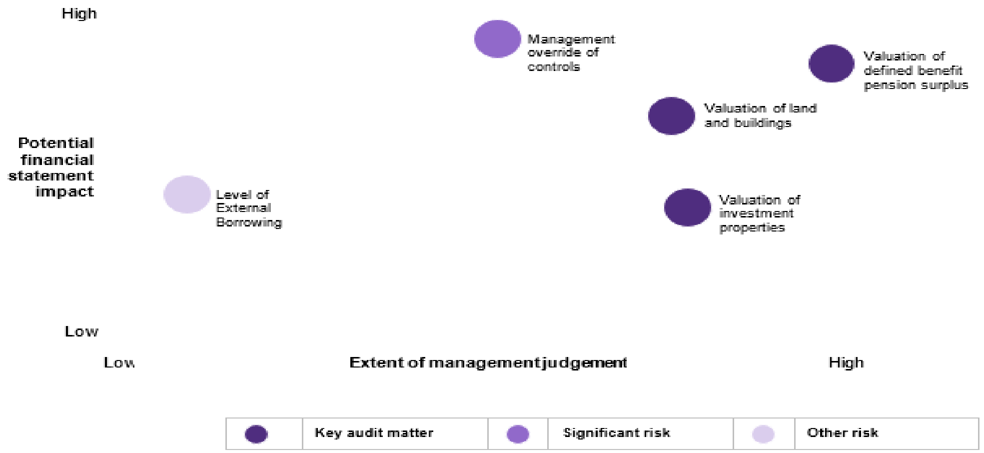
G. Audit opinion (proposed)

Key audit matters

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



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



Key Audit Matter - Authority

Closing valuation of Land & Buildings and Authority Dwellings

We identified the valuation of land & buildings and Council dwellings as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets and the judgements and estimation involved in valuing them.

Other land & buildings has a carrying value of £531m and Council dwellings £825m as at 31 March 2024, totalling some £1.35bn which is many times our audit materiality of £16.2m.

The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. The Authority values its Council dwellings annually.

Around 80% of the Authority's other land & buildings are specialised in nature with the valuation method depreciated replacement cost (including schools & leisure centres). Key inputs include the accuracy of the building size data, the selection of an appropriate rebuild cost and an appropriate reduction applied to the valuation to reflect a building's age and physical deterioration compared with a new equivalent.

For the remaining 20% of non-specialised buildings (including car parks & schools), key judgements include the selection of relevant and appropriate open market data for rental values, investment yields and land values. There is a greater level of judgement involved in non-specialised valuations (when compared with specialised), however, the Authority's portfolio value of £110m is a low multiple of our £16.2m audit materiality that would require a high error rate to give rise to any material misstatement.

Since management uses a 31 December valuation reference date, an assessment whether assets' current value has changed materially to the year end is required.

Additionally, Council dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for social housing. The social housing adjustment factor is prescribed in Government guidance. There is a risk that the Authority's selection and application of the valuation assumptions is not in line with the statutory requirements and that the valuation of dwellings is not supported by open market evidence of sale prices of similar residential properties. A further risk is the application of an inappropriate social housing adjustment factor in the valuation.

How our scope addressed the matter - Authority

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

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation
- evaluated the competence, capabilities and objectivity of management's valuation expert
- evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & wrote to the valuer to confirm the basis on which the valuation was carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's Asset4000 fixed asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- performed indexation on properties not revalued in the year and also those valued as at 31 December 2023 to establish that there was no risk of material movement up to the year end
- engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of land & buildings and give a view on the adequacy and appropriateness of management's external valuer's report
- agreed, on a sample basis, the internal floor areas (GIAs) to the Authority's K2 property asset management software and AutoCAD building measurement software
- for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations
- for Authority dwellings, valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites.

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2024

- Accounting Policies, Note 1.21, Property, Plant and Equipment (PPE – Excluding Highways Network Infrastructure Assets)
- Note 15, Property, Plant & Equipment
- The Narrative Report

Key observations

Based on our audit work, we identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. This reduction of £16.7m in the carrying value of other land & buildings was adjusted by management in the published version of the financial statements.

In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted the basis that this is extrapolation and not a factual error and is not material.

We obtained sufficient audit assurance to conclude that:

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

Closing valuation of Investment Property

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

G. Audit opinion (proposed)

Key Audit Matter - Authority

We identified the valuation of investment property as one of the most significant assessed risks of material misstatement due to error.

The Authority is required to re-value its investment property portfolio annually for in line with the Code requirements. The Authority complies with this requirement apart from in respect of investment properties with a valuation below £250k, which do not form part of the annual revaluation exercise. The total of these sub £250k properties in £9.2m which management does not consider to be material.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £90m) and the sensitivity of this estimate to changes in key assumptions & judgements.

Key judgements include the selection of relevant and appropriate open market data for rental values, investment yields and land values.

How our scope addressed the matter - Authority

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- discussed with the valuer and evaluated the appropriateness of the basis of the valuation
- evaluated the competence, capabilities and objectivity of management's valuation expert
- evaluated and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding and we have written to the valuer to confirm the basis on which the valuation was carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's Asset4000 fixed asset register
- engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of investment property and give a view on the adequacy and appropriateness of management's external valuer's report
- reviewed the classification of investment property assets for consistency with the Code and IPSAS 16 definition. Under the definition, an investment property is one that is used solely to earn rentals or for capital appreciation or both.
- for investment properties valued on a fair value (FV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. Similarly for those land assets, we obtained market data for both sold and currently marketed land to assess the appropriateness of the adopted values per acre.

Relevant disclosures in the Statement of Accounts

- Accounting Policies, Note 1.15 Investment Property
- Note 17, Investment Property
- The Narrative Report

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of investment property was acceptable; and
- the assumptions and processes used by management in determining the estimate of valuation of investment property were balanced and reasonable
- we were also satisfied, to a material extent, with the classification of the population of land and buildings as investment property as per the Code definition

Valuation of the net surplus related to the defined benefit pension scheme

We identified the valuation of the net surplus related to the defined benefit pension scheme as one of the most significant assessed risks of material misstatement due to error.

The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (£144m on the Authority's

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

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net surplus is not materially misstated and evaluated the design of the associated controls

Key Audit Matter - Authority

balance sheet) and the sensitivity of the estimate to changes in key assumptions.

As communicated in our Audit Plan, we did not identify a significant risk in respect of the source data or the method applied by management's expert actuary. The significant risk was identified in respect of the assumptions used.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net IAS 19 surplus. In particular the discount rate and inflation (pension increase) rate, and life expectancy. As disclosed in the sensitivity analysis of the financial statements, a change >1% in the three assumptions listed above could be expected to have a material impact on the estimate.

2023-24 is the second year that the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

We identified a significant risk of material misstatement, and a Key Audit Matter, in respect of the assumptions used in their calculation of the IAS19 net pension balance estimate and the IFRIC 14 net pension surplus recognition and valuation.

How our scope addressed the matter - Authority

- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- engaged a consulting actuary (auditor's expert) to assess the assumptions applied by management's actuary
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we performed any additional procedures suggested within the report
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- confirmed that pension fund asset valuations were based on a 31 March 2024 valuation date.

Relevant disclosures in the Statement of Accounts

- Accounting Policies, Note 1.6 Employee Benefits
- Note 41, Pensions Disclosures
- The Narrative Report

Our results

We assessed the £114m surplus presented in the draft accounts to be an appropriate management estimate. This judgement has been reached having considered the following points:

- The calculation assumes a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus.
- The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used.
- Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 22-year recovery period.

Our work confirmed that the IFRIC 14 assumptions used were in keeping with the range of assumptions that were deemed appropriate by the CIPFA IFRIC 14 guidance and the commentary of PwC as the external auditor's expert.

G. Audit opinion (proposed)

Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	Overall materiality has been set at **£16.25 million**, which represents **1.34%** of the group's gross expenditure on cost of services. The absolute value of materiality has remained the same as the prior year. There has been no change to the value of materiality communicated in our Audit Plan.	Overall materiality has been set at **£16.2 million**, which represents **1.33%** of the Authority's gross expenditure on cost of services. The absolute value of materiality has remained the same as the prior year. There has been no change to the value of materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: • Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.35% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. This was adjusted to 1.34% in the final determination to achieve a rounded value of materiality.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: • Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.35% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. This was adjusted to 1.33% in the final determination to achieve a rounded value of materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	

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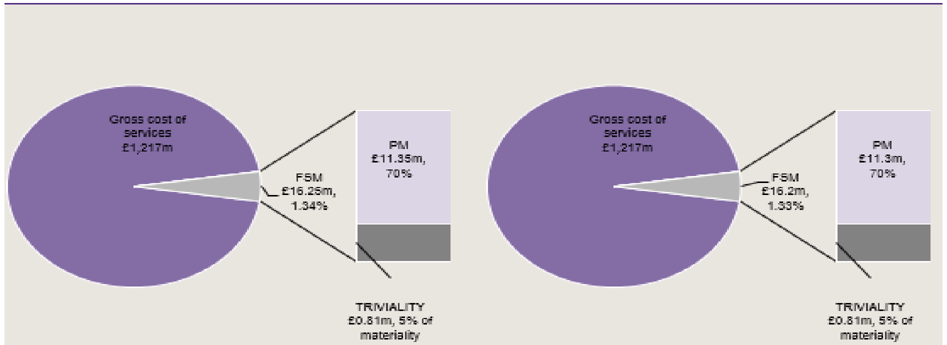
Materiality measure		
Performance materiality threshold	Performance materiality for the year has been set at **£11.35** million, which is **70%** of the group financial statement materiality. The absolute value of performance materiality has remained the same as the prior year. There has been no change to the value of performance materiality communicated in our Audit Plan.	Performance materiality for the year has been set at **£11.3** million, which is **70%** of the Authority financial statement materiality. The absolute value of performance materiality has remained the same as the prior year. There has been no change to the value of performance materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the auditor not identifying any pervasive deficiencies or a higher-than-expected number of misstatements during the prior year's audit. In addition, there has been stability in core finance personnel and no complex accounting issues or new accounting standards relevant to the 2023-24 accounting period.	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the auditor not identifying any pervasive deficiencies or a higher-than-expected number of misstatements during the prior year's audit. In addition, there has been stability in core finance personnel and no complex accounting issues or new accounting standards relevant to the 2023-24 accounting period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature and heightened interest for local taxpayers. The **specific materiality** determined for **senior officer remuneration disclosures** is **£20k**.	
Communication of misstatements to the Corporate Governance and Audit Committee	We determine a threshold for reporting unadjusted differences to the Corporate Governance and Audit Committee.	
Threshold for communication	**£810k** (which represents **5%** of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	**£810k** (which represents **5%** of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

G. Audit opinion (proposed)

The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication of misstatements to the Corporate Governance and Audit Committee.

Overall materiality - Group | Overall materiality - Authority



FSM: Financial statement materiality, PM: Performance materiality, TfC/TRIVIALITY: Threshold for communication to the Corporate Governance and Audit Committee

An overview of the scope of our audit

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

Evaluating the reasonableness of the valuation of Other Land and Buildings and Council Dwellings

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Council dwellings since the Authority followed its stated policy of revaluing its full Council Dwelling asset base (£825m at the year end). For other land & buildings, the audit work focussed on testing the valuation of the closing balance and as such the timing of valuations had limited influence on the sample selection;
- The other land & buildings balance was disaggregated prior to sample selection into assets of the same type e.g. schools, leisure centres etc. We selected a number of assets from any material asset sub-groups and conducted detailed work on valuation source data and the assumptions used. A similar approach was adopted for Council Dwellings to ensure that a range of dwelling sub-types formed part of the testing;
- The Authority's rolling triennial valuation programme did require additional audit procedures on assets not revalued. While a significant proportion of the Authority's other land and buildings were revalued (£296m out of £531m at the reporting date), this left a balance of £229m of assets at the reporting date that had not been valued for at least a year prior to the reporting date. Auditor challenge was therefore required to gain assurance that these assets were reasonably stated in the financial statements;
- The Authority's choice of valuation date of 31 December 2023 meant that specific audit procedures were necessary to evaluate whether the stated valuations were reasonable as at 31 March 2024. Given the level of materiality at £16.2m, against the value of assets subject to revaluation at the reporting date of £1,356m, auditor challenge was required to gain assurance that the valuations were reasonably stated.

Evaluating the reasonableness of the valuation of Investment Property

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts.
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Investment Property since the Authority followed its stated policy of revaluing its Investment Property holding annually (£90m at the reporting date) (with the exception of sub-£250k investment properties as mentioned above.
- Work was undertaken to obtain similar properties to Authority-owned properties that had been transacted on the open market in the last 1-2 years. These comparables were used to assess the relevance and accuracy of the assumptions adopted by management's expert valuer.

Evaluating the reasonableness of the valuation of the net defined benefit pension surplus

- The engagement team obtained an understanding of the Authority's approach to obtaining actuarial reports which would allow for a reasonable estimate of the Authority's LGPS net surplus at the reporting date.
- Within the scope of our audit procedures is the evaluation of the work of the pension fund auditor, in respect of the pension fund's reported asset performance; the work of the nationally appointed auditor's expert, in respect of assessing the appropriateness of actuarial assumptions used by the scheme actuary; the work of the Authority and West Yorkshire Pension Fund in collating and sharing accurate information with the actuary and the work of the scheme actuary in preparing the IAS 19 calculations and disclosures to be included in the Authority's financial statements.
- An assessment on the recognition of the defined benefit pension net surplus was performed as part of the detailed audit work, including application of an appropriate asset ceiling in line with IFRIC 14 principles.

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

- include that the engagement team obtained an understanding of the group, the Authority and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and authority level; and
- include the effect of the group organisational structure on the scope of the audit, for example if the group financial reporting system is centralised, use of service organizations including shared service centres.

Type of work performed on financial information of the Authority and other components (including how it addressed the key audit matters)

- Full scope audit procedures undertaken on the Authority's financial statements. All Key Audit Matters listed above arise from the risk assessment on the single entity financial statements, and each could give rise to a risk of material misstatement at group level given that group materiality lies only £5k above single entity (Kirklees Authority) materiality. However, no additional procedures in relation to these KAMs were identified as necessary to support the group audit opinion.
- Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium which is wholly owned by KSDL. On all remaining KSDL transactions and balances, analytical procedures were performed using group materiality. As noted in the table below, the gross expenditure of KSDL represents 1% of group expenditure and as such its income and expenditure transactions are immaterial to the group and hence the audit focus was placed on the stadium asset on KSDL's balance sheet.

Performance of our audit

Our audit work comprised the following:

- Full scope audit procedures were undertaken on the Authority's financial statements, which represents 99% of the group's total expenditure. Refer to the table below for greater clarity.
- Obtained an understanding of the consolidation process and tested the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.
- Performed an evaluation of the group's and Authority's internal control environment including its IT systems and controls. No significant or pervasive deficiencies were identified from this work.
- Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium which is wholly owned by KSDL. On all remaining KSDL transactions and balances, analytical procedures were performed using group materiality. As noted in the table below, the gross expenditure of KSDL represents 1% of group expenditure and as such its income and expenditure transactions are immaterial to the group and hence the audit focus was placed on the stadium asset on KSDL's balance sheet.

G. Audit opinion (proposed)

Audit approach	Number of components	% coverage gross expenditure
Full-scope audit	**1 – Kirklees Authority**	**99%**
Specified audit procedures & Analytical procedures using Group materiality	**1 – KSDL**	**1%**

Other information

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

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Service Director Finance

As explained more fully in the Statement of Responsibilities and Certificate [set out on page 19], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director Finance. The Service Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management and the Corporate Governance and Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and of the and the potential for fraud to occur in the recognition of revenue and expenditure. We rebutted the risks in respect of revenue and expenditure recognition. We determined that the principal risks were in relation to:

- significant management judgements and estimates including the potential for management bias in determining accounting estimates;
- journals entries posted by senior management;
- manual journal entries made during the financial statement preparation process which had an impact on the Comprehensive Income and Expenditure Statement (manipulation of deficit outturn); and
- material closing journals that are unusual in nature and outside our expectations.

G. Audit opinion (proposed)

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage, journals posted by senior management and journals impacting on the Authority's expenditure and improving the deficit reported
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pension net surplus valuations,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud through management override, and the significant accounting estimates related to land & buildings valuations and the valuation of the defined benefit pension net surplus. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

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

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

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019. Our appointment was extended for a further five years in October 2022 following the PSAA procurement outcome. Our total uninterrupted period of engagement is six years, covering the years ending 31 March 2019 to 31 March 2024.

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

Permitted audit-related services have been provided during the most recent accounting period and these are disclosed in the financial statements.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except we identified two significant weaknesses in how the Authority plans and manages its resources to ensure it can continue to deliver its services. We also identified one further significant weakness in how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The first weakness was first raised on 14 July 2023 in relation to the Authority's medium term financial planning arrangements, which risked depleting the Authority's reserves with inadequate savings schemes to balance the medium-term financial gap. Although the Authority has taken extensive action, demand pressures on the Authority in 2023-24 and 2024-25 remain with the Authority incurring expenditure above the budgeted level. For 2023-24, the balancing of the budget required a large, planned use of reserves and left the Authority needing to make significant savings or use reserves for 2024-25.

We recommend that the Authority should continue to build on its work to strengthen its financial position and mitigate risks to it by:

- taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- reviewing pressures, assumptions and future savings levels in the MTFS
- reviewing the target level of reserves it wishes to achieve in future years of the MTFS.

The second weakness was first raised on 24 November 2023 relates to the Dedicated Schools Grant (DSG) deficit, which we noted was off-track against the Safety-Valve agreement with the Department for Education (DfE). Although the Authority has renegotiated its Safety Valve agreement, it is off track in delivering this updated position, leaving the Authority exposed to having to accommodate ongoing costs in the budget in the future, and to having to meet the cumulative deficit in future years if the statutory override is removed or if Safety Valve funding is paused or withdrawn since given the Authority is off track against.

We recommend that the Authority should take action to return its spending on DSG back in line with its renegotiated Safety Valve management plan with DfE.

The third weakness was first raised on 20 January 2024 and relates to the Authority's self-referral to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements. The regulator's investigative work identified that a high number of fire risk assessments and remedial measures were overdue and the Authority was not responding effectively and completing timely repairs in respect of damp and mould occurrences in its housing stock. The regulator considered the case as a potential breach of part 1.2 of the Home Standard and concluded that the Authority did not have an effective system in place to allow it to meet its statutory health and safety responsibilities in relation to fire safety.

We recommend that the Authority should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:

- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould water quality testing.

G. Audit opinion (proposed)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Kirklees Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

In addition, there are two ongoing objections from electors (on the same issue) which we are working through at present. At the point that these objections are concluded, we will issue the audit certificate. We are satisfied that these objections do not have a material effect on the financial statements or value for money work for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Gareth Mills, Key Audit Partner

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

Leeds

Date: XX February 2025

Grant Thornton

Kirklees COUNCIL

Report title: Approval of the Council's final accounts for 2023/24

Meeting:	**Corporate Governance and Audit Committee**
Date:	**31 January 2025**
Cabinet Member (if applicable)	**Cllr Graham Turner**
Key Decision **Eligible for Call In**	**No**
Purpose of Report The report updates Members on the final accounts and audit processes for 2023/24 and asks Members of this Committee to approve the Council's Statement of Accounts for 2023/24 including the final version of the Annual Governance Statement.	
Recommendations Consideration of this report by the committee is required to comply with the Council's duties under the Accounts and Audit regs 2015 (as amended by the Accounts and Audit Amendment Regulations 2021) which require the audited Statement of Accounts to be published by 30 September. Corporate Governance and Audit Committee are recommended to approve: (i) The Statement of Accounts 2023/24 (Appendix A) including the Annual Governance Statement (Appendix B), with the Chair of the Corporate Governance and Audit Committee certifying the Statement of Responsibilities on page 19 upon completion of the audit. **(ii)** The draft Letter of Representation (Appendix C), with the Chair signing the final version on behalf of the Committee upon completion of the audit. **Reasons for Recommendations** • To approve the 2023/24 Audited Statement of Accounts.	
Resource Implications: N/A	
Date signed off by <u>Strategic Director</u> & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	 **Kevin Mulvaney – 20 January 2025** **Sam Lawton – 20 January 2025**

Electoral wards affected: **All**
Ward Councillors consulted: **All**
Public or private: **Public**

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

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1 Summary

The report updates Members on the final accounts and audit processes for 2023/24 and asks Members of this Committee to approve the Council's Statement of Accounts for 2023/24 including the final version of the Annual Governance Statement.

The preparation of the Statement of Accounts is a statutory requirement and local authorities are now required to have them signed by the Section 151 Officer by 31 May and published with an Audit Certificate by 30 September, following the end of the financial year.

1.2 Despite the significant challenges to the Council's finance team dealing with multiple competing demands, the draft accounts were completed and signed by the Council's Service Director - Finance on 28 June 2024. The six week public inspection period for the draft accounts ran from 28 June to 9 August 2024. An objection was raised separately by two local electors in this period and was subsequently formally accepted by the Council's auditors, Grant Thornton.

1.3 The current position is that work is ongoing by Grant Thornton to resolve the objections, and they will conclude their audit once the objections have been resolved, and then issue its audit certification at that point.

1.4 The audit of the 2023/24 Statement of Accounts is substantially complete and the Council's auditors, Grant Thornton, have issued their Draft Audit Findings Report (ISA 260). The Annual Governance Statement was approved by this Committee earlier on today's agenda. Following consideration of this report, the Committee is responsible for the approval of the Council's Accounts and the Annual Governance Statement.

2 Information required to take a decision

2.1 The process for producing the accounts went smoothly and the draft accounts were signed on 28 June 2024 by the Service Director- Finance. This is after the statutory sign off deadline of 31 May 2024 and as previously advised, this was a result of numerous contributing factors, including capacity constraints within the accountancy team. The draft accounts have been available to view on the Council's website.

2.2 The six week period when the public are permitted to inspect the accounts started on 28 June and finished on 9 August. During the period, local electors can ask the auditor questions about or raise objections to items in the accounts.

2.3 An objection was raised separately by two local electors in this period, related to Council and West Yorkshire Pension Fund investments. The objection was formally accepted by the Council's auditors, Grant Thornton.

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

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

2.5 In line with the new Code of Audit Practice, the Auditor's Annual Report (the value for money (VFM) report), which provides a judgement on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit, will follow on separately.

2.6 The Council's Annual Governance Statement was approved earlier on this meeting's agenda and will be published alongside the Statement of Accounts 2023/24. The Leader of the Council and the Chief Executive have formally signed the Statement.

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

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

3 Implications for the Council

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

3.1 Working with People

N/A

3.2 **Working with Partners**
N/A

3.3 **Placed based working**
N/A

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

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

3.6 **Financial Implications**
N/A

3.8 **Legal Implications**
N/A

3.7 **Other (eg Risk, Integrated Impact Assessment or Human Resources)**
The Annual Statement of Accounts are subject to external validation by appointed auditors to ensure that Council funds are also properly accounted for.

4 Consultation

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

5 Engagement
N/A

6 Options

6.1 Options Considered
N/A

6.2 Reasons for Recommended Option
N/A

7 Next steps and timelines

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

8 Contact Officer and Relevant Papers

James Anderson Head of Accountancy

9 Appendices

Appendix A	Statement of Accounts 2023/24
Appendix B	Annual Governance Statement
Appendix C	Draft Letter of Representation

10 Service Director Responsible

Kevin Mulvaney Service Director – Finance

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KIRKLEES COUNCIL

AUDITED FINAL
STATEMENT OF ACCOUNTS
2023/2024

K Mulvaney
Service Director Finance
Civic Centre 3
Market Street
Huddersfield
HD1 1WG

Contents

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2024.

The preparation of the Statement of Accounts is a statutory requirement, and local authorities are normally required to have them signed by the Section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. The ongoing impact of Covid-19 along with wider sectoral issues within the external audit market has resulted in changes to these deadlines since 2020. The Accounts and Audit (Amendment) Regulations 2022 set the deadline for the completion of the audit of the 2023/24 accounts as **30 September 2024**, with draft accounts to be published by 31 May 2024 (the 31 May and 30 September dates were also confirmed for subsequent years to 2027/28). With the competing demands on the Council's finance team and the wider organisation, the decision was made to produce the draft accounts by 30 June and the intention from the external auditors is that the final accounts are published by 30 November 2024.

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

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

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

The 2023/24 financial performance should be assessed in the context of the continued challenging economic backdrop, with high energy prices, high and persistent inflation and rising interest rates. The organisation delivered in full it's £19.8 million(m) budgeted savings target and the overall outturn position was an overspend of £7.3m on the revenue budget. This was much improved on the £20.3m projected overspend at Quarter 1 and this was delivered at the same time as putting together a robust programme of budget savings targets for 2024/25.

The Council's budget plans for 2024/25 reflect the Administration's financial strategy. The overall aims are:

- To ensure that effective financial planning and management contributes to the Council achieving our central mission and well-being goals;
- To direct resources as required to support the achievement of our goals and provide the funding required to deliver the priorities;
- To maximise the income from Council Tax and Business Rates revenue;
- To maximise income from commercial opportunities and adding value to the economy;
- To continue to improve value for money - managing people and our money more efficiently, streamlining processes and systems, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services;
- To ensure the Council's financial standing is prudent, robust, stable and sustainable.

The budget includes further sustainable savings of £34.5m, which the Council must ensure that it delivers in 2024/25, alongside maintaining overall plans within the approved budget envelopes. This will be supported by appropriate and robust member and officer stewardship, monitoring and review and will form the basis of overall in-year financial reporting through established annual Council planning cycle and governance processes.

The General Reserves balance at 31st March 2024 was £25.0m; equivalent to 6.9% of the 2024/25 net revenue budget. Usable general fund balances (excl Statutory) at 31st March 2024 are £61.2m (31st March 2023 £84.1m).

The Council's Medium-Term Financial Plan (MTFP) will continue to be updated in light of emerging national, regional and local intelligence in what remains a very challenging environment when set against the national and local financial landscape for local government.

Acknowledgements

I wish to thank colleagues in Finance for their hard work, commitment, and skill in completing this Statement of Accounts and all the supporting information by 28 June 2024. I also want to thank colleagues across the organisation and partner organisations for their collective commitment to support the finalisation of the draft Statement of Accounts by 28 June 2024.

Kevin Mulvaney
Service Director – Finance and S151 Officer

Introduction to Kirklees

Digley Reservoir, Holmfirth

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

- Kirklees is home to **437,600 residents.** The Kirklees population is projected to increase by 3.4% overall to 453,300 by 2031; this includes a 17% projected increase in ages 65 and over to 95,100; included within this is a 28% increase specifically for ages 85 and over.
  Note: The latest population projections are based on 2018 data. Since then, there has been a Census and the re-based projections are expected to be released in the first half of 2025.

- **Kirklees ranks twelfth out of 331 districts** in terms of population in England and Wales (2022). Note: Changes to local authorities which have taken place in 2023 and 2024 have not yet filtered through to available population data, when available they may change rankings.

- **Population by ethnic group;** 74%* White, 19% Asian or British Asian, 7% Other (*England & Wales average 82%).

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

- **178,000 households (2021 Census),** of which about 66% are owner occupied, and 11% Council rented. Households are projected to increase 8% by 2043, to 199,500.
  Note: The latest household projections are based on 2018 data. Since then, there has been a Census and the re-based projections are expected to be released by May 2025.

- **158,850 employees in Kirklees,** of which 17% relates to Manufacturing, double the Great Britain average of 8%. Health also provides 15%; with Education accounting for 11% and Retail 10%.

- **The average median gross weekly earnings for Kirklees residents in 2023 is £533.80;** lower than the Great Britain average of **£575.60.**

- **Unemployment rates* at March 2024 are 4.8%**; in comparison to the Great Britain average of 3.9% (*unemployment rates relate to the claimant count for Jobseekers' Allowance plus those who claim Universal Credit and are required to seek work and be available for work).

- **69 Local Councillors serve 23 wards**; following the May 2024 election Labour remained the largest party with 31 seats, though no longer has overall control.

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

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

The Council

Kirklees' Services

The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2023 (source Kirklees People Services):

	Full-time	Part-time	Total	Full time equivalent (fte)
Non-schools	4,902	3,603	**8,505**	6,946
Schools	1,664	4,010	**5,674**	3,965
Total	**6,566**	**7,613**	**14,179**	**10,911**

To put the above into perspective, the full-time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,092, approximately 23%, over the period.

Council performance in 2023/24

The Council aims to be outcomes focussed and intelligence driven. As a Council, our focus in 2023/24 was to work together with people, with partners, and in our places, to address not only the impacts of the rising cost-of-living, but to achieve a more inclusive economic and financial recovery. The Council priorities are our current areas of focus for delivering our vision, four key partnership-led strategies and our outcomes. In the context of the challenges facing the Council and our communities, our key cross-council priorities are:

- Addressing the financial challenges facing the Council.
- Transforming services to become more efficient and effective.
- Working with people, partners, and places on the cost-of-living.
- Continuing to invest in our future.

Monitoring our impacts and outcomes at a service level helps us to understand how much we are doing, how well and what difference we are making to our customers and service users. Progress made across all services is summarised in quarterly Council Plan and Performance update reports.

Addressing the financial challenges facing the Council:

To support the delivery of the 2023/24 budget, and to develop further savings, we established a new programme and governance structure to support decision making, communication, and awareness, and to drive forward progress with both strategic planning and operational delivery. The Budget Delivery Programme Board set out and worked towards four key strategic tasks:

- Managing 2023/24 budget allocations – taking remedial action where demand led pressures emerged;
- Delivering the 2023/24 budget savings identified in the annual budget and replacing the savings quantity where any elements of the savings proposals became unachievable;
- Tracking assumptions made in the budget, for example interest rates, energy costs, and inflation;
- Identifying further savings for the 2024/25 budget and delivering any further savings early where it is identified as being possible.

Several activities aimed at reducing our spending within the financial year were identified, managed, and monitored throughout the year, including:

- The ceasing of non-essential expenditure;
- Additional requirements on recruitment, to focus recruitment on non-essential roles and positions;
- Increasing all discretionary fees and charges according to inflation where possible;
- Accelerating the sale of assets;
- Exploring all external funding opportunities to bring in additional income;
- Continuing our review of the Council's Capital Investment Programme.

On the 13 September 2023, Council approved the Medium-Term Financial Plan (MTFP) for the Council. Our Medium-Term Financial Strategy is focused on three key elements, which has guided our approach to developing the savings for 2024/25:

- Growing our place: making medium to long-term investment decisions that increase the Council's taxbases and, in turn, provide sustained additional income to the Council;
- Ensuring the Council is an efficient, effective, and modern organisation in the delivery of its services;
- Prioritising the use of the Council's resources in a fair way, ensuring that, within the funding available to the Council, we continue to prioritise those who need our support most, as well as supporting the broader community and businesses in the borough.

Alongside our new 2024/25 Council Plan, a balanced budget for the new financial year was decided at Full Council on 6 March 2024**. It included £34.5m of further savings required in 2024/25 and beyond.**

Financial Performance in 2023/24

Revenue – General Fund

The Council's net revenue spend totalled £366.8m in 2023/24 compare to the revised budget of £359.5m

The overall outturn position was an overspend of £7.3m (compared to an overspend of £27.0m in 2022/23) and summarised below.

The actual spend to budget is summarised by department below:

	Revised Budget £000	Outturn £000	Variance £000
Children and Families	98,609	106,128	7,519
Adults and Health	127,050	127,896	846
Growth and Regeneration	55,654	58,966	3,312
Corp Strategy, Comm and Public Health	65,117	69,080	3,963
Central Budgets	13,086	4,723	(8,363)
General Fund	**359,516**	**366,793**	**7,277**

Children and Families & Schools

Children's Services faced significant pressures across the Social Care budgets reflecting national trends in this area. Demand, complexity and cost of living increases led to pressures of £7.5m.

Adults & Health

The overall position for the whole Adults & Health Directorate was an overall overspend of £0.8m.

Within the Adult Social Care related portfolio, variances have been seen across key demand-led headings, notably on Independent Sector Home Care, Independent Sector Residential & Nursing Placements and on Self-Directed Support.

The Communities and Access portfolio saw an underspend of £1.4m, primarily due to staffing savings.

The Culture & Visitor Economy portfolio saw an overspend of £0.3m, Markets £0.1m (mainly on reduced income) and Culture & Tourism Management £0.2m (on increased costs).

Growth and Regeneration

Most of the overspend occurred in the areas of Waste Management, Fleet and Highways service. Rising costs of landfill and key chemicals were £0.6m and the impact of legislative changes regarding the disposal of waste containing Persistent Organic Pollutants totalled £0.9m. Transport pressures on parts, fuel and additional vehicle hire requirements due to an ageing fleet were £1.0m.

Other significant pressures included the impact of adverse weather conditions (12 named storms) costing £0.7m and a shortfall in parking income £0.7m.

Corporate Strategy, Commissioning and Public Health

There was an overall overspend of £4.0m, predominantly due to the impact of subsidy loss on housing benefit payments.

Central

Within central budgets there were savings of £6.1m on Minimum Revenue Provision (MRP) costs following an advisor review. There was also a £1.4m underspend on inflation, largely due to energy contingency not required, and a surplus of £0.8m compared to budget across various un-ringfenced grants from government.

Further details of the outturn variations can be found in the Council's outturn report which will be published in early July 2024.

Reserves

General Fund reserves and balances have decreased through 2023/24 by £22.7m; from £96.6m at the start of the year to £73.9m as at 31 March 2024.

Revenue – Housing Revenue Account (HRA)

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

In 2023/24, the HRA reported a £1.0m deficit after a transfer from reserves of £5.5m, against an annual turnover budget of £99.2m.

Dedicated Schools Grant (DSG) Balances

There was a pressure of £15.0m (2022/23 £13.6m) on Special Educational Needs and Disability (SEND) activity, in excess of the resources available to fund this activity through the High Needs funding block allocation within the Dedicated Schools Grant (DSG).

The overall DSG deficit was £43.7m at 31 March 2024. The increase in costs was mainly due to rising complexity and demand in mainstream schools and inflationary increases from external providers. Following a period of enhanced monitoring during 2023/24 the DSG Safety Valve Management Plan has been extended until 2029/30 from 2026/27. The Council has now been removed from enhanced monitoring and this extension will enable the overall DSG deficit to be cleared by the end of the agreement.

Following the introduction of a Statutory Instrument in November 2020 and an extension for a further 3 years (from 2022/23 to 2025/26) along with an update of the CIPFA Code, this 'deficit' balance is held in the 'Dedicated Schools Grant Adjustment Account', an unusable reserve.

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

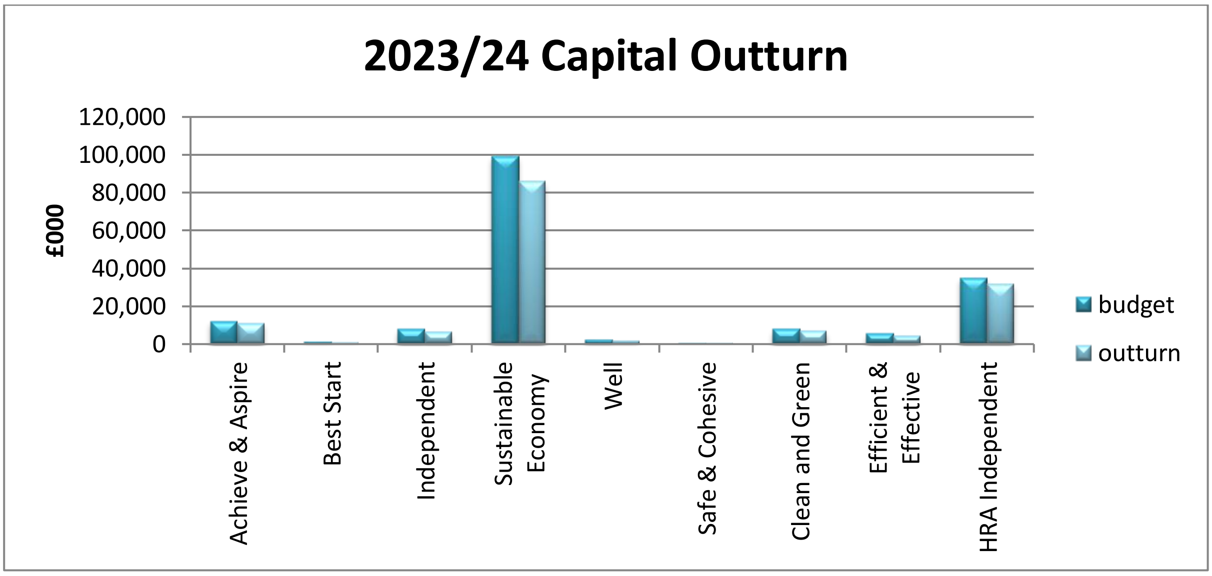
Capital expenditure

The Council's revised capital plan budget was £170.6m in 2023/24.

Capital expenditure in 2023/24 totalled £148.3m; equivalent to 87% against budgeted investment.

The outturn position relative to budget reflects a number of deferred expenditure commitments rolled forward into future years; examples include slippage on strategic priority capital schemes, including £5.5m on the Town Centre Action Plans (Huddersfield/Dewsbury), £1.1m on the Cultural Heart and £1.5m on West Yorkshire plus Transport.

Capital budget and expenditure in 2023/24, is summarised by outcome below:



Capital expenditure in 2023/24 was funded by the following sources of finance; borrowing £47.9m, grants and contributions £64.0m, capital receipts at £11.6m Major Repairs Reserve (HRA) at £20.6m, Reserves/Revenue contributions to capital at £4.2m.

Collection Fund

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

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

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

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

The in-year Council Tax performance was a £3.6m deficit (1.6% of budgeted income). This position was largely due to reduced income because of higher than budgeted exemptions. There was also an increased bad debt provision requirement, resulting from slower than anticipated debt repayments linked to continued Cost of Living pressures on residents.

The in-year Business Rates performance was a net £2.1m deficit (4.4% of budgeted income). This position was largely due to reduced income due to higher than budgeted reliefs. This was partially offset by a decreased bad debt provision requirement.

The Council's share of overall Collection Fund financial performance in 2023/24 is summarised below.

Collection Fund Summary

Collection Fund (Council Share)	**Council Tax**	**Business Rates**	**Total**
	£000	**£000**	**£000**
(Surplus)/Deficit at 1 April 2023	**1,447**	**(1,247)**	**200**
Re-payments to/(from) General Fund 2023/24	282	1,737	2,019
In year Financial Performance	3,632	2,146	5,778
(Surplus)/Deficit at 31 March 2024	**5,361**	**2,636**	**7,997**
Planned Repayments to General Fund 2024-26	(3,907)	(1,093)	(5,000)
Residual (Surplus)/Deficit	**1,454**	**1,543**	**2,997**

The approved 2024-27 Medium Term Financial Plan (MTFP) included a repayment of £5.0m from the General Fund to the Collection Fund, based on the estimated Collection Fund performance in 2023/24. The net effect of this still leaves a residual Collection Fund deficit of £3.0m which will require funding

The percentage of Council Tax collected in year was 95.22% (2022/23 95.94%). The Council's share of the arrears outstanding as at 31 March 2024 was £23.6m (31 March 2023 £20.6m).

The percentage of Business Rates collected in the year was 96.23% (2022/23 95.27%). The Council's share of the arrears outstanding at 31 March 2024 was £4.6m (31 March 2023 £4.4m). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2024 is £1.9m (31 March 2023 £1.7m).

The Council is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool, for 2023/24.

Balance Sheet

The table below summarises the Balance Sheet movements during 2023/24 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

	At March 2023	**At March 2024**	**Movements in-year**
	£m	**£m**	**£m**
Long Term Assets	1,945.3	2,031.9	86.6
Net Current Assets	-85.5	-49.4	36.1
Long Term Liabilities	-659.2	-776.0	-116.8
Net assets	1,200.6	1,206.5	5.9
Represented by :			
Usable Reserves	-224.5	-203.7	20.8
Unusable Reserves	-976.1	-1,002.8	-26.7

Assets

The value of Property, Plant and Equipment has increased during the year by £32.6m to £1,690.2m. The increase is largely due to additions of £113.2m, net revaluation losses on Plant, Property and Equipment of £3.0m, offset by assets being reclassified as Held for Sale £3.9m, the disposals of assets £5.3m (including schools transferring to academy status), and depreciation £68.4m. In addition, the Council has Heritage Assets and Investment Property valued at £55.6m and £90.8m respectively as at 31 March 2024 (31 March 2023: £55.2m and £97.5m). Current assets decreased by £11.3m to £134.0m.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2023/24 have been placed short-term with a view towards security and liquidity. As at 31 March 2024, the Council held investments of £29.4m within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2023 £34.2m).

Liabilities

Current liabilities decreased by £47.4m to £183.5m and long-term liabilities increased by £116.8m to £776.0m. As at 31 March 2024, the Council had total provisions (long term and short term) of £12.5m (31 March 2023 £13.6m).

Total external borrowing during the year increased from £619.3m to £714.4m. £190.0m of new long-term borrowing was taken from the Public Works Loan Board (PWLB) in the year and temporary borrowing decreased by £40.6m.

The average interest rate for long-term PWLB borrowing in 2023/24 was 4.21% (2022/23 3.67%)

Other long-term assets contain a LGPS funded pension asset of £144.4m (at 31 March 2023 £88.2m). This represents an actuarial assessment of the Council's share of the pension fund assets and the underlying commitment of the Council to pay future retirement benefits. The significant movement in the pension liability reflects increases in actuarial gains due to changes in financial assumptions.

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

- The sum is the current assessment taking a long-term view of the current and future contributions to the fund and the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Kirklees Council or Local Authorities generally, with many pension funds currently in a net asset position.
- The West Yorkshire Pension Fund is regularly reviewed and contributions to the fund are amended accordingly to ensure it remains sustainable over the long term.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

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

Balances and Reserves

General Fund Reserves at 31 March 2024 were £73.9m (31 March 2023 £96.6m); a net in-year decrease of £22.7m. This movement was broken down as follows:

- Net drawdowns of £25.4m approved in the 2023/24 Annual Budget Report.

- Planned transfers into reserves of £10.0m (net). This included £9.4m returned levy income from WYCA that will be drawn down in 2024/25 (as per the approved 2024/25 Annual Budget Report).
- Transfer of the 2023/24 overspend of £7.3m against general reserves at year end.

There were transfers of £13.3m in year from existing earmarked reserves into unallocated reserves in order to achieve the risk-assessed desirable general reserves balance of £25.0m at 31st March 2024.

Council reserves also includes an amount of £11.6m (31 March 2023 £11.7m) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools and Public Health Reserves) at 31 March 2024 are £61.2m, equivalent to 17% of the 2024/25 £363.4m (net) revenue budget (31 March 2023; 23% of £373.0m).

For comparator purposes, the median percentage across the 36 Metropolitan Councils on this particular indicator was 39% as at 31 March 2023.

The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector. The updated 2023/24 indicator is expected to be released towards the end of 2024 by CIPFA.

HRA Balances at 31 March 2024 were £33.9m and these will be used to help sustain a balanced revenue position for the HRA over the medium to longer term informed by the 30 year HRA business plan. There was a nil balance on the Major Repairs Reserve at 31 March 2024 (31 March 2023 nil), which was previously used to support capital expenditure and repay debt within the year.

There are two Capital reserves – unapplied capital grants and capital receipts – which total £95.8m at 31 March 2024 (31 March 2023 £83.5m).

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

As noted earlier, since 31 March 2021 the DSG deficit is held separately as an unusable reserve.

Group accounts

The Council's Group Accounts are made up of the accounts of the Council and a joint venture - Kirklees Stadium Development Limited (KSDL). The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group company. The Group Accounts are of equal stature to the Council's single-entity accounts. Based on draft accounts and the Council's interest and adjusted in line with the Group's accounting policies, KSDL made an operating deficit of £0.2m.

<u>Council finances – future prospects</u>

Achieving objectives within available resources in the context of the ongoing inflationary, demographic and other demand pressures locally continues to be amongst the biggest challenges facing the Council. The approved 2024/25 budget includes sustainable savings of £42.8m over the period 2024-2027. The

Council must ensure that it delivers the £34.5m savings proposals in 2024/25, alongside maintaining overall plans within the approved budget envelopes. This will be supported by appropriate and robust member and officer stewardship, monitoring and review, and will form the basis of overall in-year financial reporting in the corporate member arena through established annual Council planning cycle and governance processes.

Budget plans for 2024-27 were approved at budget Council on 6 March 2024. These are summarised below.

Summary budget plans 2024-27:

	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Budget Gap 2023/24 Budget Report	**25.2**	**(0.4)**	**3.1**	**27.9**
Funding Changes	1.1	3.5	(0.2)	4.4
Spend Changes	21.5	3.2	4.1	28.8
MTFP Update Report Budget Gap	**47.8**	**6.3**	**7.0**	**61.1**
Funding Changes	1.3	(2.2)	(2.3)	(3.2)
Spend Changes	(18.4)	15.5	1.4	(1.5)
Changes to Planned Transfer to reserves	3.8	(3.8)	0	0
Updated Budget Gap	**34.5**	**15.8**	**6.1**	**56.4**
New Savings Proposals	(34.5)	(7.9)	(0.4)	(42.8)
Balanced Budget 2024/25	**(0.0)**	**7.9**	**5.7**	**13.6**

The Council set its budget for 2024/25 in the context of the continued challenging economic backdrop. The scale of the financial challenge means significant savings are needed across all Council directorates. This is not unique to Kirklees and reflects the pressures in the sector across the country. Inflationary pressures and increasing demands on services have meant that £34.5m in savings are necessary to deliver a balanced budget in 2024/25.

The Council will continue to focus on savings that protect frontline services, achieve efficiencies and reduce costs through managing staff vacancies, using assets more efficiently, transforming services and limiting expenditure only to the most essential activities. However, in the current circumstances, savings that directly affect some services and Council staff are unavoidable.

With limited options for raising income, Council updated budget plans reflect a 2.99% general Council Tax uplift in 2024/25 plus a further 2.00% Adult Social Care precept uplift; 4.99% in total, and equivalent to £10.5m additional funding. The majority of Kirklees homes are classified as Band A. At this level, a 4.99% Council Tax uplift is equivalent to an increase of £59.29; from £1,188.07 in 2023/24 to £1,247.36 in 2024/25 (before Fire, Police and Parish Council precepts). Kirklees' approach is in line with the government's assumption that all Councils will seek to raise Council Tax by the maximum allowable amount without the need for a local referendum. The majority of Councils across the country have followed a similar Council Tax strategy in 2024/25.

As a result of the choices set out in the budget, the Council will achieve financial stability for the financial year 2024/25. But the budget is also set in a wider context. It aligns with the principles of MTFS (Medium Term Financial Strategy), which was agreed by the Council in September 2023. The

plan's three principles set out how the council will continue to achieve financial sustainability for future years.
In light of the economic outlook, indications from government and trends in service demand, further efficiencies will be required in future years to deliver balanced budgets that deliver core services. The Council has a financial strategy in place to address those issues alongside a governance and monitoring regime that will allow it to maintain financial sustainability in 2024/25 and beyond.

High Needs

The Council signed up to the Government's Safety Valve Agreement in March 2022 as one of a number of Councils with a significant Dedicated Schools Grant (DSG) deficit; £36.0m at the time the safety valve agreement was signed in March 2022.

The Safety Valve Agreement, was intended to eliminate the Council's DSG deficit completely by 2026/27 through a Council 5 year Special Educational Needs & Disabilities (SEND) management plan. As a result of continued rising demand and inflationary costs the original timescale has been extended to 2029/30. The plan is intended to bring the in-year High Needs spend position into 'balance' within available in-year DSG funding, by 2029/30. Government agreed a contribution of £33.5m to help clear the historic DSG deficit, including an initial £13.5m 'down payment' received in March 2022.

Annual contributions have reduced to £2.3m (from £4.0m) to reflect the extended Safety Valve Programme to 2029/30. The Council received £2.2m in 2023/24 and will receive £2.3m in 2024/25 subject to satisfactory quarterly monitoring reviews. The Department for Education (DfE) haven't confirmed if we'll receive funding in 4 equal amounts in year.

The Council has also prioritised significant revenue resources of its own, including re-directing of annual Council re-charges from the High Needs block to Learning Services, totalling £1.4m. The Council is also contributing earmarked reserves totalling £10.7m over the life of the medium term plan. The Council has also prioritised £40.0m within the capital plan to increase High Needs sufficiency across the district, alongside additional Government capital funding support at £9.0m.

Future Accounting Developments

The implementation of International Financial Reporting Standard (IFRS) 16 Leases, has been deferred until 2024/25.

Key Risks

The Council Corporate Risk Matrix for 2024/25 highlights risk areas, and headline mitigations and management actions.

The areas identified are summarised below:

- Failure to maintain sufficient level of priority and focus leading to required savings initiatives not being delivered, resulting in budget overspend
- Risk that the capital programme is not sustainable due to a reliance on capital receipts from asset disposals that are not guaranteed and borrowing at a time of elevated interest rates.
- The risk of a reduction in expected income as tenants, residents and businesses are unable to meet financial commitments, resulting in a failure to meet budgeted income targets.
- The financial regime set by Government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to Social Care), with impact on the strategic plans. Impact of funding shortfall in partner agencies e.g. NHS.
- Risk of medium-long term financial instability caused by failure to develop or adhere to robust financial planning processes and procedures leading to reductions in service provision, possible government intervention and reputational damage.
- Changes in political leadership at national and / or local level leads to consequent changes in funding allocation and organisational prioritisation
- Reputational risk associated with a poor outcome from newly introduced / amended regulatory regimes (eg. Care Quality Commission and Regulator of Social Housing)
- Failure to address safety and quality issues within the residential property portfolio in a timely manner
- Failure to maintain minimum levels of service delivery and an effective control framework as a result of reductions in resource capacity and capability
- Risks associated with the availability and provision of Temporary Accommodation for persons accepted as homeless.
- Demand pressures, generally, and particularly within Adults Social Care result in unbudgeted additional costs
- Inability to meet the needs of the SEND community due to continued increases in demand, greater complexity in clients' needs and insufficient locally available provision
- Failure to deliver against the agreed plan to address the deficit on the Dedicated Schools Grant budget
- Increasing reliance on the Voluntary & Community Sector in delivery of local interventions to support individuals and communities that are suffering hardship and to maintain community resilience and cohesion, at a time when some parts of the voluntary sector also face pressure on resourcing.
- Financial risks associated with Treasury Management.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.
- Failure to effectively prevent, identify and recover from fraudulent activity targeting the council, perpetuated by an employee or third party
- Risk that established procurement processes are not followed and that robust contract management is not implemented resulting in failure to maximise the economic, social and environmental benefits from procurement activity and poor value for money.
- Workforce management issues (including loss of experienced staff; need for different skills sets; difficulties recruiting staff in for specific job roles).
- Exposure to liabilities arising from corporate property ownership and management

- The risks associated with the response to crises and events through Business Continuity, Emergency Planning and Health & Safety measures, and the implications on the local community and the Council, including unforeseen significant environmental events e.g. severe weather impact.
- Failure to effectively determine and deliver the required programme of climate change mitigations and adaptations leading to medium and longer-term unanticipated costs and operational consequences

Statement of Accounts

The Financial Statements
The Statement of Accounts contains four core accounting statements:

- **Comprehensive Income and Expenditure Statement (CIES)**
- **Movement in Reserves Statement (MiRS)**
- **Balance Sheet at 31 March 2024**
- **Cash Flow Statement**

Each of the above accounting statements is preceded by a short note describing its purpose, and they are followed by notes explaining figures in the statements.

Group Accounts are produced which include companies and similar entities which the Council either controls or significantly influences.

Other Accounting Information
This main section of the Statement of Accounts is followed by supplementary statements:

- **Housing Revenue Account (HRA)**
- **Collection Fund**

The Council is required to keep separate accounts for HRA and Collection Fund by statute. The Group Accounts reflect the presentational changes mentioned above. Each of these supplementary statements is preceded by notes explaining their purpose and followed by explanatory notes.

The accounts also include:

- **The Statement of Responsibilities and Certificate** - sets out the respective responsibilities of the Council and the Service Director Finance for the accounts.
- **The Statement of Accounting Policies** - explains the basis of the figures in the financial statements, and the concepts and policies underpinning the accounts.
- **The Annual Governance Statement** - sets out a framework within which overall governance and internal control are managed and reviewed.

Wherever possible, technical accounting terms have been explained either in the main text or in the glossary at the back of this publication.

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Service Director Finances' Responsibilities

The Service Director Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom" (the Code).

In preparing this Statement of Accounts, the Service Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local council Code.

The Service Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Service Director also confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Council and the undertakings included in the consolidation taken as a whole; and;
- the Narrative Statement includes a fair review of the development and performance of the business and the position of the Council and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Certification of the Statement of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of Kirklees Council at the reporting date, and its income and expenditure for the year ended 31 March 2024.

Kevin Mulvaney
Service Director Finance
28 June 2024

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on xx xxxxxx 2024.

Cllr Taylor
Chair, Corporate Governance and Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rent to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis shown in Note 8.

			2023/24			2022/23	
	Gross Exp	**Gross Income**	**Net Exp**	Gross Exp	Gross Income	Net Exp	
	£000	**£000**	**£000**	£000	£000	£000	Note
Children & Families	**447,487**	**-322,862**	**124,625**	436,219	-306,277	129,942	
Adults & Health	**301,332**	**-166,800**	**134,532**	287,652	-143,932	143,720	
Growth & Regeneration	**159,555**	**-50,161**	**109,394**	160,292	-41,650	118,642	
Corporate Strategy, Commissioning & Public Health	**200,790**	**-116,338**	**84,452**	196,041	-112,084	83,957	
Central Budgets	**24,939**	**-11,279**	**13,660**	38,504	-3,061	35,443	
HRA	**93,846**	**-100,654**	**-6,808**	86,994	-104,744	-17,750	
Cost of Services	**1,227,949**	**-768,094**	**459,855**	1,205,702	-711,748	493,954	
Other operating expenditure			**4,062**			5,542	**12**
Financing and investment income and expenditure			**33,817**			55,688	**13**
Taxation and non-specific grant income			**-415,909**			-398,066	**14**
Deficit on Provision of Services			**81,825**			157,118	
Surplus(-)/Deficit on revaluation of Property, Plant and Equipment (PPE) and Heritage assets			**-24,082**			-30,869	**15&16**
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			**-37**			219	
Remeasurements of the net defined benefit asset/liability			**-63,699**			-871,766	**41**
Other Comprehensive Income and Expenditure			**-87,818**			-902,416	
Total Comprehensive Income and Expenditure			**-5,993**			-745,298	

STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other "unusable reserves". The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred, in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax/Housing Rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Explanations and detailed movements of each reserve can be found in the Glossary and in Notes 11 and 28.

	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2023/24								
Balance at 31 March 2023	**-96,621**	**-44,416**	**-22,802**	**0**	**-60,687**	**-224,526**	**-976,026**	**-1,200,552**
Movement in reserves during 2023/24								
Total Comprehensive Income and Expenditure	86,373	-4,548	0	0	0	81,825	-87,818	-5,993
Adjustments between accounting & funding basis under regulations (Note 10)	-63,706	15,022	1,714	0	-14,014	-60,984	60,984	**0**
Net Increase(-)/ Decrease	**22,667**	**10,474**	**1,714**	**0**	**-14,014**	**20,841**	**-26,834**	**-5,993**
Balance at 31 March 2024 carried forward	**-73,954**	**-33,942**	**-21,088**	**0**	**-74,701**	**-203,685**	**-1,002,860**	**-1,206,545**
2022/23								
Balance at 31 March 2022	-166,793	-54,694	-19,508	0	-38,409	-279,404	-175,850	-455,254
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	169,329	-12,211	0	0	0	157,118	-902,416	-745,298
Adjustments between accounting & funding basis under regulations (Note 10)	-99,157	22,489	-3,294	0	-22,278	-102,240	102,240	0
Net Increase(-)/ Decrease	70,172	10,278	-3,294	0	-22,278	54,878	-800,176	-745,298
Balance at 31 March 2023 carried forward	-96,621	-44,416	-22,802	0	-60,687	-224,526	-976,026	-1,200,552

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves; that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	31 March 2024	31 March 2023	
	£000	£000	Note
Property, Plant & Equipment (PPE)	**1,690,186**	1,657,600	**15**
Heritage Assets	**55,607**	55,197	**16**
Investment Property	**90,762**	97,535	**17**
Intangible Assets	**2,256**	1,779	**18**
Long Term Investments	**12,728**	13,162	**19**
Long Term Debtors	**35,970**	31,796	**19&20**
Pension Asset	**144,419**	88,203	**41**
Long Term Assets	**2,031,928**	1,945,272	
Inventories	**4,596**	3,363	**21**
Short Term Debtors	**96,187**	102,994	**19&22**
Assets Held for Sale	**3,899**	4,757	
Cash and Cash Equivalents	**29,367**	34,211	**19&23**
Current Assets	**134,049**	145,325	
Bank Overdraft	**-2,984**	-7,345	**23**
Short Term Borrowing	**-73,305**	-106,475	**19**
Short Term Creditors	**-97,970**	-109,355	**19&24**
Other Short Term Liabilities	**-5,455**	-4,566	**19**
Provisions	**-3,739**	-3,122	**25**
Current Liabilities	**-183,453**	-230,863	
Long Term Borrowing	**-641,063**	-512,785	**19**
Other Long Term Liabilities	**-134,916**	-146,397	**26**
Long Term Liabilities	**-775,979**	-659,182	
Net Assets	**1,206,545**	1,200,552	
Usable Reserves	**-203,685**	-224,526	**27**
Unusable Reserves	**-1,002,860**	-976,026	**28**
Total Reserves	**-1,206,545**	-1,200,552	

CASH FLOW STATEMENT

Single Entity and Group

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

		2023/24		2022/23	
	£000	**£000**	£000	£000	Note
Net surplus(-)/deficit on the provision of services		**81,825**		157,118	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		**-107,732**		-119,194	**30**
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		**71,771**		71,799	**31**
Net cash flows from Operating Activities		**45,864**		109,723	
Net cash flows from Investing Activities					
Purchase of property, plant and equipment, investment property and intangible assets	**118,282**		126,719		
Purchase of short-term and long-term investments	**6,464**		2,396		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**-10,135**		-12,135		
Proceeds from short-term and long-term investments	**-845**		-826		
Other receipts from investing activities	**-71,848**	**41,918**	-33,611	82,543	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	**-275,521**		-186,257		
Other receipts from financing activities	**0**		-15,002		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	**4,025**		6,597		
Repayments of short and long-term borrowing	**179,810**		40,296		
Other payments for financing activities	**4,387**	**-87,299**	299	-154,067	
Net increase(-)/decrease in cash and cash equivalents		**483**		38,199	
Cash and cash equivalents at the beginning of the reporting period		**26,866**		65,065	
Cash and cash equivalents at the end of the reporting period		**26,383**		26,866	**23**

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Unless otherwise stated the convention used in this document is to round the amounts to the nearest thousand pounds. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts as the use of the latter is considered an integral part of cash management.

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The effect of this is:

- Shares of Non-Domestic Rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- A share (after allowable deductions) of the Non-Domestic Rating income is paid out of the Collection Fund to Central Government.
- Council Tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to the CIESs of precepting and billing authorities. However, as with Non-Domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (ie sharing out in full of surpluses and deficits at the end of the year, even though it will be distributed to or recovered in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and are disclosed on the notes to the CIES.
- The difference between the Non-Domestic Rate and Council Tax income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual and sick leave, and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday and flexi-time entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then statutory regulations require this to be reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to Non Distributed Costs within the Central Budgets line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.
- West Yorkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS), administered by City of Bradford Metropolitan District Council.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teachers' Pension Scheme -
This scheme is unfunded, meaning it has no investment assets. The administrator uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. This means that liabilities for benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children & Families service line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

The NHS Pension Scheme -
Public Health staff transferred to the Council on 1 April 2013 have retained access to the NHS Pension Scheme. This scheme is also unfunded and is accounted for on a defined contribution basis. The Corporate Strategy, Commissioning and Public Health line in the CIES is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme (LGPS) -
This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices (based on UK AA rated bond prices compiled into a model by the Council's actuary Aon Solutions UK Ltd).
- The assets attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pension asset/liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. Allocated in the CIES to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs in Central Budgets.
  - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising –
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset). Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The LGPS permits employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The figures in this year's Statement of Accounts have been prepared by our actuary, based on the assumption that each member will exchange 75% of the maximum amount permitted of their service pension rights on retirement for additional lump sum.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits -
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In these cases, the accounting statements are adjusted to reflect such events, if they have a material effect.
- Those that are indicative of conditions that arose after the reporting period. In these cases, the accounting statements are not adjusted to reflect such events, but where they would have a material effect, disclosure is made in the notes as to the nature of the events and their estimated financial effect.

1.8 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.9 Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the losses over the term that was remaining on the replacement loan and similarly for gains up to a maximum of ten years. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the accounting policy section on Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). These were previously classified as Available for Sale assets at 31 March 2018.

The Council has made an irrevocable election to designate four of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for trading but for strategic purposes. These assets were transferred to the new asset category on 1 April 2018 and are held at fair value. The value is based on the principal that these equity shares have no quoted market prices and are based on an appraisal of the company valuation and forecasted dividends.

Dividend income is credited to Financing and Investment Income and Expenditure line in the CIES when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted previously when the asset was classified as Available for Sale, except accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) based on a simplified approach by using default rates driven from own historical credit loss experience and adjusted for forward looking information.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Instruments Entered into Before 1 April 2006
The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Soft loans
For any soft loans that the Council may have made to outside organisations at less than market rates, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When capital grants have been applied, they are posted to the Capital Adjustment Account.

1.11 Heritage Assets

These are assets generally with historical, artistic, scientific, technological, geophysical, or environmental qualities that the Council holds principally for their contribution to knowledge and culture.

Recognition and Measurement
The Code requires heritage assets to be recognised and measured in accordance with accounting policies on Property, Plant and Equipment. However, the unique nature of many heritage assets makes reliable valuation complex and some of the measurement rules have been relaxed. As such, valuations may be made by any method that is appropriate and relevant, and valuations need not be carried out or verified by external valuers. A full valuation is not required every five years but the Code does specify that reviews must be carried out with sufficient regularity to ensure they remain current.

A de minimis level of £10,000 has been established for the recording of heritage assets in the Balance Sheet. The Council has recognised three main groups of heritage assets on its Balance Sheet – the art collection, museum exhibits and other (notably civic silver and certain structural heritage assets). The recognition and measurement policies for these assets are as follows:

- **Fine Art Collection**
  These items are reported on the Balance Sheet using insurance valuations. Higher value items have been formally valued during the last three years by Bonhams Fine Art Auctioneers and Valuers, whilst lower value items are based on values estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are reviewed on an annual basis. Acquisitions are occasionally made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of the art collection.

- **Museum Exhibits**
  Only a small proportion of these items have market values and are reported on the Balance Sheet. The values have been estimated by the Council's Museum and Gallery staff with reference to recent information from sales at auctions and, occasionally, expert advice. The valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the policy on valuations of museum exhibits.

- **Other**
  The Civic Silver Collection is reported on the Balance Sheet at replacement cost. There is a regular programme of valuations and the items in the collection are valued by an external valuer

(Gerard Laurence Collins) who specialises in precious metal craft and design. The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These comprise two clock towers, a Victorian tower and two park band stands. These items have been valued by internal valuers and are reported in the Balance Sheet at replacement cost. They will be revalued at least every five years.

Where cost information is not available and the cost of obtaining valuations outweighs the benefits to users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet. Where this approach has been adopted, it is set out in the disclosure note on heritage assets.

Where assets are not principally maintained for their contribution to knowledge and culture, for example listed buildings being used for operational purposes such as museums, they are recorded on the Balance Sheet under Property, Plant and Equipment.

The Council has had a number of heritage assets kindly donated over the years. The Council has insufficient information as to when such assets were donated and/or what the value of these items would have been when they were donated. The Council therefore has not recognised any heritage assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010. The Council has no material intangible heritage assets.

Depreciation and impairment
Depreciation is only provided on the structural heritage assets. Depreciation is not warranted on other heritage assets as their lives are either indefinite or sufficiently long to mean any charge would not be material. The carrying amounts of heritage assets are reviewed for evidence of impairment, for example where an item has suffered physical deterioration, breakage or doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's policies on impairment for Property, Plant and Equipment.

Disposal
The Council has a strong presumption against the disposal of any items in its collections. However, it will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the provisions relating to the disposal of Property, Plant and Equipment.

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, for example software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) to the relevant service line in the CIES. Straight-line amortisation has been adopted and it is assumed that residual value is insignificant or nil. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the CIES.

Amortisation and impairment charges are not permitted to have an impact on the General Fund Balance. Entries are effectively reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.13 Interests in Companies and Other Entities

The Council has material interest in entities that require it to prepare Group accounts. In the Council's single entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is now assigned using the (First In First Out/weighted average) costing formula. Work in Progress is shown at current cost, including overheads.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Joint Operations

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

If material, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases:
Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:
Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases:
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases:
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.19 Prior Period Adjustments, Changes in Accounting Policies, Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or, to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The Council has four PFI schemes –

- A twenty-five year contract from April 1998 for waste disposal services was extended to 2028.
- A thirty two and a half year contract, starting March 2001, for major repairs/refurbishment and continuing maintenance of nineteen schools, together with caretaking and cleaning services.
- A twenty six and a half year contract, starting March 2005 for the new build of two special schools and full refurbishment of existing buildings at a third special school, together with the maintenance of buildings and premise management functions at all three schools.
- A twenty two and a half year contract starting December 2011, for the design, build, financing and operation of 466 housing units. This is accounted for within the HRA.

Non-current assets are recognised in the Balance Sheet and are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

The Council receives an annual PFI Grant from Central Government which is credited to the CIES.

Under the waste disposal contract, the operator receives a significant part of their income from third parties, either from gate fees, sale of energy production or recycled materials. A proportion of the assets on the Balance Sheet are therefore financed with third party revenues rather than with fixed payments from the Council. A balancing credit, pro rata to the proportion of fixed payments from the Council and expected third party payments, has been created in the form of a Deferred Income balance. This effectively represents the benefits that the Council is deemed to receive over the life of the contract through its control of the services provided through use of the property and plant. The Deferred Income is released to the CIES over the life of the contract, with a corresponding appropriation from the Capital Adjustment Account to the Movement in Reserves Statement.

1.21 Property, Plant and Equipment (PPE) – Excluding Highways Network Infrastructure Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (that is repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level of £10,000 has been established for the recording of new assets in the Balance Sheet.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every three years. Council dwellings are valued annually. Assets are carried in the Balance Sheet using the following measurement bases:

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets (vehicles, plant and equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In certain circumstances gains might be credited to the CIES where they arise from the reversal of a previous loss charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation
Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets under construction. Assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation is calculated on the opening Balance Sheet value of the assets, with residual values being taken into account where appropriate. Estimated lives for new assets vary but are typically as follows:

- Buildings — 50/60 years
- Vehicles and operational equipment — 5 – 10 years
- Computer equipment — 7 years

Where an item of PPE has a major component whose cost is significant in relation to the total cost of the item and whose life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated. The calculation of depreciation on the Council's housing stock is based on an analysis of the major components of a typical dwelling.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES, even if there are accumulated revaluation gains on the asset in the Revaluation Reserve. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is derecognised, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.22 Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement
Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment

losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. All highways network infrastructure assets are assumed to have an estimated useful life as follows:

- Carriageways 25 years
- Footways and Cycle tracks 25 years
- Structures (bridges, tunnels and underpasses) 100 years
- Street lighting and street furniture 40 years
- Traffic management systems 15 years

Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code (Update to the Code and Specification for Future Codes for Infrastructure Assets November 2022) assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Where material, provisions are split between long term and short-term depending on whether the provision is likely to be settled in the next financial year. If it is not possible to split out, the full amount is put to short term.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

1.25 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of part 1 of the Local Government Act 2003. Such expenditure is charged to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.26 Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council

has satisfied a performance obligation by transferring a promised good or service to the service recipient.
Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

1.27 Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal for nil consideration, on the date the school converts to Academy status. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.28 Value Added Tax (VAT)

VAT payable is included as an expense only where irrecoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Prior Period Adjustments

No prior period adjustments were required in this year's accounts.

3 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2024/25:

- IFRS16 Leases - requiring all leases to be recognised on the Balance Sheet, subject to a de-minimis and exemptions. CIPFA/LASAAC deferred the mandatory requirement to account for leases in accordance with IFRS16 from 1 April 2022 until 1 April 2024. The Council chose not to adopt IFRS16 on a voluntary basis for 2022/23 or 2023/24. The mandatory requirements for 2024/25 will include an amendment to IFRS16 for lease liabilities in a sale and leaseback.

Work on the implementation of the above Code change is ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet.

Other amended standards that apply from 1 April 2024 that have a minor impact on the Code are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS1) – providing clarification of the difference between current and non-current liabilities
- Lease Liability in a Sale and Leaseback (Amendments to IFRS16)
- Non-current Liabilities with Covenants (Amendments to IAS1)
- International Tax Reform: Pilar Two Model Rules (Amendments to IAS12) – introducing a temporary mandatory exception from accounting for deferred taxes
- Supplier Finance Arrangements (Amendments to IAS7 and IFRS7) – additional disclosures

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

4 Critical Judgements

In preparing the accounts, the Council has made judgements in applying its accounting policies in Note 1. Those which have a significant bearing on the figures recognised in the financial statements include:

Accounting for Schools – Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. Legal ownership of Voluntary Controlled (VC) and Voluntary Aided (VA) school land and buildings usually rests with a charity, normally a religious body who have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria with legal ownership of the land and buildings by a separate Trust, so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

The total numbers and types of schools are noted in the table below.

			Number of			
Type of School	**Nursery Schools**	**Primary Schools**	**Secondary Schools**	**Special Schools**	**Other Schools**	**Total**
Community	1	55	2	3	0	**61**
Voluntary Controlled (VC)	0	26	0	0	0	**26**
Voluntary Aided (VA)	0	9	1	0	0	**10**
Foundation/Foundation Trusts	0	2	3	1	0	**6**
Maintained Schools	**1**	**92**	**6**	**4**	**0**	**103**
Academies	0	45	19	2	4	**70**
Free Schools	0	0	0	0	1	**1**
Total Schools	**1**	**137**	**25**	**6**	**5**	**174**

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material, are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council.

The Council has assessed its group boundary for 2023/24 and has identified one Joint Venture considered to be material and will be consolidated into its group accounts. This is KSDL (Kirklees Stadium Development Ltd). Further details can be found in the group accounts section of the accounts.

Asset Classifications
The Council has made judgements on whether assets are classified as Investment Property, or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. Details of the fair value of Investment Property are provided in Note 17.

PFI and Similar Contracts
The Council has made judgements on its four PFI schemes under the requirements of the Code and determined, irrespective of legal title, whether the Council controls through ownership, beneficial entitlement or otherwise any significant residual interest at the end of the arrangement, that the assets should be recognised on its Balance Sheet, together with a liability to pay for the assets. – Note 40 in the Notes to the Main Financial Statements and Note H10 to the HRA give further details for each scheme.

5 Assumptions and Major Sources of Estimation Uncertainty
The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment within the next financial year are as follows:

- **Property, Plant and Equipment (Note 15)**
  The Council carries out a rolling programme of valuations for PPE required to be measured at current value and £286.5 million of assets were valued at current value in 2023/24. The Council's external valuers provided valuations for approximately 33% of its operational portfolio. Property values will vary according to market conditions, or where an asset is valued on a depreciated replacement cost (DRC) basis, land values, construction costs and remaining lives are key variables. Build costs, in particular, can fluctuate - a 10% change to the DRC building valuations would change the reported value of PPE by £39.9 million.

  Assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced (non HRA), the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £10.0 million for every year that the useful lives had reduced.

- **Investment Property (Note 17)**
  The Council values its Investment Property (IP) annually (greater than £0.25 million) and the fair value at 31 March 2024 was £90.8 million. It is uncertain what impact the current economic climate will have on property values and there is a risk of material changes during the next year. A 1% change to the IP valuations would change the reported value of IP by £0.9 million.

- **Pensions Asset (Note 41)**

The estimation of the net asset/liability to pay pensions depends on a number of complex judgements such as the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of qualified actuaries is engaged to provide the Council with expert professional advice about the assumptions to be applied.

During 2023/24 the Council's actuaries advised that the funded net pension asset had increased by £161.0 million to £249.2 million. In line with the Code of Practice where there is a surplus position, the Council requested an Asset Ceiling calculation from the actuary. This resulted in an asset ceiling of £144.4 million and therefore this is the amount recognised on the Balance Sheet under Long Term Assets.

Variations in key assumptions would have the following impact:

- A 0.1% increase in the discount rate would change the net pension asset by £38.2 million
- A 0.1% increase in the assumed level of pension increases will reduce the net pension asset by £33.7 million
- An increase in one year of longevity would reduce the net pension asset by £58.3 million

- **Arrears (Note 22)**

At 31 March 2024, the Council had a gross balance of debtors (other entities and individuals) of £69.9 million. The current level of impairment allowance (bad debt provision) based on previous experience, current and forecast economic conditions, is £30.2 million, which represents 43.2% of the balance. If collection rates were to deteriorate and our impairment rate (bad debt) increased to 50% of the balance, it would require and additional £4.8 million to set aside as an allowance.

6 Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

There were no exceptional items during 2023/24.

7 Events after the reporting period

These accounts were authorised for issue on the date the Service Director Finance signed the accounts – see Statement of Responsibilities and Certificate on page 19.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

8 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing service in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2023/24	£000	£000	**£000**	£000	**£000**
Children & Families	106,128	5,661	**111,789**	12,836	**124,625**
Adults & Health	127,896	0	**127,896**	6,636	**134,532**
Growth & Regeneration	58,966	1,139	**60,105**	49,289	**109,394**
Corporate Strategy, Commissioning & Public Health	69,080	0	**69,080**	15,372	**84,452**
Central Budgets	4,723	-6,421	**-1,698**	15,358	**13,660**
HRA	10,474	-8,519	**1,955**	-8,763	**-6,808**
Net Cost of Services	**377,267**	**-8,140**	**369,127**	**90,728**	**459,855**
Other operating expenditure	5,807	-4,469	**1,338**	2,724	**4,062**
Financing and investment income and expenditure	0	24,402	**24,402**	9,415	**33,817**
Taxation and non-specific grant income	-349,933	-11,793	**-361,726**	-54,183	**-415,909**
Net Surplus(-)/Deficit	**33,141**	**0**	**33,141**	**48,684**	**81,825**

Opening Balances 01 April 2023:	
General Fund	-96,621
HRA	-44,416
	-141,037
Add net deficit in Year	33,141
Closing General Fund and HRA Balance 31 March 2024	**-107,896**
General Fund	-73,954
HRA	-33,942

	Outturn reported to Council	Adjustments between net cost of services and other income and expenditure	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between the Funding and Accounting Basis	**Net Expenditure in the CIES**
2022/23	£000	£000	**£000**	£000	**£000**
Children & Families	103,844	3,745	**107,589**	22,353	**129,942**
Adults & Health	117,532	0	**117,532**	26,188	**143,720**
Growth & Regeneration	60,925	3,772	**64,697**	53,945	**118,642**
Corporate Strategy, Commissioning & Public Health	65,895	-128	**65,767**	18,190	**83,957**
Central Budgets	29,305	-5,884	**23,421**	12,022	**35,443**
HRA	10,278	-9,762	**516**	-18,266	**-17,750**
Net Cost of Services	**387,779**	**-8,257**	**379,522**	**114,432**	**493,954**
Other operating expenditure	5,426	-2,582	**2,844**	2,698	**5,542**
Financing and investment income and expenditure	0	21,764	**21,764**	33,924	**55,688**
Taxation and non-specific grant income	-312,754	-10,925	**-323,679**	-74,387	**-398,066**
Net Surplus(-)/Deficit	**80,451**	**0**	**80,451**	**76,667**	**157,118**
Opening Balances 1 April 2022 March					
General Fund			-166,794		
HRA			-54,694		
			-221,488		
Add net deficit in Year			80,451		
Closing General Fund and HRA Balance at 31 March 2023			**-141,037**		
General Fund			-96,621		
HRA			-44,416		

A more detailed breakdown of the adjustments between funding and accounting basis is shown below:

(i) This note details the adjustments from the Net expenditure Chargeable to the General Fund and HRA Balances to arrive at amounts in the CIES.

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
2023/24	£000	£000	£000	£000
Children & Families	12,981	-250	105	12,836
Adults & Health	3,668	2,721	247	6,636
Growth & Regeneration	47,289	1,845	155	49,289
Corporate Strategy, Commissioning & Public Health	13,588	1,653	131	15,372
Central Budgets	1,655	-844	14,547	15,358
HRA	-8,798	0	35	-8,763
Net Cost of Services	**70,383**	**5,125**	**15,220**	**90,728**
Other operating expenditure	2,724	0	0	2,724
Financing and investment income and expenditure	11,770	-2,529	174	9,415
Taxation and non-specific grant income	-61,634	0	7,451	-54,183
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**23,243**	**2,596**	**22,845**	**48,684**
2022/23	£000	£000	£000	£000
Children & Families	4,122	18,502	-271	22,353
Adults & Health	9,787	17,060	-659	26,188
Growth & Regeneration	42,898	11,424	-377	53,945
Corporate Strategy, Commissioning & Public Health	7,841	10,706	-357	18,190
Central Budgets	783	5,130	6,109	12,022
HRA	-18,302	0	36	-18,266
Net Cost of Services	**47,129**	**62,822**	**4,481**	**114,432**
Other operating expenditure	2,698	0	0	2,698
Financing and investment income and expenditure	12,468	19,879	1,577	33,924
Taxation and non-specific grant income	-60,201	0	-14,186	-74,387
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	**2,094**	**82,701**	**-8,128**	**76,667**

(a) Adjustments for Capital Purposes

- Adds in capital charges (depreciation, impairment, REFCUS, revaluation gains and losses) and deducts statutory charges for capital financing in the services line;

- Adjusts in the Other Operating Expenditure line for capital disposals with a transfer of income on disposal of PPE assets and amounts written for those assets and for the payment to the Government Housing Capital Receipts Pool;
- The Financing and Investment Income and Expenditure line is adjusted for capital disposals with a transfer of income on disposal of Investment Property and amounts written off for those assets;
- Adds in capital grants into the Taxation and Non-Specific Grant Income line.

(b) Net Change for the Pensions Adjustments

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service and past service costs;
- The Financing and Investment Income and Expenditure line is adjusted for the net interest on the defined benefit liability.

(c) Other Differences

- For services, this represents adjustments for premiums and discounts and entries relating to the accrual of compensated absences earned but not taken in the year;
- The Financing and Investment Income and Expenditure line recognises adjustments for soft loans;
- The charge under Taxation and Non-Specific Grant represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

(ii) This note shows income received on a segmental basis.

	Grants and Contributions	Fees and Charges	Capital Charge and Pension Credits	Total
2023/24	£000	£000	£000	£000
Children & Families	-301,485	-19,013	-2,364	-322,862
Adults & Health	-114,509	-50,896	-1,395	-166,800
Growth & Regeneration	-19,453	-29,812	-896	-50,161
Corporate Strategy, Commissioning & Public Health	-109,233	-6,071	-1,034	-116,338
Central Budgets	-10,831	-119	-329	-11,279
HRA	-7,936	-90,433	-2,285	-100,654
Total Income analysed on a segmental basis	**-563,447**	**-196,344**	**-8,303**	**-768,094**
2022/23				
Children & Families	-284,449	-18,041	-3,787	-306,277
Adults & Health	-100,482	-42,848	-602	-143,932
Growth & Regeneration	-14,228	-26,950	-472	-41,650
Corporate Strategy, Commissioning & Public Health	-104,695	-6,021	-1,368	-112,084
Central Budgets	-1,072	-1,944	-45	-3,061
HRA	-8,002	-85,376	-11,366	-104,744
Total Income analysed on a segmental basis	**-512,928**	**-181,180**	**-17,640**	**-711,748**

9 Expenditure and Income analysed by nature (Subjective Analysis)

	2023/24	2022/23
	£000	£000
Expenditure		
Employee Expenses*	**493,307**	568,361
Premises and Transport	**138,582**	148,383
Supplies and Services	**152,648**	189,282
Other Service Expenses	**443,471**	390,630
Support Charges	**17,738**	27,852
Capital Charges	**118,005**	103,081
Precepts and Levies	**1,071**	1,004
Losses on the Disposal of PPE and Investment Assets	**2,841**	4,522
Interest Payable and Similar Charges	**31,315**	26,122
Net interest on the defined benefit obligation	**0**	19,879
Central Items	**171**	266
Total Expenditure	**1,399,149**	1,479,382
Income		
Fees, Charges and Other Service Income	**-199,017**	-183,669
Grants, Reimbursements and Contributions	**-714,708**	-661,949
Capital Charges Credits	**-9,281**	-21,180
Internal Recharges	**-120,483**	-202,987
Interest and Investment Income	**-5,497**	-3,344
Gains on the Disposal of PPE and Investment Assets	**-1,160**	-89
Net interest on the defined benefit obligation	**-2,529**	0
Income from Council Tax and Business Rates	**-264,649**	-249,046
Total Income	**-1,317,324**	-1,322,264
Surplus(-)/Deficit on Provision of Services	**81,825**	157,118

*This includes £39.1 million in 2023/24 (£37.4 million in 2022/23) relating to employees of Voluntary Aided and Trust schools who are not employees of the Council but are required to be consolidated into the Council's financial statements.

10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. An explanation of each Usable Reserve is provided in the Glossary.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2023/24						
Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-43,463	0	0	-24,937	0	68,400
Amortisation of Intangible Assets	-454	0	0	0	0	454
Revaluation losses on PPE	-35,040	0	0	0	0	35,040
Revaluation gains on PPE	6,018	2,285	0	0	0	-8,303
Movements in the market value of Investment Properties	-10,873	203	0	0	0	10,670
Revenue expenditure funded from capital under statute (REFCUS)	-24,174	0	0	0	0	24,174
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-6,301	-5,211	0	0	0	11,512
Capital grants and contributions applied	19,957	4,884	0	0	0	-24,841
Capital grants and contributions applied (REFCUS)	15,010	0	0	0	0	-15,010
Deferred Income written down - Waste PFI	0	0	0	0	0	0
Provision for the financing of capital expenditure	2,700	2,619	0	0	0	-5,319
Capital expenditure charged against balances	1,740	3,895	0	0	0	-5,635
Financial instruments impairment charges	-4,668	0	0	0	0	4,668
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	38,184	0	0	0	-38,184	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	24,170	-24,170
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	3,463	6,555	-10,018	0	0	0
Financing new capital expenditure	0	0	11,509	0	0	-11,509

2023/24 Continued

Contribution towards administrative costs of asset disposals	-133	-172	305	0	0	0
Contribution to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-957	0	0	957
Used to repay debt (transfer to CAA)	0	0	875	0	0	-875
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-3	0	0	0	0	3
Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	20,640	0	-20,640
Used to repay debt (transfer to CAA)	0	0	0	4,297	0	-4,297
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	274	-36	0	0	0	-238
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-52,095	0	0	0	0	52,095
Employer's pensions contributions and direct payments	49,499	0	0	0	0	-49,499
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-7,451	0	0	0	0	7,451
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	-730	0	0	0	0	730
Adjustment involving the Dedicated Schools Grant Adjustment Account						
Amount of schools budget deficit to DSG adjustment accounts	-14,820	0	0	0	0	14,820
Adjustment involving the Pooled Fund Adjustment Account						
Charges for fair value movements on the CCLA Property Fund	-346	0	0	0	0	346
Total Adjustments 2023/24	**-63,706**	**15,022**	**1,714**	**0**	**-14,014**	**60,984**

2022/23

Adjustments involving the Capital Adjustment Account (CAA):						
Charges for depreciation and impairment of non-current assets	-41,459	0	0	-18,886	0	60,345
Amortisation of Intangible Assets	-162	0	0	0	0	162
Revaluation losses on PPE	-26,638	-2,827	0	0	0	29,465
Revaluation gains on PPE	6,273	14,192	0	0	0	-20,465
Movements in the market value of Investment Properties	-8,251	1,035	0	0	0	7,216
Revenue expenditure funded from capital under statute (REFCUS)	-23,568	0	0	0	0	23,568
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-9,400	-6,908	0	0	0	16,308
Capital grants and contributions applied	16,768	1,159	0	0	0	-17,927
Capital grants and contributions applied (REFCUS)	8,599	0	0	0	0	-8,599
Deferred Income written down - Waste PFI	537	0	0	0	0	-537
Provision for the financing of capital expenditure	7,414	2,916	0	0	0	-10,330
Capital expenditure charged against balances	2,089	4,020	0	0	0	-6,109
Financial instruments impairment charges	-3,334	0	0	0	0	3,334
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied and credited to the CIES	43,842	0	0	0	-43,842	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	21,564	-21,564
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	2,873	9,174	-12,047	0	0	0
Financing new capital expenditure	0	0	8,566	0	0	-8,566
Contribution towards administrative costs of asset disposals	-24	-237	261	0	0	0
Contribution to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-907	0	0	907
Used to repay debt (transfer to CAA)	0	0	833	0	0	-833
Adjustment involving the Deferred Capital Receipts Reserve:						
Finance Leases - Amount by which sale proceeds received in CIES differs from those received in accordance with statutory requirements	-3	0	0	0	0	3

2022/23 Continued

Adjustment involving the Major Repairs Reserve:						
Financing of new capital expenditure (transfer to CAA)	0	0	0	18,886	0	-18,886
Used to repay debt (transfer to CAA)	0	0	0	0	0	0
Adjustment involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	275	-35	0	0	0	-240
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-129,962	0	0	0	0	129,962
Employer's pensions contributions and direct payments	47,261	0	0	0	0	-47,261
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	14,186	0	0	0	0	-14,186
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	1,891	0	0	0	0	-1,891
Adjustment involving the Dedicated Schools Grant Adjustment Account:						
Amount of schools' budget deficit to DSG adjustment accounts	-6,612	0	0	0	0	6,612
Adjustment involving the Pooled Fund Adjustment Account:						
Charges for fair value movements on the CCLA Property Fund	-1,752	0	0	0	0	1,752
Adjustment involving KNH Surplus Reserve:						
Total Adjustments 2022/23	**-99,157**	**22,489**	**-3,294**	**0**	**-22,278**	**102,240**

11 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans. No earmarked reserves have been set up for the HRA.

	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves							
Statutory	-16,945	4,615	-241	-12,571	519	-663	-12,715
Member Led	-4,925	2,767	-304	-2,462	1,224	-11	-1,249
Apprenticeship Levy	-2,915	0	-216	-3,131	0	-443	-3,574
Transformation	-4,166	1,245	-918	-3,839	1,635	-863	-3,067
Demand	-17,352	6,602	0	-10,750	10,750	-3,000	-3,000
Development Funding	-12,186	12,129	-791	-848	930	-703	-621
Revenue Grants	-18,821	21,624	-12,139	-9,336	9,993	-9,677	-9,020
Stronger Families Grant	-1,524	384	0	-1,140	1,140	-784	-784
Health and Social Care	-1,285	1,312	-27	0	0	0	0
Specific Risk	-5,860	6,560	-700	0	2,500	-6,000	-3,500
Covid-19	-30,062	29,833	-3,511	-3,740	3,740	0	0
WYCA Returned Levy	0	0	0	0	0	-9,424	-9,424
Other	-40,790	39,511	-416	-1,695	799	-1,058	-1,954
Total Earmarked Reserves	**-156,831**	**126,582**	**-19,263**	**-49,512**	**33,230**	**-32,626**	**-48,908**
Unallocated Balances	-9,962			-47,109			-25,046
General Fund Balances	**-166,793**			**-96,621**			**-73,954**

- The Statutory Reserve relates to individual school balances/deficits carried forward to following years under the terms of the Education Reform Act 1988 and timing issues on Public Health grant spend commitments. The balance at 31 March 2024 represents 77 Schools with cumulative balances of £12.4 million (86 schools and £12.1 million at 31 March 2023) and 26 schools with cumulative deficits amounting to £0.8 million (23 schools and £0.4 million at 31 March 2023) and Public Health grant spend commitments of £1.1 million (£0.9 million at 31 March 2023).
- The Member Led Reserve reflects timing issues on ward-based activity spend commitments, support of a number of local area based mental health initiatives and to support the resourcing of emerging Place Standard action plans.
- The Apprenticeship Levy Reserve is to be used to fund future payments into the apprenticeship levy.
- The Transformation Reserve has been set up for strategic transformation developments over the next 12 to 24 months.
- The Demand Reserve has been set up to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity.
- The Development Funding Reserve was set aside to address the scale of development costs required to support targeted development and the upscaling of capital investment activity and major project activity over the MTFP.

- The Revenue Grants Reserve represents grants and contributions recognised in the CIES before expenditure has been incurred.
- The Stronger Families Grant Reserve reflects timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
- The Specific Risk Reserve was set aside to manage specific risks including repayment of Collection Fund deficits, the potential risk of future loan defaults and managing the volatility surrounding treasury management budgets with respect to both potential changes in interest rates and the level of delivery of the capital plan.
- The Covid-19 Reserves reflects a specific reserve set aside to cover the costs of the Council's Covid-19 response, including specific Covid-19 grants recognised in the CIES before expenditure has been incurred.
- WYCA Returned Levy to Kirklees is ringfenced to support the MTFP in 2024/25.

12 Other Operating Expenditure

	2023/24	2022/23
	£000	£000
Parish council precepts	**848**	786
Levies	**224**	218
Gains(-)/losses on the disposal of non-current assets	**2,724**	2,698
De-recognition of Academies' Balances	**266**	1,840
Total	**4,062**	5,542

Net loss on the disposal of non-current assets includes academy transfers. These totalled £4.2 million in 2023/24 as part of four academy conversions (2022/23 £4.5 million as part of four schools' academy conversions).

13 Financing and Investment Income and Expenditure

	2023/24	2022/23
	£000	£000
Interest payable and similar charges	**31,315**	26,126
Net interest on the net defined benefit obligation	**-2,529**	19,879
Interest receivable and similar income	**-4,984**	-2,918
Income and expenditure in relation to investment property and changes in fair value (Note 17)	**8,487**	8,209
Dividend Income	**-787**	-694
Other – movements on financial instruments	**2,315**	5,086
Total	**33,817**	55,688

14 Taxation and Non-Specific Grant Income

	2023/24	2022/23
	£000	£000
Council Tax income	**-216,800**	-205,980
Non-Domestic Rates	**-47,848**	-43,066
Non-ring-fenced government grants	**-89,625**	-88,819
Capital grants and contributions	**-61,636**	-60,201
Total	**-415,909**	-398,066

More detail on grant income is shown in Note 37 and on Council Tax and Non-Domestic Rate income in the section on Collection Fund.

15 Property, Plant and Equipment (PPE)

Movement in 2023/24	Council Dwellings £000	Other Land and Buildings £000	Vehicles. Plant Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	*PFI Assets Included in PPE* £000
Cost or Valuation								
At 1 April 2023	812,046	541,308	43,931	12,938	33,259	25,082	1,468,564	*97,515*
Additions	22,471	17,020	7,171	574	2,840	20,276	70,352	*2,877*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-9,407	2,865	0	0	288	0	-6,254	*-4,852*
Revaluation increases/ decreases(-) recognised in the Provision of Services	1,827	-33,973	0	0	-1,564	0	-33,710	*-14,845*
De-recognition – disposals	-338	-4,250	-5,188	-12	-435	0	-10,223	*0*
De-recognition – other	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-3,899	0	0	0	0	0	-3,899	*0*
Other movements in cost or valuation	2,031	-1,526	0	0	2,894	-3,399	0	*0*
At 31 March 2024	**824,731**	**521,444**	**45,914**	**13,500**	**37,282**	**41,959**	**1,484,830**	***80,695***
Accumulated Depreciation and Impairment								
At 1 April 2023	0	-7,056	-23,321	-10,863	-404	0	-41,644	*-92*
Depreciation charge	-24,775	-12,157	-4,600	-309	-460	0	-42,301	*-5,525*
Depreciation written out to the Revaluation Reserve	24,332	5,650	0	0	11	0	29,993	*1,199*
Depreciation written out to the Deficit on the Provision of Services	443	6,341	0	0	154	0	6,938	*4,105*
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	70	4,844	12	0	0	4,926	*0*
Other movements in depreciation and impairment	0	38	0	0	-38	0	0	*0*
At 31 March 2024	**0**	**-7,114**	**-23,077**	**-11,160**	**-737**	**0**	**-42,088**	***-313***
Net Book Value								
at 31 March 2024	**824,731**	**514,330**	**22,837**	**2,340**	**36,545**	**41,959**	**1,442,742**	***80,382***
at 31 March 2023	812,046	534,252	20,610	2,075	32,855	25,082	1,426,920	*97,423*

Movement in 2022/23	Council Dwellings £000	Other Land and Buildings £000	Vehicles. Plant Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	*PFI Assets Included in PPE* £000
Cost or Valuation								
At 1 April 2022	784,236	558,714	46,116	13,135	22,490	7,543	1,432,234	*95,075*
Additions	21,558	19,301	3,722	599	4,923	18,765	68,868	*2,960*
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	-50	2,566	0	0	677	0	3,193	*6*
Revaluation increases/ decreases(-) recognised in the Provision of Services	10,823	-19,759	0	0	-4,370	0	-13,306	*-526*
De-recognition – disposals	-1,626	-8,635	-5,907	-796	-193	0	-17,157	*0*
De-recognition – other	0	0	0	0	0	0	0	*0*
Assets reclassified to Held for Sale	-4,757	0	0	0	0	0	-4,757	*0*
Other movements in cost or valuation	1,862	-10,879	0	0	9,732	-1,226	-511	*0*
At 31 March 2023	**812,046**	**541,308**	**43,931**	**12,938**	**33,259**	**25,082**	**1,468,564**	***97,515***
Accumulated Depreciation and Impairment								
At 1 April 2022	0	-13,252	-23,989	-11,443	-50	0	-48,734	*-597*
Depreciation charge	-18,556	-11,834	-5,179	-216	-346	0	-36,131	*-4,638*
Depreciation written out to the Revaluation Reserve	18,256	9,315	0	0	68	0	27,639	*4,711*
Depreciation written out to the Deficit on the Provision of Services	303	3,854	0	0	180	0	4,337	*432*
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	*0*
Impairment losses recognised in the Deficit on the Provision of Services	0	0	0	0	0	0	0	*0*
De-recognition – disposals	0	3,868	5,847	796	16	0	10,527	*0*
Other movements in depreciation and impairment	-3	993	0	0	-272	0	718	*0*
At 31 March 2023	**0**	**-7,056**	**-23,321**	**-10,863**	**-404**	**0**	**-41,644**	***-92***
Net Book Value								
at 31 March 2023	**812,046**	**534,252**	**20,610**	**2,075**	**32,855**	**25,082**	**1,426,920**	***97,423***
at 31 March 2022	784,236	545,462	22,127	1,692	22,440	7,543	1,383,500	*94,478*

Highways Infrastructure Assets
Movements on Balances

	2023/24	2022/23
	£000	£000
Net Book Value (Modified Historical Cost)		
At 1 April	**230,680**	206,013
Additions	**42,858**	48,877
De-recognition – disposals	**0**	0
Depreciation charge	**-26,094**	-24,210
Impairment	**0**	0
Other movements in cost	**0**	0
Net Book Value 31 March	**247,444**	230,680

Reconciling note with the Balance Sheet

	2023/24	2022/23
	£000	£000
Infrastructure Assets	**247,444**	230,680
Other PPE Assets	**1,442,742**	1,426,920
Total PPE Assets	**1,690,186**	1,657,600

In accordance with the Update to the Code on infrastructure assets (Update to the Code and Specifications for Future Codes for Infrastructure Assets November 2022) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Gross costs and accumulated depreciation have not been disclosed in the accounts because it would be difficult to identify and account for those parts of the Highways Network that have been derecognised during the year – the Council does not hold the required level of detail to comply with Code without the application of the Update noted above.

The Council believes that the information not disclosed does not prevent users of the financial statements to take economic or other decisions.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Fair value measurement of surplus assets
The Council has accounted for surplus assets in accordance with IFRS13 which has been achieved through a fair value hierarchy. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.
There have been no transfers between the different levels of hierarchy during the year. There has been no change in the valuation techniques used during the year for surplus assets.

Revaluations
The Council carries out a rolling valuation programme which ensures that all PPE that is required to be measured at current value is revalued at least every three years. All valuations this year were carried out by external valuers - HRA properties by DVS Property Specialists and General Fund

properties by Wilks Head & Eve. The valuers hold the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). Both valuations were carried out on 31 December 2023 in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net gain in the PPE values of £13.9 million as the result of revaluations. The effect of any gains and losses have been split between the revaluation reserve and the provision of services in the CIES.

Assets not revalued in year have been assessed for accurate valuation at 31 March 2024. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Exiting Use Value have been assessed to ensure ongoing remaining service potential and by looking at comparable market evidence.

The table below shows current values of assets, whether valued at historical cost or at revalued amounts, identifying the year they were last revalued.

	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	5,487	22,837	247,444	2,340	209	41,959	320,276
Carried at current value as at:								
2023/24	824,731	279,553	0	0	0	6,963	0	1,111,247
2022/23	0	115,642	0	0	0	11,573	0	127,215
2021/22	0	113,648	0	0	0	17,800	0	131,448
Total	**824,731**	**514,330**	**22,837**	**247,444**	**2,340**	**36,545**	**41,959**	**1,690,186**

Capital Commitments

In March 2024, the Council approved a capital programme of £217.5 million for 2024/25. A further £645.4 million of capital investment was also approved for the following four years. This covers expenditure on PPE, intangible assets and revenue expenditure funded from capital under statute. The Council has capital commitments of £35.6 million at 31 March 2024 (£49.3 million at 31 March 2023) for schemes under progress.

16 Heritage Assets

	Fine Art Collection	Museums and Galleries Exhibits	Other	Total Assets
Movement in 2023/24	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2023	49,566	3,302	2,334	55,202
Additions	0	0	39	39
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	337	337
Revaluations recognised in the Provision of Services	0	0	33	33
At 31 March 2024	**49,566**	**3,302**	**2,743**	**55,611**
Accumulated Depreciation				
At 1 April 2023	0	0	-5	-5
Depreciation charge	0	0	-6	-6
Depreciation written out to the Revaluation Reserve	0	0	6	6
Depreciation written out to the Provision of Services	0	0	1	1
At 31 March 2024	**0**	**0**	**-4**	**-4**
Movement in 2022/23				
Cost or Valuation				
At 1 April 2022	49,566	3,302	2,298	55,166
Additions	0	0	38	38
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	0	0	36	36
Revaluations recognised in the Provision of Services	0	0	-38	-38
At 31 March 2023	**49,566**	**3,302**	**2,334**	**55,202**
Accumulated Depreciation				
At 1 April 2022	**0**	**0**	**-10**	**-10**
Depreciation charge	0	0	-4	-4
Depreciation written out to the Revaluation Reserve	0	0	1	1
Depreciation written out to the Provision of Services	0	0	8	8
At 31 March 2023	0	**0**	**-5**	**-5**
Net Book Value				
at 31 March 2024	**49,566**	**3,302**	**2,739**	**55,607**
at 31 March 2023	49,566	3,302	2,329	55,197

Fine Art and Museum Exhibits Collections

Kirklees Museums and Galleries Service manages the collections of fine art and museum exhibits. Although many early additions to the collections were acquired by purchase, more recent additions are likely to be by donation or, occasionally, by bequests.

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

There have been no significant purchases, disposals or impairments of items over the last five years.

<u>Fine Art Collection</u>

The collection comprises around 3,000 artworks. Although a small number of artworks are on display in Kirklees museums and town halls along with artworks from the collection that are on loan and on display at other institutions (nationally and internationally), the majority of the Kirklees Art Collection is now in storage whilst repair work is being undertaken on the Huddersfield Library building, the top floor of which is the location of Huddersfield Art Gallery.

The most significant exhibit in the collection is the "Figure Study II" by Francis Bacon. It was acquired as a gift from the Contemporary Art Society. The painting has a value of £20.0 million (£20.0 million at 31 March 2023) and was last valued externally by Bonhams. Being a donated asset, the painting has conditions placed upon it. Other notable pieces include two paintings by L S Lowry, the "Huddersfield Canvas" and "Level Crossing Canvas", with a combined value of £6.7 million (£6.7 million 31 March 2023) and the "Falling Warrior" sculpture by Henry Moore valued at £6.0 million (£6.0 million 31 March 2023. The total value of donated artwork items as at 31 March 2024 is £26.6 million (£26.6 million 31 March 2023).

<u>Museum Exhibits</u>

The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

<u>Other Heritage Assets</u>

This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2024 is £1.6 million (£1.6 million 31 March 2023). Many of the pieces have been donated over the years to mark historic occasions or events and the current value of donated civic silver items recognised as Long Term Assets is £0.9 million (£0.9 million 31 March 2023).

The Council has a number of structural heritage assets which are not recognised elsewhere on the Balance Sheet. These consist of two clock towers, a Victorian tower and two park band stands. Of particular note is the Victorian Tower on Castle Hill, Huddersfield which was completed in 1899 to celebrate the 60th anniversary of Queen Victoria's reign. The value of structural assets as at 31 March 2024 is £0.4 million (£0.2 million 31 March 2023).

Heritage Assets not recognised on the Balance Sheet

The Council also holds a number of heritage assets which are not recognised on the Balance Sheet, notably Castle Hill, war memorials, the local studies collection and a number of museum exhibits, including the British Archaeology, Natural Sciences (bird's eggs) and the Ethnography Collections. Castle Hill, Huddersfield is a Scheduled Ancient Monument and a Regionally Important Geological Site. The Victorian Tower mentioned above is built on Castle Hill. The land and the Tower were transferred into the Council's ownership from the Ramsden Estate in 1920.

Heritage Assets recognised under other asset categories

Where assets are operational and not principally maintained for their contribution to knowledge and culture, they are recorded on the Balance Sheet under Property, Plant and Equipment. The most notable building is Oakwell Hall in Gomersal, a grade one listed Elizabethan manor house with Bronte connections which is used as a museum. The Council also has a number of grade two listed buildings largely used for museum, civic and commercial purposes.

17 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

	2023/24	2022/23
	£000	£000
Rental income from Investment Property	**-2,399**	-2,221
Direct operating expenses arising from Investment Property	**1,258**	1,478
Net gain	**-1,141**	-743
Net gains (-)/loss from fair value adjustments	**10,670**	7,216
Net gains (-)/loss on disposals of assets	**-1,042**	1,736
Net income (-)/expenditure in relation to investment property and changes in fair value	**8,487**	8,209

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance such property.

The movement in the fair value of Investment Property over the year is as follows:

	2023/24	2022/23
	£000	£000
Balance at 1 April	**97,535**	103,670
Additions	**5,229**	3,640
Disposals	**-1,332**	-2,353
Net gains/loss (-) from fair value adjustments	**-10,670**	-7,216
Transfers to Property, Plant and Equipment	**0**	-206
Balance at 31 March	**90,762**	97,535

Fair Value Measurement
The Council has accounted for Investment Property in accordance with IFRS13 which has been achieved through a fair value hierarchy. The fair value of Investment Property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rental, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There have been no transfers between the different levels of hierarchy during the year.

Investment Property has been valued at highest and best use. There have been some changes in valuation technique from income based approach to market value approach. This is not always the current use of the asset – in some cases, agricultural holdings which are being used for grazing land are in residential areas and could be used for development.

Revaluations
The fair value of the Council's Investment Property is measured annually at each reporting date. Valuations are carried out by external valuers – Wilks Head and Eve – in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

18 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and other purchased software. The Council does not have any internally generated intangible assets.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually between 5 and 10 years) on a straight-line basis.

Amortisation of £0.5 million was charged to CIES in 2023/24 (£0.2 million in 2022/23).

	2023/24	2022/23
	£000	£000
Balance at 1 April		
Gross carrying amounts	**7,816**	7,705
Accumulated amortisation	**-6,037**	-6,935
Net carrying amount at 1 April	**1,779**	770
Additions – Purchases	**931**	1,171
Amortisation for the period	**-454**	-162
Net carrying amount at 31 March	**2,256**	1,779
Comprising:		
Gross carrying amounts	**8,747**	7,816
Accumulated amortisation	**-6,491**	-6,037
	2,256	1,779

19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (Council Tax, Non-Domestic Rates) and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March		31 March		31 March		31 March	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Investment principal	**60**	60	**15,796**	11,347	**0**	0	**60,468**	67,406
Soft loans principal	**0**	0	**13,843**	14,624	**0**	0	**0**	0
Soft loans accrued interest	**0**	0	**0**	0	**6**	7	**0**	0
Finance Leases	**0**	**0**	**3,395**	**3,398**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**0**	0	**0**	0	**41**	15,559	**0**	0
Cash and cash equivalents accrued interest	**0**	0	**0**	0	**0**	13	**0**	0
Total Amortised cost	**60**	60	**33,034**	29,369	**47**	15,579	**60,468**	67,406
Fair value through profit and loss	**8,530**	8,876	**0**	0	**29,320**	18,632	**0**	0
Fair value through other comprehensive income – designated equity instruments	**4,138**	4,226	**0**	0	0	0	**0**	0
Total Financial Assets	**12,728**	13,162	**33,034**	29,369	**29,367**	34,211	**60,468**	67,406
Non-Financial Assets	**0**	0	**2,936**	2,427	**0**	0	**35,719**	35,588
Total	**12,728**	13,162	**35,970**	31,796	**29,367**	34,211	**96,187**	102,994

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March		31 March		31 March		31 March	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Amortised cost								
Principal	**-640,226**	-511,331	**0**	0	**-66,210**	-101,023	**-53,242**	-66,309
Loans accrued interest	**0**	0	**0**	0	**-7,095**	-5,451	**0**	0
Market loans EIR adjustment	**-837**	-1,454	**0**	0	**0**	0	**0**	0
PFI, finance lease and transferred debt	**-72,180**	-77,095	**0**	0	**-5,455**	-4,566	**0**	0
Bank Overdraft	**0**	**0**	**0**	0	**-2,984**	-7,345	**0**	0
Total Financial Liabilities	**-713,243**	-589,880	**0**	0	**-81,744**	-118,385	**-53,242**	-66,309
Non-Financial Liabilities	**0**	0	**0**	0	**0**	0	**-44,728**	-43,046
Total	**-713,243**	-589,880	**0**	**0**	**-81,744**	-118,385	**-97,970**	-109,355

Borrowings

	Non-Current	Current	Non-Current	Current
	31 March 2024		31 March 2023	
	£000	**£000**	£000	£000
PWLB	**-526,812**	**-28,551**	-361,706	-20,448
LOBOs	**-30,837**	**-268**	-61,454	-652
Other market debt	**-76,431**	**-44,216**	-82,642	-85,106
Stock	**-6,983**	**-270**	-6,983	-269
Total	**-641,063**	**-73,305**	-512,785	-106,475

Material Soft Loans made by the Council

The Council provided support in 2009/10 to Kirklees College's Waterfront Development with a loan. The loan is secured against the assets of the College and the loan is charged at the cost of the borrowing to the Council plus a small margin to cover administration. The fair value of the loan at initial recognition was arrived at by adding a margin of 1.75% to reflect risk. The loan is being repaid on an annuity basis. The College requested a repayment holiday for one year from August 2019 to July 2020. This was approved by the Strategic Director Economy and Infrastructure on the 28

September 2018 so the College will now repay the full amount advanced by 2035/36. The Council has also provided interest free loans to Kirklees' householders in respect of renewable energy works. The loans are secured as a fixed charge on the householder's properties (that is the loans are recoverable when the householder sells the property). The fair value of the renewable energy loans at initial recognition were arrived at by taking the cost to the Council of taking a ten-year loan and adding an allowance of 2% for risk.
Movements on material soft loans are detailed as follows:

	College £000	Renewable Energy £000	Total £000
Balance at 1 April 2022	13,920	1,829	15,749
Loans repaid	-833	-47	-880
Change in impairment loss allowance	32	3	35
Unwinding of discount	175	0	175
Balance at 31 March 2023	**13,294**	**1,785**	**15,079**
Loans repaid	-875	-62	-937
Change in impairment loss allowance	35	3	38
Unwinding of discount	172	0	172
Balance at 31 March 2024	**12,626**	**1,726**	**14,352**
Nominal value at 31 March 2023	15,652	1,878	17,530
Nominal value at 31 March 2024	**14,776**	**1,817**	**16,593**

Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value	
	31 March 2024 £000	31 March 2023 £000
LCR Revolving Investment Fund	**3,048**	2,988
Kirklees Schools Services Ltd	**946**	941
QED (KMC) Holdings Ltd	**144**	172
Kirklees Henry Boot Partnership Ltd	**0**	125
Total	**4,138**	4,226

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2024 had a credit balance of £1.6 million at the bank (£1.3 million 31 March 2023) offset by a debit balance of £1.6 million (£1.3 million 31 March 2023).

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are detailed as follows:

	Financial Liabilities	**Financial Assets**			**2023/24**	**2022/23**
	Amortised Cost	Amortised Cost	Fair Value through OCI	Fair Value through Profit and Loss	**Total**	Total
	£000	£000	£000	£000	**£000**	£000
Interest expense	31,943	0	0	0	**31,943**	26,154
Losses on de-recognition	33	0	0	0	**33**	40
Impairment losses	0	3,590	0	0	**3,590**	7,681
Interest payable and similar charges	**31,976**	**3,590**	**0**	**0**	**35,566**	33,875
Interest income	0	-3,301	0	-1,261	**-4,562**	-2,663
Dividend income	0	0	0	-440	**-440**	-379
Gains on de-recognition	-635	0	0	0	**-635**	-39
Interest and investment income	**-635**	**-3,301**	**0**	**-1,701**	**-5,637**	-3,081
Net impact on Surplus/Deficit on the Provision of Service	**31,341**	**289**	**0**	**-1,701**	**29,929**	30,794
Gains on revaluation	0	0	-37	0	**-37**	0
Losses on revaluation	0	0	0	0	**0**	220
Impact on other comprehensive income	**0**	**0**	**-37**	**0**	**-37**	220
Net gain(-)/loss for the year	**31,341**	**289**	**-37**	**-1,701**	**29,892**	31,014

Fair Value of Financial Instruments

Some of the Council's financial assets are measured at fair value in the Balance Sheet on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	**31 March 2024 Fair Value**	31 March 2023 Fair Value
			£000	£000
Fair Value through Profit and Loss				
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	**29,210**	18,537
CCLA Property Fund	Level 2	Inputs that are observable for the asset, other than quoted prices	**8,640**	8,971
Fair Value through Other Comprehensive Income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	**3,048**	2,988
Kirklees Henry Boot Partnership Ltd Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques or historic cost of the original investment	**1,090**	1,238

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets

		31 March 2024		31 March 2023	
	Fair Value level	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
		£000	**£000**	£000	£000
Long-term debtors	2	**33,034**	**34,590**	29,369	34,978
Short-term debtors		**60,468**	**60,468**	67,406	67,406
Cash and cash equivalents		**47**	**47**	15,579	15,579
Total Amortised Cost		**93,549**	**95,105**	112,354	117,963
Cash and cash equivalents - Fair value through profit and loss		**29,320**	**29,320**	18,632	18,632

The fair value of financial assets held at amortised cost is lower than their Balance Sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

Financial Liabilities

		31 March 2024		31 March 2023	
	Fair Value level	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
		£000	**£000**	£000	£000
Borrowings					
PWLB	2	**-555,364**	**-521,161**	-382,153	-341,648
LOBOs	2	**-31,105**	**-34,215**	-62,106	-68,607
Other market debt	2	**-120,646**	**-112,458**	-167,749	-157,156
Loan stock	2	**-7,253**	**-10,339**	-7,252	-10,493
PFI, transferred debt & finance lease liabilities	2	**-77,635**	**-92,049**	-81,660	-95,516
Short-term creditors		**-53,242**	**-53,242**	-66,309	-66,309
Bank Overdraft		**-2,984**	**-2,984**	-7,345	-7,345
Total		**-848,228**	**-826,448**	-774,574	-747,073

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

- Loans from the Public Works Loan Board (PWLB) have been valued by discounting the contractual cash flows over the life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other market debt, loan stock and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2024.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.

The above fair values are judged to be Level 2 in the fair value hierarchy, using significant observable inputs.

The fair value of liabilities is less than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

Nature and Extent of Risks Arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and other financial market movements.

The Council complies with CIPFA's Code of Practice on Treasury Management in the Public Services and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021. In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

Full details of the Council's Treasury Management Strategy for 2023/24 can be found on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with counterparties unless they meet the minimum criteria set out in the strategy and also considers the maximum time and amounts of investments with each institution.

The full Investment Strategy for 2023/24 was approved by the Council on 8 March 2023 and is available on the Council's website.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

	31 March 2024	31 March 2023
Credit rating	**Short-term**	Short-term
	£000	£000
AAA	**29,095**	18,487
AA-	**0**	15,000
A+	**0**	512
Total	**29,095**	33,999

The investments detailed above are for cash flow purposes, made up entirely of cash equivalents with no short-term investments. Cash equivalents by definition are highly liquid deposits with an insignificant risk of change in value. The Council did not make any investments of a treasury management nature longer than three months in 2023/24.

The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The Council does not generally allow credit for customers and trade debts are actively pursued. As at 31 March 2024, the Council had a balance owing from its customers (mainly services and rent) of 64.5 million (£70.5 million 31 March 2023). The exposure to default has been assessed and is reflected in an impairment provision of £5.5 million (£4.8 million 31 March 2023). Of the trade debtors outstanding as at 31 March 2024 of £16.9 million, 66% (2022/23 73%) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (2022/23 5%) within 3 to 6 months, 7% (2022/23 7%) within 6 to 12 months and 19% (2022/23 15%) more than 12 months.

Liquidity Risk

As well as keeping cash in instant access deposit accounts, the Council has ready access to borrowings from the Public Works Loan Board. Because of this, there is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replenish its borrowings at less favourable rates or, alternatively, liquidate its investments at more favourable rates. The strategy is to ensure that the loan repayment profile is even with around no more than 10% of loans due to mature in any one year.

The Council holds £29.1 million (£19.0 million 31 March 2023) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

The maturity analysis of financial instruments is shown below:

	31 March 2024			31 March 2023		
Time to maturity (years)	**Liabilities**	**Assets**	**Net**	Liabilities	Assets	Net
	£000	**£000**	**£000**	£000	£000	£000
Less than one year	**-141,396**	**86,852**	**-54,544**	-184,865	94,273	-90,592
Between 1 and 2 years	**-56,657**	**11,985**	**-44,672**	-24,951	3,008	-21,943
Between 2 and 5 years	**-62,925**	**8,857**	**-54,068**	-51,586	13,336	-38,250
Between 5 and 10 years	**-134,551**	**15,427**	**-119,124**	-49,889	14,493	-35,396
Between 10 and 20 years	**-122,834**	**2,986**	**-119,848**	-107,055	5,234	-101,821
More than 20 years	**-263,259**	**3,112**	**-260,147**	-277,850	3,061	-274,789
	-781,622	**129,219**	**-652,403**	-696,196	133,405	-562,791

The above analysis assumes that Lender Option, Borrower Option loans (LOBOs – see below) run their full term.

The Council has a general target of paying all trade and other payables within 30 days.

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements in particular on borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the CIES will rise.
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk, including an upper limit on its variable interest rate exposures of £200.0 million of its net principal. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid to limit exposure to losses.
The Treasury Management Strategy is proactive, providing for the constant assessment of interest rate exposures and deciding whether new borrowing taken out is fixed or variable.

As at 31 March 2024, investments held by the Council for cash flow purposes were entirely at variable rates for instant access. In terms of borrowing, the Council held £30.9 million debt in the form of LOBOs which equates to 4% of its total borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. If lenders exercise their option then the Council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender chooses to exercise the option again. The Council repaid £30.6 million of LOBO's during 2023/24. All LOBO debt is exposed to variable rates through lender options. A 1% change in interest rates with all other variables held constant would increase or decrease interest costs by £0.5 million.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1.1 million in a number of joint ventures. The Council is consequently exposed to losses arising from movements in the values of the shares. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The equity shares are classified as "fair value through other comprehensive income – designated equity instruments", meaning that any movements in fair value will not be recognised in the CIES, instead movements will be shown in the Financial Instruments Revaluation Reserve.

The Council holds investment units with the CCLA Property Fund which is subject to the risk of falling commercial property prices. The fund has been classified as fair value through profit and loss, however the Council has chosen to use the statutory override as allowed by CIPFA to allocate to fair value through other comprehensive income, therefore any gains or losses on prices will be charged to Financing and Investment Income and Expenditure line in the CIES which is then transferred to the Pooled Fund Adjustment Account.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies. In this way, the Council has little exposure to loss arising from movements in exchange rates.

20 Long Term Debtors

This note identifies amounts owing to the Council which are being repaid over various periods longer than one year.

	31 March 2024 £000	31 March 2023 £000
Kirklees College	**12,382**	13,130
PFI Prepayments (i)	**2,936**	2,427
Finance Leases (ii)	**3,395**	3,398
Charges on Property for Residential Care	**1,818**	1,129
Renewable Energy	**1,817**	1,879
103 New Street	**12,247**	12,131
Kirklees Stadium Development Ltd	**4,321**	3,822
Kingsgate Phase 2	**5,494**	0
Other	**739**	777
	45,149	38,693
Impairment Provision	**-9,179**	-6,897
Net Long Term Debtors	**35,970**	31,796

(i) Under the terms of the PFI contracts, the Council makes prepayments which the contractor puts into sinking funds which will be used to meet future costs incurred in the schemes.

(ii) Relates to obligations outstanding from lessees on leases judged to be finance leases.

21 Inventories

	Consumable Stores and Maintenance Materials £000	Construction Costs £000	Rechargeable Work in Progress £000	**Total £000**
Balance as at 1 April 2023	3,147	0	216	**3,363**
Purchases	7,723	1,056	0	**8,779**
Recognised as an expense in the year	-7,692	0	0	**-7,692**
Adjustments	68	0	0	**68**
Movement in Work in Progress	0	0	78	**78**
Balance as at 31 March 2024	**3,246**	**1,056**	**294**	**4,596**

22 Short Term Debtors

	31 March 2024 £000	31 March 2023 £000
Central government bodies	**17,700**	19,391
Other local authorities	**5,319**	3,703
NHS bodies	**584**	539
Public corporations & trading funds	**0**	106
Capital debtors	**19,043**	29,255
Payments in advance	**13,819**	12,851
Other entities and individuals	**69,897**	64,700
	126,362	130,545
Bad debt provision – Other entities and individuals	**-30,175**	-27,551
Net Short Term Debtors	**96,187**	102,994

The Capital debtors' figure of £19.0 million includes a grant owed at 31 March 2024 of £5.6 million West Yorkshire Combined Authority (WYCA) City Region Transport (£12.2 million in 2022/23) and £9.1 million WYCA Transport Fund (£11.1 million in 2022/23).

23 Cash and Cash Equivalents

	31 March 2024 £000	31 March 2023 £000
Cash held by the Council	**41**	47
Instant access deposit accounts/investments that mature within 90 days or less	**29,326**	34,164
Cash and Cash Equivalents	**29,367**	34,211
Bank overdraft considered to be an integral part of cash management	**-2,984**	-7,345

24 Short Term Creditors

	31 March 2024 £000	31 March 2023 £000
Central government bodies	**-11,208**	-39,031
Other local authorities	**-3,212**	-2,611
NHS bodies	**-209**	-1,366
Capital creditors	**-3,300**	-2,172
Accumulated absences	**-12,886**	-12,156
Receipts in advance	**-15,332**	-13,938
Other entities and individuals	**-51,823**	-38,081
Total	**-97,970**	-109,355

The Central government bodies movement above is due to the repayment of 3 Covid grants being Local Restrictions Support Grant £6.9 million, Business Support £7.8 million, Covid Additional Restrictions Funding £3.8 million, and S31 Business Rates grant £5.5 million.
The increase in Other entities and individuals is mostly due to the change in paying suppliers on 30 day terms rather than immediately (£10.6 million).

25 Provisions

	Insurance	Business Rate Appeals	Housing Benefits Subsidy	Total
	£000	£000	£000	£000
Balance at 1 April 2023	-11,562	-1,676	-318	-13,556
Additional provision made in 2023/24	-4,257	-1,652	0	-5,909
Amounts used in 2023/24	3,712	1,442	318	5,472
Amounts reversed in 2023/24	1,500	0	0	1,500
Balance at 31 March 2024	**-10,607**	**-1,886**	**0**	**-12,493**

The insurance provision covers obligations arising from claims relating to Employer's Liability, Public Liability, Motor, Fire and miscellaneous risks. The nature of insurance claims, particularly liability claims, means that there can be significant lead in times as claimants do not need to lodge claims for some time after the event occurred. For each insurance claim received an expected value is calculated based on best known estimates at the time. The figures are derived from those calculated during the latest three-yearly actuarial valuation (2023/24). The short-term element of this provision is estimated based on the percentage of claims paid out in the previous year.

Amounts have been set aside within the Council's reserves to cover uninsured and unexpected losses which may arise from possible claims for third party asbestos, flooding and environmental impairment (pollution). It is not possible to state with any certainty the amount or timing of the likely use of the reserve due to the nature of the risks covered.

Councils are liable for a share of any repayments to ratepayers as a result of reductions in Rateable Value (RV) arising from successful appeals against rates charged. Appeals are determined by the Valuation Office Agency and can go back a number of years.

The split between long term and short-term provisions is as follows:

	Short Term Provisions	Long Term Provisions	Total Provisions
	£000	£000	£000
Balance at 31 March 2024	**-3,739**	**-8,754**	**-12,493**
Balance at 1 April 2023	-3,122	-10,434	-13,556

26 Other Long-Term Liabilities

	31 March 2024	31 March 2023
	£000	£000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	**-72,180**	-77,094
Net Liability Related to Defined Benefit Pension Scheme	**-53,982**	-58,869
Long Term Provisions	**-8,754**	-10,434
Total	**-134,916**	-146,397

The Net Liability Related to Defined Benefit Pension Scheme only includes the LGPS Unfunded and Teachers pensions schemes in 2023/24 as the LGPS Funded pension scheme is a Pension Asset as at 31 March 2024 and is shown in Long Term Assets. Note 41 on retirement benefits provides further detail.

27 Usable Reserves

Movement in the Council's usable reserves are detailed in the Statement of Movement in Reserves, Note 10 Adjustments between accounting basis and funding basis under regulations and Note 11 Transfers to and from Earmarked Reserves.

28 Unusable Reserves

Some of the Council's reserves are required to comply with proper accounting practice and are not usable reserves available to meet revenue or capital expenditure. These are listed as follows:

	31 March 2024	31 March 2023
	£000	£000
Capital Adjustment Account	**-673,668**	-702,869
Revaluation Reserve	**-301,706**	-283,699
Pensions Reserve	**-90,437**	-29,334
Financial Instruments Revaluation Reserve	**-1,183**	-1,146
Financial Instruments Adjustment Account	**2,108**	2,346
Pooled Fund Adjustment Account	**1,471**	1,124
Deferred Capital Receipts Reserve	**-3,398**	-3,401
Collection Fund Adjustment Account	**7,381**	-69
Accumulated Absences Account	**12,886**	12,156
Dedicated Schools Grant Adjustment Account	**43,686**	28,866
Total Unusable Reserves	**-1,002,860**	-976,026

The Dedicated Schools Grant Adjustment Account was created on 1 April 2020 following new provisions put in place by the School and Early Years Finance (England) Regulations 2020 and Local Authority Finance Regulations. These regulations require the Council to carry forward a deficit on the Dedicated Schools Grant (DSG) from the current and previous years to be dealt with from future DSG income up to 2025/26. The Council must record the deficit in an unusable reserve created solely for the purpose of recording deficits relating to its school's budget.

The Dedicated Schools Grant Adjustment Account negative balance of £43.7 million as at 31 March 2024 includes a £44.1 million High Needs deficit carried forward on the Balance Sheet to be funded

by future DSG income as per updated statutory guidance. The remaining surplus balance of £0.4 million includes net savings on Early Years and Central School Services budgets in 2023/24.
Details of the movements on the Capital Adjustment Account, Revaluation Reserve and Pensions Reserve are detailed below.
The purpose of the other reserves is explained in the Glossary and the movements of the larger ones are detailed in Note 10.

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property. It also contains the revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2023/24	2022/23
	£000	£000
Balance at 1 April	**-702,869**	-725,440
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	**-11,509**	-8,566
Use of Capital Receipts Reserve to repay debt	**-875**	-832
Use of the Major Repairs Reserve to finance new capital expenditure	**-20,640**	-18,886
Capital grants and contributions credited to the CIES that have been applied to capital financing	**-39,851**	-26,526
Application of grants to capital financing from the Capital Grants Unapplied Account	**-24,170**	-21,564
Statutory provision for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	**-9,616**	-10,330
Capital expenditure charged against the General Fund and HRA Balances	**-5,635**	-6,109
	-815,165	-818,253
Charges for depreciation and impairment of non-current assets	**68,400**	60,345
Amortisation of intangible assets	**454**	162
Revaluation losses on PPE	**35,040**	29,465
Revaluation gains on PPE	**-8,303**	-20,465
Movements in the market value of Investment Property	**10,670**	7,216
Revenue expenditure funded from capital under statute (REFCUS)	**24,174**	23,568
Amounts of non-current assets written off on disposal or sale	**11,512**	16,308
Adjusting amounts written out of the Revaluation Reserve	**-6,075**	-4,919
Deferred Income written down - Waste PFI	**0**	-537
Long-term debtors written down	**957**	907
Financial Instruments impairment charge	**4,668**	3,334
Balance at 31 March	**-673,668**	-702,869

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2023/24	2022/23
	£000	£000
Balance at 1 April	**-283,699**	-257,749
Upward revaluation of assets	**-51,238**	-53,530
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**27,156**	22,661
	-307,781	-288,618
Difference between fair value depreciation and historical cost depreciation	**4,559**	3,799
Accumulated gains on assets sold or scrapped	**1,516**	1,120
Balance at 31 March	**-301,706**	-283,699

Pensions Reserve

This Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

			2023/24			2022/23
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**-69,357**	**40,023**	**-29,334**	714,320	45,411	759,731
Pension cost payable to Pension Fund	**-45,747**	**-3,752**	**-49,499**	-43,887	-3,374	-47,261
Remeasurement of net pension position	**-62,473**	**-1,226**	**-63,699**	-868,571	-3,195	-871,766
Reversal of IAS19 entries	**50,301**	**1,794**	**52,095**	128,781	1,181	129,962
Balance at 31 March	**-127,276**	**36,839**	**-90,437**	-69,357	40,023	-29,334

29 Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2023/24	2022/23
	£000	£000
Interest received	-4,829	-2,743
Interest paid	33,561	26,120
Dividend received	-977	-694

30 Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements

	2023/24	2022/23
	£000	£000
Pension adjustments	-2,596	-82,701
Depreciation, impairment and amortisation	-67,465	-58,401
Revaluation gains/losses	-37,408	-16,216
Carrying amount of non-current assets sold or de-recognised	-11,512	-16,308
Movements on -		
Provisions	1,062	-309
Inventories	1,233	-3,996
Revenue debtors (including bad debt provision)	3,249	-913
Revenue creditors	6,737	67,412
Other non-cash items	-1,032	-7,762
Total non-cash movements	**-107,732**	**-119,194**

31 Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2023/24	2022/23
	£000	£000
Capital grants	61,636	59,664
Proceeds from the sale of Property, Plant and Equipment (PPE), Investment Property and Intangible Assets.	10,135	12,135
Total	**71,771**	**71,799**

Cash Flow - Reconciliation of Liabilities arising from Financing Activities

	2023/24				2022/23			
	At 1 April	**Financing cashflows**	**Non cash changes**	**At 31 March**	At 1 April	Financing cashflows	Non cash changes	At 31 March
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Long term borrowing	**512,785**	**128,877**	**-599**	**641,063**	442,282	70,510	-7	512,785
Short term borrowing	**106,475**	**-33,167**	**-3**	**73,305**	31,015	75,451	9	106,475
PFI & finance lease liabilities	**81,660**	**-4,025**	**0**	**77,635**	88,258	-6,598	0	81,660
Total liabilities from financing activities	**700,920**	**91,685**	**-602**	**792,003**	**561,555**	**139,363**	**2**	**700,920**

32 External Audit Costs

Grant Thornton is the Council's appointed Auditor for the audit of the Statement of Accounts. The fees payable were as follows:

	2023/24	2022/23
	£000	£000
Grant Thornton:		
External audit services – scale fee	425	146
External audit services – additional charges	16	49
Fees payable to Grant Thornton with regard to external audit services	**441**	**195**
Certification of grant claims and returns services	63	47
	504	**242**

The 2022/23 amounts have been restated due to changed fee awards in relation to the 2022/23 audit and is reflected in the table above.

33 Pooled Funds

Section 75 of the National Health Service Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds allow health bodies and local authorities to work collaboratively to address specific local health issues.

Integrated Community Equipment Service

In 2003/04, the Council in association with the local Integrated Care Board (ICB) (formerly Clinical Commissioning Group/Primary Care Trusts) established an Integrated Community Equipment Service. The partners contribute funds to the agreed budget and there is no fixed split of contributions. These are negotiated and agreed between the parties each year. The pooled budget is hosted by the Council on behalf of the partners to the arrangement. The Council accounts for the pool as a whole, along with the Adults and Childrens contributions to the pool.

	2023/24	2022/23
	£000	£000
Funding provided to the pooled budget		
Kirklees Council – Adults	-2,034	-1,993
Kirklees Council – Children	-505	-508
West Yorkshire ICB	-1,879	-1,842
Total Funding	**-4,418**	**-4,343**
Expenditure met from the pooled budget		
Kirklees Council – Adults	1,384	1,374
Kirklees Council – Children	272	270
West Yorkshire ICB	1,657	1,644
Total Expenditure	**3,313**	**3,288**
Net surplus arising on pooled budget during the year	-1,105	-1,055
Council share of the net surplus arising on the pooled budget	-882	-858

Better Care Fund

Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with the local ICBs established a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement. The Council accounts for the gross contribution less amounts retained for ICB commissioned services.

	2023/24	2022/23
	£000	£000
Funding provided to the pooled budget		
Kirklees Council	-29,923	-27,425
West Yorkshire ICB schemes	-37,966	-33,726
Total Funding	**-67,889**	**-61,151**
Expenditure met from the pooled budget		
Kirklees Council	52,346	48,646
West Yorkshire ICB schemes	15,543	12,505
Total Expenditure	**67,889**	**61,151**
Net surplus arising on pooled budget during the year	0	0
Council share of the net surplus arising on the pooled budget	0	0

34 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more was as follows. This table includes Senior Officers who are disclosed in the next part of the note:

	2023/24		2022/23	
Remuneration Band (£)	**Schools**	**Other**	Schools	Other
50,000 - 54,999	**136**	**231**	116	196
55,000 - 59,999	**80**	**101**	66	70
60,000 - 64,999	**52**	**29**	41	16
65,000 - 69,999	**35**	**26**	33	19
70,000 - 74,999	**26**	**7**	21	5
75,000 - 79,999	**15**	**3**	24	3
80,000 - 84,999	**25**	**9**	4	8
85,000 - 89,999	**3**	**8**	4	8
90,000 - 94,999	**3**	**2**	6	1
95,000 - 99,999	**6**	**0**	2	1
100,000 - 104,999	**2**	**0**	1	4
105,000 - 109,999	**1**	**1**	0	9
110,000 - 114,999	**1**	**11**	0	0
115,000 - 119,999	**0**	**1**	0	1
120,000 - 124,999	**0**	**1**	1	0
125,000 - 129,999	**0**	**1**	0	0
130,000 - 134,999	**1**	**0**	1	2
135,000 - 139,999	**0**	**0**	0	3
140,000 - 144,999	**1**	**1**	0	0
145,000 - 149,999	**0**	**2**	0	0
150,000 - 154,999	**0**	**0**	0	0
155,000 - 159,999	**0**	**0**	0	0
160,000 - 164,999	**0**	**0**	0	0
165,000 - 169,999	**0**	**0**	0	0
170,000 - 179,999	**0**	**0**	0	0
180,000 - 189,999	**0**	**0**	0	1
190,000 - 194,999	**0**	**0**	0	0
Total	**387**	**434**	320	347

The remuneration figures include employee pension contributions and any severance costs but exclude employer's pension contributions. It should be noted that no employees received redundancy payments in 2023/24 (2022/23 no employees) exceeding the £50,000 remuneration band, who would not normally have done so.

The note excludes employees of Voluntary Aided and Trust Schools as they are employed by the School Governors, not the Council, even though payments are made by the Council.

The following table sets out the remuneration disclosures for the Council's Senior Officers (Directors' Group, s151 and Monitoring Officer), whose full-time equivalent salary is equal to or more than £50,000 per year. The definition of Senior Officers are those officers who have statutory responsibilities and/or are responsible for strategic decisions in the Council. In line with statutory regulations, officers with a salary of £150,000 or more per year are named.

Senior Officers' emoluments

Post holder information (Post title)	Salary including fees and allowances	Compensation for loss of office	Total Remuneration Excluding pension contributions	Employers pension contributions (1)	Total Remuneration including pension contributions
	£	£	£	£	£
2023/24					
Chief Executive – Steve Mawson (2)	83,433	0	83,433	13,182	96,615
Chief Executive – Jacqui Gedman (3)	93,544	0	93,544	14,780	108,323
Strategic Director Adults & Health	145,287	0	145,287	122,955	168,242
Strategic Director, Children & Families (4)	35,717	0	35,717	5,643	41,360
Strategic Director Children & Families (5)	112,705	0	112,705	17,807	130,512
Strategic Director Corporate Strategy, Commissioning & Public Health	145,287	0	145,287	22,955	168,242
Strategic Director Environment & Climate Change (6)	44,534	0	44,534	7,036	51,571
Strategic Director Growth & Regeneration	142,193	0	142,193	22,466	164,659
Service Director Governance & Commissioning (Monitoring Officer)	111,242	0	111,242	17,576	128,818
Service Director – Finance, Transactional Services (s151 Officer) (7)	26,265	0	26,265	4,150	30,415
Service Director – Finance, Transactional Services (s151 Officer) (8)	34,507	0	34,507	5,452	39,959
Service Director – Finance, Transactional Services (s151 Officer) – Isabel Brittain (9)	118,266	0	118,266	0	118,266
2022/23					
Chief Executive – Jacqui Gedman	187,087	0	187,087	29,747	216,834
Strategic Director Adults & Health	139,860	0	139,860	22,238	162,098
Strategic Director Children & Families	139,860	0	139,860	22,238	162,098
Strategic Director Corporate Strategy, Commissioning & Public Health	139,860	0	139,860	22,238	162,098
Strategic Director Environment & Climate Change	130,366	0	130,366	20,728	151,094
Strategic Director Growth & Regeneration	130,366	0	130,366	20,728	151,094
Service Director Governance & Commissioning (Monitoring Officer)	107,087	0	107,087	17,027	124,114
Service Director – Finance, Transactional Services (s151 Officer)	107,087	0	107,087	17,027	124,114

(1) No added years pensions were provided for Senior Officers.
(2) Steve Mawson commenced employment on the 1st of October 2023.
(3) Jacqui Gedman left employment on the 30th of September 2023.
(4) The Strategic Director, Children & Families left employment on the 2nd of July 2023

(5) The Strategic Director, Children & Families commenced on the 25th of May 2023
(6) The Strategic Director, Environment & Climate Change left employment on the 26th of July 2023.
(7) The Service Director – Finance, Transactional Services (s151 Officer) left employment on the 25th of June 2023.
(8) The Service Director – Finance, Transactional Services (s151 Officer) commenced on the 22nd of May 2023 and left employment on the 10th of September 2023.
(9) Isabel Brittain interim Service Director – Finance, Transactional Services (s151 Officer) commenced on the 2nd of August 2023, these payments are not made through the payroll.

It should be noted that the 2022/23 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2023/24 and will exclude those who left the Council in 2022/23. This is because the requirements of this note are specific to employees qualifying for the current year, not for persons who left the Council in the prior year.

Exit Packages and Termination Benefits

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs. Pension strain arises when an employee retires early without actuarial reduction of their pension.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	Split of exit packages (Termination Benefit)	Split of exit packages (Pension Strain)
2023/24				£000	£000	£000
£0 - £20,000	0	7	7	38	38	0
£20,001 - £40,000	0	1	1	23	23	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	**0**	**8**	**8**	**61**	**61**	**0**
2022/23						
£0 - £20,000	0	14	14	97	97	0
£20,001 - £40,000	0	5	5	130	122	8
£40,001 - £60,000	0	1	1	42	42	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	0	20	20	269	261	8

35 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2023. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2023/24 before recoupment			-448,214
Academy and High Needs figure recouped for 2023/24			197,050
Total DSG after recoupment for 2023/24			-251,164
Plus brought forward from 2022/23			-2,852
Less carry forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution for 2023/24	-61,161	-192,855	-254,016
In year adjustments	-1,982	-298	-2,280
Final budget distribution for 2023/24	-63,143	-193,153	-256,296
Less actual central expenditure	75,112		75,112
Less actual ISB deployed to schools		193,153	193,153
Plus Local authority contribution for 2023/24	0	0	0
In Year Carry-forward to 2024/25	**11,969**	**0**	**11,969**
Plus Carry-forward to 2024/25 agreed in advance			0
Carry-forward to 2024/25			0
DSG unusable reserve at the end of 2022/23			31,717
Addition to DSG unusable reserve at the end of 2023/24			11,969
Total of DSG unusable reserve at the end of 2023/24			43,686
Net DSG position at the end of 2023/24			**43,686**

36 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows stakeholders to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to transact freely with the Council.

Where members have an interest in companies or other organisations, details of such interest are recorded in the Register of Members' Interests which is open to public inspection and can be found on the Council's website. Members are also required to disclose personal and prejudicial interests in matters being considered at meetings at which they are present. Officers also have a duty to declare any interests which could conflict with those of the Council.

The following members and officers held positions of control or significant influence in related parties to the Council during 2023/24.

i) Elected Members and Chief Officers

There were 4 material disclosures to declare for 2023/24, 4 relating to Elected Members and 1 Chief Officer.

A Councillor and an Officer were Directors of Creative Media Centres Ltd. The Council has given a loan to the Company which as at 31 March 2024, £0.163 million was outstanding (£0.173 million as at 31 March 2023).

Three Councillors were Directors of Kirklees Community Association (KCA). In 2023/24, the Council received £0.199 million from KCA.

Two Councillors were Directors of Calderdale and Kirklees Careers Ltd. In 2023/24, the Council made payments of £2.925 million to the Company and received £0.003 million from it.

A Councillor was a Director for Local Services 2 You Ltd, a Social Enterprise organisation delivering a range of local Services and facilities for the benefit of residents in a local ward of Huddersfield. In 2023/24 the Council made payments of £0.674 million to the enterprise.

There were 6 additional companies where Councillors had control however there were no material transactions between the Council during 2023/24.

ii) Companies

The Council has a number of interests in companies. The main transactions were as follows (payments and receipts shown gross):

	Receipts from the companies		Payments to the companies		Net amounts owed to/by(-) the Council	
	2023/24	2022/23	**2023/24**	2022/23	**31 March 2024**	31 March 2023
	£000	£000	**£000**	£000	**£000**	£000
Calderdale and Kirklees Careers Service Ltd	**-3**	-7	**2,925**	2,820	**0**	-358
Kirklees Active Leisure	**-1,223**	-1,649	**3,433**	3,161	**9**	19
Kirklees Community Association	**-199**	-181	**0**	0	**24**	24
Kirklees Theatre Trust	**-12**	-11	**228**	229	**1**	0
North Huddersfield Trust	**-148**	-319	**20**	0	**28**	1

<u>The following related party transactions are disclosed elsewhere in the accounts:</u>

- The UK Central Government exerts significant influence through legislation and grant funding (see Note 37).
- NHS Bodies (see Notes 33 and 37).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2023/24 amounted to £19.6 million (2022/23 £19.9 million) and income of £10.3 million (Nil in 2022/23), this being gainshare funding and levy repayments.
- A Parish Council has also invested funds with the Council. As at 31 March 2024, £0.227 million (£0.298 million at 31 March 2023) was invested.

- Pension Fund (see Note 41).
- Joint venture company (Kirklees Stadium Development Limited) included in Group Accounts.
- PFI Transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd (see Note 40).

The Council has provided loans of £4.3 million to Kirklees Stadium Development Ltd (KSDL). The recoverability of the loans is uncertain due to a potential restructure of KSDL and an impairment of the loan has been provided. At the balance sheet date, a full provision has been reflected in the Statement of Accounts.

37 Grant Income

The Council credited the following grants and contributions to the CIES:

	2023/24 £000	2022/23 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant (RSG)	**-15,491**	-13,514
NNDR Top up Grant	**-30,570**	-28,808
PFI Grants	**-8,127**	-11,223
Business Rates Relief	**-28,874**	-23,671
Services Grant	**-3,344**	-5,700
Other Non-Specific Grants (under £2 million)	**-3,219**	-5,900
	-89,625	-88,816
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
Standards Fund	**-17,606**	-18,496
MHCLG – Towns Fund	**-4,531**	-4,232
DfT – Transforming Cities Fund	**-3,922**	-3,580
Trees for Climate	**-3,099**	-1,318
City Region Sustainable Transport Settlement	**-12,761**	-12,163
West Yorkshire Transport Fund	**-6,333**	-8,995
Other Capital Grants and Contributions (under £2 million)	**-13,383**	-11,417
Total	**-151,260**	-149,017
Credited to Services		
Revenue		
Dedicated Schools Grant	**-251,037**	-244,067
DWP – Rent Allowance	**-30,885**	-32,722
DWP – Rent Rebate	**-31,968**	-29,770
Department of Health Grant (Public Health)	**-28,149**	-27,117
Integrated Care Boards (ICBs) – Better Care Fund	**-22,398**	-21,035
Integrated Care Boards (ICBs) – Other	**-8,756**	-10,975
Pupil Premium Grant	**-12,383**	-11,941
PFI Grant (ring fenced to HRA)	**-7,912**	-7,912
Universal Infant Free School Meals Grant	**-3,347**	-3,340
Social Care Support Grant	**-29,810**	-18,481
Improved Better Care Fund (IBCF)	**-17,822**	-17,822
DWP Household Support Fund	**-8,341**	-6,483
Schools Grants - Other	**-14,122**	-10,349
Homes for Ukraine Grant	**-586**	-4,839
Asylum Seekers	**-3,042**	-1,619
Adult Social Care Discharge Fund	**-2,499**	-1,550
Market Sustainability and Fair Cost of Care	**-7,184**	-1,255
West Yorkshire Combined Authority	**-15,013**	-1,755
Other Revenue Grants and Contributions (under £2 million)	**-27,777**	-26,222
Capital (REFCUS)		
Standards Fund	**-5,678**	-3,577
Disabled Facilities Grant	**-3,940**	-3,624
Trees for Climate	**-3,692**	-2,122
Various Capital Grants and Contributions (under £2 million)	**-3,089**	-1,382
Total	**-539,430**	-489,959
Total Grants in CIES	**-690,690**	-638,976

38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	2023/24	2022/23
	£000	£000
Opening Capital Financing Requirement	**863,145**	806,733
Capital Investment		
Property, Plant and Equipment	**113,209**	117,744
Investment Property	**5,229**	3,640
Heritage Assets	**39**	38
Intangible Assets	**931**	1,171
Revenue Expenditure Funded from Capital under Statute	**24,174**	23,568
Loans and Investments	**5,610**	2,220
Inventories	**1,056**	0
Sources of Finance		
Capital Receipts	**-11,509**	-7,722
Government Grants and Other Contributions	**-64,021**	-48,090
Major Repairs Reserve	**-20,640**	-18,886
Direct Revenue Contributions	**-5,635**	-6,109
To repay debt:		
Minimum Revenue Provision	**-5,319**	-10,330
Major Repairs Reserve	**-4,297**	0
Capital Receipts	**-876**	-832
Closing Capital Financing Requirement	**901,096**	863,145
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	**540**	336
Other	**47,903**	67,239
Provision for Repayment of Debt	**-10,492**	-11,163
Increase in Capital Financing Requirement	**37,951**	56,412

39 Leases

Council as Lessee

Finance Leases

The Council has a finance lease on Civic Centre 1, the Stadium Pool & Fitness Suite and also on part of Dewsbury Sports Centre. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2024	31 March 2023
Cost or valuation	**£000**	£000
At 1 April	**15,049**	16,242
Additions	**3,503**	5,529
Revaluation increases recognised in the Revaluation Reserve	**187**	-112
Revaluation decreases recognised in the provision of services	**-8,386**	-6,610
At 31 March	**10,353**	15,049
Depreciation and impairments		
At 1 April	**0**	-209
Depreciation charge	**-258**	-283
Depreciation written out to the Revaluation Reserve	**111**	106
Depreciation written out to the provision of services	**147**	386
At 31 March	**0**	0
Net Book Value as at 31 March	**10,353**	15,049

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance cost that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2024	31 March 2023
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Non-current	**1,049**	1,049
Finance costs payable in future years	**5,881**	5,971
Minimum lease payments	**6,930**	7,020

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
	£000	£000	**£000**	£000
Not later than one year	**90**	90	**0**	0
Later than one year and not later than five years	**360**	360	**0**	0
Later than five years	**6,480**	6,570	**1,049**	1,049
	6,930	7,020	**1,049**	**1,049**

Operating Leases
The Council uses vehicles and property throughout the Kirklees district, financed under the terms of operating leases (The restated figures include leased property disclosed for the first time). The Council is committed at 31 March 2024 to make future minimum lease payments due under non-cancellable leases as follows:

	Minimum Lease Payments		Minimum Sub Leases Receivable	
	31 March 2024	31 March 2023 Restated	**31 March 2024**	31 March 2023
	£000	£000	**£000**	£000
Not later than one year	**980**	1,214	**0**	0
Later than one year and not later than five years	**728**	1,549	**0**	0
Later than five years	**1,655**	1,742	**0**	0
	3,363	4,505	**0**	**0**

Leases and sub lease payments recognised in the year are as follows:

	2023/24	2022/23 Restated
	£000	£000
Minimum Lease Payments	**1,350**	1,512
Contingent Rents	**0**	0
Sub Lease Payments	**0**	0
	1,350	1,512

<u>Council as Lessor</u>
Finance Leases:
The Council leases out large numbers of long land leases on 999-year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2024	31 March 2023
	£000	£000
Finance lease debtor (net present of value of minimum lease payments):		
Non-current	**3,398**	3,401
Unearned finance income	**13,746**	14,018
Gross investment in the lease	**17,144**	17,419

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
	£000	£000	**£000**	£000
Not later than one year	**275**	275	**275**	275
Later than one year and not later than five years	**1,100**	1,100	**1,100**	1,100
Later than five years	**15,769**	16,044	**15,769**	16,044
	17,144	17,419	**17,144**	17,419

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. As there are no contingent rents the minimum lease payments are the same as the gross investment in the leases.

Operating Leases:
The Council leases out property under operating leases for the following purposes:

- For service provision. For example, the Markets' service hires out stalls within Market Halls.
- Receiving income from land and property on a commercial basis.
- Sports facilities to Kirklees Active Leisure (a company that runs community recreation facilities on behalf of the Council). The rentals are at peppercorn rents.
- Various buildings and sites leased to contractors carrying out the Council's PFI schemes. Rentals are at peppercorn rents.

The value of the assets leased out is as follows:

	31 March 2024 £000	31 March 2023 £000
Cost or valuation		
At 1 April	**168,991**	184,615
Additions	**3,113**	4,287
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	**3,980**	-786
Revaluation increases/decreases(-) recognised in provision of services	**-11,300**	-14,805
De-recognition – disposals	**0**	-1,239
De-recognition – other	**0**	0
Other movements in cost or valuation (re-classifications)	**-113**	-3,081
At 31 March	**164,671**	168,991
Depreciation and impairments		
At 1 April	**-529**	-1,369
Depreciation and impairment charge for year	**-1,818**	-1,930
Depreciation written out to the Revaluation Reserve	**1,069**	1,023
Depreciation written out to the Surplus/Deficit to Services	**804**	1,636
De-recognition – disposals	**0**	2
De-recognition – other	**0**	109
At 31 March	**-474**	-529
Net Book Value as at 31 March	**164,197**	168,462

The Council received £4.6 million in rent on operating leases in 2023/24 (£4.9 million 2022/23).

The following table shows the future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	**2,153**	2,348
Later than one year and not later than five years	**2,578**	3,025
Later than five years	**1,422**	1,690
	6,153	7,063

40 Private Finance Initiative (PFI) Transactions

The Council has four PFI schemes – two school, one waste disposal and one housing scheme. A summary of all scheme future payments, asset values and liability values are shown below. This is followed by the details on each scheme with the exception of the Housing PFI, which is covered in Note H10 for the HRA.

Estimated payments on all schemes are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2024/25	36,536	5,356	5,360	1,883	49,135
Between 2025/26 to 2028/29	136,536	17,325	25,258	7,081	186,200
Between 2029/30 to 2033/34	99,081	8,500	45,849	6,486	159,916
Between 2034/35	770	5	1,670	0	2,445
	272,923	**31,186**	**78,137**	**15,450**	**397,696**

The value of assets held under all schemes:

	2023/24 £000	2022/23 £000
Net Book Value at 1 April	**97,424**	94,478
Additions	**2,877**	2,960
Revaluations net of depreciation written back	**-14,394**	4,623
Disposals	**0**	0
Depreciation	**-5,525**	-4,637
Net Book Value at 31 March	**80,382**	97,424

The value of liabilities for all schemes:

	2023/24 £000	2022/23 £000
At 1 April	**-78,153**	-84,648
Movement in the year	**3,927**	6,495
At 31 March	**-74,226**	-78,153

a) Waste Disposal Services

In April 1998, the Council entered into a twenty-five year contract for waste disposal services, with Kirklees Waste Services Ltd (now Suez Recycling and Recovery Kirklees Ltd). The contract has now been extended a further four years to 2027/28. The Council leased various sites, including landfill and civic amenity, to the operator and the operator pledged as part of the contract to carry out capital work, which included the building of a new waste to energy plant/recycling centre at Huddersfield and a transfer station at Dewsbury. All assets constructed on leased land come into Council ownership at the end of the contract and these assets must be in a condition which would allow services to continue. Contract payments are part fixed and the other part varies according to tonnages and meeting targets. The Council pays for any additional costs arising from new statutory requirements concerning waste disposal, such as Landfill Tax.

The Council incurred costs of £17.7 million under the contract in 2023/24 (2022/23 £15.4 million) and received no PFI Grant (2022/23 £3.1 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2024/25	15,822	0	0	15,822
Between 2025/26 to 2027/28	47,466	0	0	47,466
	63,288	**0**	**0**	**63,288**

The estimated payments for service charges are based on expected tonnages and 2023/24 price base. The estimates do not include extra charges arising from changes in statutory regulations.

The value of assets (other land and buildings) held under this scheme is as follows:

	2023/24 £000	2022/23 £000
Net Book Value at 1 April	**24,241**	27,362
Additions	**1,693**	1,590
Revaluations net of depreciation written back	**-2,763**	-1,411
Depreciation	**-3,939**	-3,300
Net Book Value at 31 March	**19,232**	24,241

The value of liabilities held under this scheme is as follows:

	2023/24 £000	2022/23 £000
At 1 April	**0**	-1,706
Movement in the year	**0**	1,706
At 31 March	**0**	0

b) Schools 1

In March 2001, the Council entered into a thirty-two-and-a-half-year contract with Kirklees Schools Services Ltd for the delivery of services to nineteen of the Council's schools consisting of:

- Initial investment to carry out major repairs and improvements.
- Maintenance of the buildings over the contract period.
- Provision of caretaking and cleaning services for the contract period.

At the start of the contract, existing school buildings were leased to the operator. At the end of the contract, the operator is obliged to hand over the schools to the Council in a specified condition for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The operator does have the right to use the assets for appropriate third-party use, outside the times they must be available to meet the Council's requirements. The amount of third-party use varies from asset to asset but is not significant within the overall context of the contract.

The Council incurred costs of £19.8 million under the contract in 2023/24 (2022/23 £19.7 million) and received £5.9 million in PFI Grant (2022/23 £5.9 million). Details of estimated payments due to be made are as follows:

	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2024/25	15,914	2,041	1,948	1,403	21,306
Between 2025/26 to 2028/29	67,907	6,678	8,790	6,069	89,444
Between 2029/30 to 2033/34	77,244	3,115	17,540	6,123	104,022
	161,065	11,834	28,278	13,595	214,772

Estimated payments assume annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2023/24 £000	2022/23 £000
Net Book Value at 1 April	**52,333**	47,133
Additions	**586**	471
Revaluations net of depreciation written back	**-11,900**	5,675
Disposals	**0**	0
Depreciation	**-1,043**	-946
Net Book Value at 31 March	**39,976**	52,333

The value of liabilities held under this scheme is as follows:

	2023/24 £000	2022/23 £000
At 1 April	**-29,715**	-31,390
Movement in the year	**1,437**	1,675
At 31 March	**-28,278**	-29,715

c) Schools 2

In March 2005, the Council entered into a PFI contract with QED (KMC) Holdings Ltd for a period until 31 August 2031, for delivery to three of the Council's Special Schools of:

- New build schools at two sites, and major extensions to and full refurbishment of existing buildings at a third.
- Maintenance of the buildings over the contract period.
- Provision of caretaking, cleaning and other premises management functions over the term of the contract.

The operator is obliged to hand over the schools to the Council in a specified condition at the end of the contract for no incremental consideration. Some of the schools have transferred to academy/trust status during the contract and therefore hold no Balance Sheet value for the Council.

The Council incurred costs of £3.1 million under the contract in 2023/24 (£2.9 million in 2022/23) and received £2.2 million in PFI Grant (2022/23 £2.2 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments Of Liability	Other	Total
	£000	£000	£000	£000	£000
In 2024/25	1,379	444	419	480	2,722
Between 2025/26 to 2028/29	5,938	1,267	2,742	1,012	10,959
Between 2029/30 to 2031/32	3,887	266	2,194	363	6,710
	11,204	**1,977**	**5,355**	**1,855**	**20,391**

Part of the contract payment deflates at 2.5% annually, whilst the other part is indexed annually in line with "All items RPI". The estimated payments above assume future annual inflation of 2.5%, where appropriate. Other costs largely relate to lifecycle replacement costs.

The value of assets (other land and buildings) held under this scheme is as follows:

	2023/24	2022/23
	£000	£000
Net Book Value at 1 April	**4,988**	4,513
Additions	**58**	563
Revaluations net of depreciation written back	**0**	0
Disposals	**0**	0
Depreciation	**-100**	-88
Net Book Value at 31 March	**4,946**	4,988

The value of liabilities held under this scheme is as follows:

	2023/24	2022/23
	£000	£000
At 1 April	**-5,768**	-6,302
Movement in the year	**413**	534
At 31 March	**-5,355**	-5,768

41 Pensions Disclosures

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to fund the payments (for those benefits) and to disclose them at the time the employees earn their future entitlement.

The Council participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) – a funded defined benefit final salary scheme administered by the West Yorkshire Pension Fund (WYPF) whereby the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets in the long term. Employee benefits earned up to 31 March 2014 are linked to final salary, after 31 March 2014 benefits are based on a Career Average Revalued Earnings Scheme.

- Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited on behalf of the Department for Education. Under the Code, this scheme is classed as a multi-employer defined benefit scheme for which liabilities of individual employers cannot be separated. The scheme is therefore treated as a defined contribution scheme under the Code. In 2023/24, the Council paid £18.1 million (2022/23 £18.0 million) in respect of teachers' retirement benefits, representing 23.7% (2022/23 23.7%) of pensionable pay. Payments of £1.5 million were owing to the scheme as at 31 March 2024 (31 March 2023 £1.5 million).

- Employees transferred across from Kirklees PCT (Public Health) are members of the NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA). Similar to the Teachers' Pension Scheme, this scheme is classed as a multi-employer defined benefit scheme and is treated as a defined contribution scheme under the Code. In 2023/24, the Council paid £0.1 million (2022/23 £0.1 million) to the NHSBSA, representing 14.4% (2022/23 14.4%) of pensionable pay.

Transactions Relating to Retirement Benefits

In 2023/24 the Council paid an employer's contribution of £43.1 million (2022/23 £41.2 million) to the WYPF.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement:

	LGPS		Teachers	Total
	Funded	Unfunded		
	£000	£000	£000	£000
2023/24				
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	54,529	0	0	54,529
Past service cost	95	0	0	95
Financing and Investment income and expenditure*:*				
Net interest income/expense	-5,163	840	1,794	-2,529
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**49,461**	**840**	**1,794**	**52,095**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-80,571	0	0	-80,571
Actuarial gains and losses arising on changes in demographic assumptions	-35,243	-216	-506	-35,965
Actuarial gains and losses arising on changes in financial assumptions	-76,469	-479	-994	-77,942
Actuarial gains and losses due to liability experience	25,642	128	274	26,044
Adjustment loss due to restriction of surplus	104,735	0	0	104,735
Total Post Employment Benefit charged to the CIES	**-12,445**	**273**	**568**	**-11,604**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-49,461	-840	-1,794	-52,095
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	43,771	1,976	0	45,747
Retirement benefits payable to pensioners	0	0	3,752	3,752

	LGPS		Teachers	Total
	Funded	Unfunded		
2022/23	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	109,813	0	0	109,813
Past service cost	270	0	0	270
Financing and Investment income and				
Net interest expense	18,150	548	1,181	19,879
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	**128,233**	**548**	**1,181**	**129,962**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	62,391	0	0	62,391
Actuarial gains and losses arising on changes in demographic assumptions	8,415	593	990	9,998
Actuarial gains and losses arising on changes in financial assumptions	-1,175,580	-3,243	-8,171	-1,186,994
Actuarial gains and losses due to liability experience	237,261	1,592	3,986	242,839
Total Post Employment Benefit charged to the CIES	**-739,280**	**-510**	**-2,014**	**-741,804**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus /Deficit on the Provision of Services for retirement benefits	-128,233	-548	-1,181	-129,962
Actual amount charged against General Fund Balance for pensions in the year:				
Employers’ contributions payable to scheme	42,015	1,872	0	43,887
Retirement benefits payable to pensioners	0	0	3,374	3,374

Pension Assets and Liabilities Recognised in the Balance Sheet
The underlying assets and liabilities for retirement benefits attributable to the Council and the amounts included in the Balance sheet as at 31 March 2024 are shown the following table:

	2023/24	2022/23
	£000	£000
Present value of liabilities:		
LGPS Funded	**-2,244,148**	-2,245,260
LGPS Unfunded	**-17,143**	-18,846
Teachers	**-36,839**	-40,023
Fair value of assets in the LGPS	**2,493,302**	2,333,463
Unrecognised asset	**-104,735**	0
Net asset/liability (-)	**90,437**	29,334
LGPS Funded	**144,419**	88,203
LGPS Unfunded	**-17,143**	-18,846
Teachers	**-36,839**	-40,023
Net asset/liability (-)	**90,437**	29,334

Asset Ceiling
Following the pensions valuation by the Council's actuary, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset. IAS19 Employee Benefits required that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan: and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's surplus recognition policy is in line with accounting guidance above.

The Council's actuaries calculated an asset ceiling of £144.4 million for the funded scheme meaning the net pension asset cannot be recognised in full at the accounting date, which reflects the extent to which it is estimated that the council can derive future benefit from the estimated surplus in its pension position via future reductions in its contribution levels.

Assets and Liabilities in relation to Post-Employment Benefits

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	LGPS		Teachers	Total
	Funded	Unfunded		
2023/24	**£000**	**£000**	**£000**	**£000**
Opening balance 1 April 2023	-2,245,260	-18,846	-40,023	-2,304,129
Current Service Cost	-54,529	0	0	-54,529
Interest cost	-103,843	-840	-1,794	-106,477
Contributions by scheme participants	-17,578	0	0	-17,578
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	35,243	216	506	35,965
Arising on changes in financial assumptions	76,469	479	994	77,942
Due to liability experience	-25,642	-128	-274	-26,044
Benefits/transfers paid	91,087	1,976	3,752	96,815
Past service costs	-95	0	0	-95
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2024	**-2,244,148**	**-17,143**	**-36,839**	**-2,298,130**
2022/23				
Opening balance 1 April 2022	-3,050,856	-21,228	-45,411	-3,117,495
Current Service Cost	-109,813	0	0	-109,813
Interest cost	-81,484	-548	-1,181	-83,213
Contributions by scheme participants	-16,915	0	0	-16,915
Remeasurement gain/loss(-):				
Arising on changes in demographic assumptions	-8,415	-593	-990	-9,998
Arising on changes in financial assumptions	1,175,580	3,243	8,171	1,186,994
Due to liability experience	-237,261	-1,592	-3,986	-242,839
Benefits/transfers paid	84,174	1,872	3,374	89,420
Past service costs	-270	0	0	-270
Net increase in liabilities from disposals/acquisitions	0	0	0	0
Closing balance 31 March 2023	**-2,245,260**	**-18,846**	**-40,023**	**-2,304,129**

Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS Funded)

	31 March 2024	31 March 2023
	£000	£000
Opening balance 1 April	**2,333,463**	2,357,764
Interest income on assets	**109,006**	63,334
Remeasurement gains and losses	**80,571**	-62,391
Employer contributions	**43,771**	42,015
Contributions by scheme participants	**17,578**	16,915
Benefits paid	**-91,087**	-84,174
Net increase in assets from disposals/acquisitions	**0**	0
Closing balance 31 March	**2,493,302**	2,333,463

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund on 31 March 2024.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year showed a surplus of £189.6 million (2022/23 return of £0.9 million).

Pension Scheme Assets

The percentage breakdown of Fund assets is as follows:

			2023/24	2022/23
	Quoted	**Unquoted**	**Total**	Total
	%	**%**	**%**	%
Equity investments	**63.9**	**15.5**	**79.4**	80.8
Government Bonds	**8.5**	**0.0**	**8.5**	6.9
Other Bonds	**4.2**	**0.0**	**4.2**	4.6
Property	**1.0**	**1.8**	**2.8**	3.3
Cash/ liquidity	**0.0**	**1.8**	**1.8**	2.3
Other	**0.1**	**3.2**	**3.3**	2.1
	77.7	**22.3**	**100.0**	100.0

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund. These form part of Bradford MDC Statement of Accounts and can be found on Bradford Councils website.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and Teachers' Unfunded Discretionary Benefits liabilities have been assessed by Aon Solutions UK Ltd, an independent firm of actuaries, estimates for the LGPS being based on the latest triennial full valuation of the West Yorkshire Pension Fund carried out as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2023/24			2022/23		
	LGPS		**Teachers**	LGPS		Teachers
	Funded	**Unfunded**		Funded	Unfunded	
Rate of inflation – CPI	**2.60%**	**2.60%**	**2.60%**	2.70%	2.70%	2.70%
Rate of increase in salaries	**3.85%**	**n/a**	**n/a**	3.95%	n/a	n/a
Rate of increase in pensions	**2.60%**	**2.60%**	**2.60%**	2.70%	2.70%	2.70%
Rate for discounting liabilities	**4.80%**	**4.80%**	**4.80%**	4.70%	4.70%	4.70%
<u>Mortality assumptions (years):</u>						
Longevity at 65 for current pensioners:						
Men	**21.0**	**21.0**	**21.0**	21.6	21.6	21.6
Women	**24.2**	**24.2**	**24.2**	24.6	24.6	24.6
Longevity at 65 for future pensioners:						
Men	**22.3**	**n/a**	**n/a**	22.9	n/a	n/a
Women	**25.2**	**n/a**	**n/a**	25.7	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period. For each assumption change all other assumptions remain constant. The analysis only applies to Funded LGPS benefits – the sensitivity of unfunded benefits is not included on materiality grounds. The base figure for the liabilities is £2,244.1 million and for projected service cost is £52.1 million.

	Approximate % Increase in Defined Benefit Obligation	Approximate Monetary Amount
		£000
0.1% decrease in real discount rate	**1.70%**	**38,151**
1 year increase in member life expectancy	**2.60%**	**58,348**
0.1% increase in the salary increase rate	**0.20%**	**4,488**
0.1% increase in the pension increase rate	**1.50%**	**33,662**

Impact on the Council's cash flows

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The contribution rate set by the current triennial valuation took effect from the financial year starting 1 April 2022. The next triennial valuation is due to be completed on 31 March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or services after 31 March 2015 for other main exiting public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total funded contributions expected to be made to West Yorkshire Pension Fund by the Council in the year to 31 March 2025 is £45.4 million. The weighted average duration of the defined benefit obligation for the scheme members is 17.0 years.

GROUP ACCOUNTS

INTRODUCTION

The increasing diversity of service delivery vehicles used by local authorities over recent years has resulted in a requirement to produce Group Accounts. Rather than just using traditional types of service provision, many local authorities now form or invest in separate companies in the public and private sector. As these companies and investments are separate entities, they are not considered in the accounts of the Council. This can result in accounts that do not give a full picture of the services provided and the risks, rewards and costs taken on as a result.

The Group Accounts include:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Notes to the Accounts**

The Council's Group Accounts for 2023/24 are made up of the accounts of the Council and a joint venture (Kirklees Stadium Development Limited). KSDL is consolidated on the Equity method. The consolidation has been prepared in accordance with the IFRS Code and CIPFA's Group Accounts in Local Authorities Practitioners' Workbook. Any divergences from these recommended practices are explained in the notes to the Group Accounts.

Kirklees Stadium Development Limited (KSDL)
The company was formed to carry out the development, construction and running of the sports stadium in Huddersfield. At the Company's Balance Sheet date, the Council had a shareholding of 40%, with Huddersfield Sporting Pride Limited holding 20% and Huddersfield Town Association Football Club Limited holding 40%.

Given the nature of KSDL's business, the ideal time for preparing accounts is during the football close season, giving the company a year end date of 31 July. In order to achieve a consolidation consistent with the Council's Balance Sheet date, KSDL management have provided management accounts as at 31 March 2024.

In 2023/24, based on the Council's interest and after adjusting for the valuation of the stadium, in line with the Group's accounting policies, the Company made an operating deficit of 0.2 million, (operating deficit £0.3 million 2022/23). Similarly, as at 31 March 2024, the Company had net assets of £14.3 million (£18.8 million at 31 March 2023).

The Council's share of KSDL's financial results is summarised in the table below.

	Company Accounts	Council Share	Council Share
	£000		£000
Net Assets	35,865	40%	14,346
Group Deficit	-1,331	40%	-532
Other Comprehensive Income and Expenditure	-9,885	40%	-3,954
Total Comprehensive Income and Expenditure	-11,216	40%	-4,486

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement sets out the accounting cost of the Group providing services in accordance with generally accepted accounting practices. This may be different from the accounting cost.

	2023/24			2022/23		
	Gross Exp £000	**Gross Income £000**	**Net Exp £000**	Gross Exp £000	Gross Income £000	Net Exp £000
Children & Families	**447,487**	**-322,862**	**124,625**	436,219	-306,277	129,942
Adults & Health	**301,332**	**-166,800**	**134,532**	287,652	-143,932	143,720
Growth & Regeneration	**159,555**	**-50,161**	**109,394**	160,292	-41,650	118,642
Corporate Strategy, Commissioning & Public Health	**200,790**	**-116,338**	**84,452**	196,041	-112,084	83,957
Central Budgets	**24,939**	**-11,279**	**13,660**	38,504	-3,061	35,443
HRA	**93,846**	**-100,654**	**-6,808**	86,994	-104,744	-17,750
Cost of Services	**1,227,949**	**-768,094**	**459,855**	1,205,702	-711,748	493,954
Other operating expenditure			**4,062**			5,542
Financing and investment income and expenditure			**33,817**			55,688
Taxation and non-specific grant income			**-415,909**			-398,066
Surplus(-)/Deficit on Provision of Services			**81,825**			157,118
Joint venture accounted for on an equity basis			**532**			742
Tax expenses of subsidiary and joint venture			**0**			0
Group Surplus(-)/Deficit			**82,357**			157,860
Surplus(-)/Deficit on revaluation of PPE and Heritage assets			**-24,082**			-30,869
Impairment losses on non-current assets to the Revaluation Reserve			**0**			0
Surplus(-)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			**-37**			219
Re measurements of the net defined benefit liability			**-63,699**			-871,766
Share of other comprehensive income and expenditure of joint venture			**3,955**			-1,930
Other Comprehensive Income and Expenditure			**-83,863**			-904,346
Total Comprehensive Income and Expenditure			**-1,506**			-746,486

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movements in year on the different reserves held by the Group, analysed between usable reserves and unusable reserves.

	General Fund Balances £000	Housing Revenue Account £000	Usable Capital Reserves £000	Total Council Usable Reserves £000	Total Council Unusable Reserves £000	Total Council Reserves £000	Group Entities Usable Reserve £000	Group Entities Unusable Reserves £000	Total Group Reserves £000
2023/24									
Balance at 31 March 2023	**-96,621**	**-44,416**	**-83,489**	**-224,526**	**-976,026**	**-1,200,552**	**543**	**-19,376**	**-1,219,385**
Movement in reserves during 2023/24									
Total Comprehensive Income and Expenditure	86,373	-4,548	0	81,825	-87,818	-5,993	532	3,955	-1,506
Adjustments between group and Council accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting & funding basis under regulations	-63,706	15,022	-12,300	-60,984	60,984	0	0	0	0
Net Increase(-)/Decrease	**22,667**	**10,474**	**-12,300**	**20,841**	**-26,834**	**-5,993**	**532**	**3,955**	**-1,506**
Balance at 31 March 2024 carried forward	**-73,954**	**-33,942**	**-95,789**	**-203,685**	**-1,002,860**	**-1,206,545**	**1,075**	**-15,421**	**-1,220,891**
2022/23									
Balance at 31 March 2022	-166,793	-54,694	-57,917	-279,404	-175,850	-455,254	-199	-17,446	-472,899
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure	169,329	-12,211	0	157,118	-902,416	-745,298	742	-1,930	-746,486
Adjustments between group and Council accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting & funding basis under regulations	-99,157	22,489	-25,572	-102,240	102,240	0	0	0	0
Net Increase(-)/Decrease	**70,172**	**10,278**	**-25,572**	**54,878**	**-800,176**	**-745,298**	**742**	**-1,930**	**-746,486**
Balance at 31 March 2023 carried forward	**-96,621**	**-44,416**	**-83,489**	**-224,526**	**-976,026**	**-1,200,552**	**543**	**-19,376**	**-1,219,385**

GROUP BALANCE SHEET

This Group Balance Sheet summarises the financial position of the Group. It shows the value of the Group assets and liabilities at the end of the financial year.

	31 March 2024 £000	31 March 2023 £000	Note
Property, Plant & Equipment	**1,690,186**	1,657,600	
Heritage Assets	**55,607**	55,197	
Investment Property	**90,762**	97,535	
Intangible Assets	**2,256**	1,779	
Long Term Investments	**12,728**	13,162	
Investments in Joint Venture	**14,346**	18,833	
Long Term Debtors	**35,970**	31,796	
Pension Asset	**144,419**	88,203	
Long Term Assets	**2,046,274**	1,964,105	
Inventories	**4,596**	3,363	
Short Term Debtors	**96,187**	102,994	
Assets Held for Sale	**3,899**	4,757	
Cash and Cash Equivalents	**29,367**	34,211	
Current Assets	**134,049**	145,325	
Bank Overdraft	**-2,984**	-7,345	
Short Term Borrowing	**-73,305**	-106,475	
Short Term Creditors	**-97,970**	-109,355	
Other Short-Term Liabilities	**-5,455**	-4,566	
Provisions	**-3,739**	-3,122	
Current Liabilities	**-183,453**	-230,863	
Long Term Borrowing	**-641,063**	-512,785	
Other Long-Term Liabilities	**-134,916**	-146,397	
Long Term Liabilities	**-775,979**	-659,182	
Net Assets	**1,220,891**	1,219,385	
Usable Reserves	**-202,610**	-223,983	
Unusable Reserves	**-1,018,281**	-995,402	**G2**
Total Reserves	**-1,220,891**	-1,219,385	

Notes to the Group Accounts

The Council has only included notes which are materially different from the single entity disclosure notes.

G1 Accounting Policies

The main accounting policies to which the Council now complies with under IFRS for Group Accounts are IFRS11 Joint Arrangements and IAS28 Investments in Associates and Joint Ventures.

Companies do have some scope to adopt different accounting policies under UK GAAP and therefore adjustments must be made to the company figures and policies where necessary in order to bring them into line with the reporting authority's policies.

The accounting polices used in the Group Accounts are the same as those for the single entity accounts unless otherwise stated.

Tangible Fixed Assets

The Code requires that the reporting authority and its companies share the same accounting policies in relation to measurement, recognition, valuation, and depreciation of fixed assets. These policies are detailed in the single entity accounting policies.

The stadium has been revalued to a Depreciated Replacement Cost basis for the purpose of consolidation to the Group on a consistent basis with the Council's accounting policy. Using the Equity method for joint venture consolidation, this is reported in the "Investments in Joint Venture" row in the Group Balance Sheet.

G2 Unusable Reserves

The following table provides details of the unusable reserves of the Group:

	KSDL	Council	Total
	£000	£000	£000
Capital Adjustment Account	0	-673,668	-673,668
Revaluation Reserve	-11,188	-301,706	-312,894
Pensions Reserve	0	-90,437	-90,437
Other	-4,233	62,951	58,718
Balance at 31 March 2024	**-15,421**	**-1,002,860**	**-1,018,281**
Capital Adjustment Account	0	-702,869	-702,869
Revaluation Reserve	-15,143	-283,699	-298,842
Pensions Reserve	0	-29,334	-29,334
Other	-4,233	39,876	35,643
Balance at 31 March 2023	**-19,376**	**-976,026**	**-995,402**

G3 Related Party Transactions

The notes below disclose the related party transactions between the Council and KSDL.

Kirklees Stadium Development Limited

During 2023/24 the Council incurred costs of £0.04 million in relation to services provided by KSDL.

The Council made no additional loans to KSDL in 2023/24 (2022/23 no additional loans). At 31 March 2024 the total amount owed to the Council is £4.3 million.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2023/24	2022/23	Notes
	£000	£000	
Expenditure			
Repairs and maintenance	**28,817**	30,874	
Supervision and management	**35,523**	33,144	
Special services	**2,810**	2,944	
Rent, rates, taxes and other charges	**1,078**	372	
Depreciation of non-current assets	**24,937**	18,886	**H1**
Debt management costs	**46**	32	
Movement in the allowance for bad debts	**635**	742	
Total Expenditure	**93,846**	86,994	
Income			
Dwelling rents	**-87,289**	-82,447	
Non-dwelling rents	**-220**	-187	
Charges for services and facilities	**-2,923**	-2,742	
Grants and contributions	**-7,936**	-8,003	**H10**
Revaluation gains on Property, Plant and Equipment	**-2,285**	-11,366	**H1**
Total Income	**-100,653**	-104,745	
Net Income of HRA Services as included in the CIES	**-6,807**	-17,751	
HRA share of Corporate & Democratic Core	**173**	159	
HRA share of Non-distributed costs	**26**	25	
Net Income of HRA Services	**-6,608**	-17,567	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	**-1,173**	-2,029	**H4**
Interest payable and similar charges	**10,314**	10,698	
Interest and investment income	**-1,718**	-778	**H1**
Income and expenditure in relation to Investment Properties and changes in fair value	**-479**	-1,377	
Capital grants and contributions receivable	**-4,884**	-1,159	
Surplus for the year on HRA services	**-4,548**	-12,212	

MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) STATEMENT

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2023/24		2022/23		Notes
	£000	**£000**	£000	£000	
Balance on the HRA at the end of the previous year		**-44,416**		-54,694	
Surplus for the year on the HRA Income and Expenditure Statement		**-4,548**		-12,211	
Adjustments involving the Capital Adjustment Account:					
Net revaluation gains on PPE	**2,487**		12,400		**H1**
Capital grants and contributions applied	**4,884**		1,159		
Amounts of non-current assets written off on disposal or sale	**-5,211**		-6,908		**H4**
Capital expenditure charged against balances	**3,895**		4,020		
Provision for the financing of capital investment	**2,619**	**8,674**	2,916	13,587	
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	**6,555**		9,174		**H4**
Contribution towards administrative costs of asset disposals	**-172**	**6,383**	-237	8,937	
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the HRA Income and Expenditure Account are different from those required by statutory regulations		**-35**		-35	
Increase(-)/decrease in the year on the HRA		**10,474**		10,278	
Balance at the end of the current year		**-33,942**		-44,416	

NOTES TO THE HRA

H1 Depreciation and revaluation gains

The depreciation charge for Council dwellings in 2023/24 is £24.8 million (2022/23 £18.6 million) and non-dwellings £0.2 million (2022/23 £0.3 million).

The revaluation of the HRA was carried out on the 31 December 2023 by the DVS Valuation Office Agency.

Revaluations of Council dwellings during the year resulted in a £17.2 million gain (2022/23 £29.3 million gain) of which £2.3 million was credited to the HRA Income and Expenditure statement and £14.9 million to the Revaluation Reserve. The £17.2 million gain included a £37.9 million increase at the formal valuation date of 31 December 2023 and an estimated decrease of £20.7 million from January – March 2024 based on a decrease of 2.50% as advised by the DVS Valuation Office Agency. The value is obtained by taking the cost of buying a vacant dwelling of a similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used for social housing. The Stock Valuation guidance, which was updated in November 2016, provides the adjustment factor for Yorkshire and Humber as 41% (2022/23 41% as adjusted by the valuer).

Revaluations on non-dwellings during the year resulted in a £0.4 million gain (2022/23 £0.8 million) of which the whole amount was credited to the Revaluation Reserve.

There was a revaluation gain on Investment Properties of £0.2 million in 2023/24 (2022/23 £1.0 million gain).

H2 Movement in HRA Fixed Assets

	PPE Council Dwellings	Council Dwellings Held For Sale	Other Land and Buildings	Surplus Assets	Assets Under Construction	Investment Properties	Total Assets
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2023	812,046	4,757	4,824	0	7,889	7,201	836,717
Additions	22,471	0	0	0	9,397	0	31,868
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-9,407	0	233	10	0	0	-9,164
Revaluation increases/decreases(-) Revaluation recognised in Surplus on the Provision of Services	1,827	0	3	0	0	203	2,033
De-recognition - disposals	-338	-4,757	-120	0	0	-280	-5,495
Assets reclassified to(-)/ from Held for Sale	-3,899	3,899	0	0	0	0	0
Other movements in cost or valuation	2,031	0	-195	195	-2,031	0	0
At 31 March 2024	**824,731**	**3,899**	**4,745**	**205**	**15,255**	**7,124**	**855,959**
Accumulated Depreciation and Impairment							
At 1 April 2023	0	0	0	0	0	0	0
Depreciation charge	-24,775	0	-162	0	0	0	-24,937
Depreciation written out to the Revaluation Reserve	24,332	0	144	2	0	0	24,478
Depreciation written out to Surplus on the Provision of Services	443	0	12	0	0	0	455
Other movements in depreciation and impairment	0	0	6	-2	0	0	4
At 31 March 2024	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value							
at 31 March 2024	**824,731**	**3,899**	**4,745**	**205**	**15,255**	**7,124**	**855,959**
at 1 April 2023	812,046	4,757	4,824	0	7,889	7,201	836,717

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 31 December 2023 by DVS Property Specialists, who are RICS qualified. As at that date, the vacant possession value of dwellings was £2,048 million. The difference between this and the Balance Sheet value reflects the economic cost of providing Council housing at less than open market rents.

H4 Gains and Losses on Asset Disposals

Gains and losses on asset disposals are shown on the face of the HRA Income and Expenditure Statement. The gain on disposal in 2023/24 was £1.2 million (2022/23 gain £2.0 million), resulting from capital receipts of £6.3 million less net book value of £5.1 million.

H5 Major Repairs Reserve

Statutory regulation requires that a Major Repairs Reserve is maintained. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance new capital expenditure on HRA assets or repay HRA debt.

	2023/24	2022/23
	£000	£000
Balance at 1 April	0	0
Amount equivalent to depreciation	-24,937	-18,886
	-24,937	-18,886
Financing of new capital expenditure	20,640	18,886
Used to repay debt	4,297	0
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

	2023/24	2022/23
	£000	£000
Capital Expenditure:		
Fixed Assets (including PFI)	32,163	27,438
Total Capital Expenditure	32,163	27,438
Financed by:		
Finance Lease (PFI)	-540	-336
Major Repairs Reserve	-20,639	-18,886
Capital Receipts	-3,155	-3,037
Capital Grant and Contributions	-3,934	-1,159
HRA RCCO/Reserves	-3,895	-4,020
Total Sources of Finance	-32,163	-27,438

H7 Capital Receipts

	2023/24	2022/23
	£000	£000
Capital receipts from sales of:		
Dwellings	-6,473	-9,119
Land	-50	-55
Clawback of legal title on Right to Buy sales	-32	0
	-6,555	-9,174
Contribution to Housing Pooled Capital Receipts	0	0
Disposal costs	172	237
Usable capital receipts	-6,383	-8,937

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement. From 2022/23 the Department for Levelling Up, Housing and Communities allowed Local Authorities to retain the contribution to the housing pool so no payment was made.

H8 Housing Stock

The Council's housing stock at 31 March 2024 is analysed below by size and age:

By Size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,776	5,173	4,056	323	12,328
Flats/ Bedsits and Maisonettes	6,961	2,338	102	0	9,401
	9,737	7,511	4,158	323	21,729
By Age	**Pre 1945**	**1945-64**	**1965-74**	**Post 1974**	**Total**
Houses/ Bungalows	5,219	4,955	1,496	658	12,328
Flats/ Bedsits and Maisonettes	188	2,304	3,803	3,106	9,401
	5,407	7,259	5,299	3,764	21,729

H9 Rent Arrears

Net rent arrears have increased over the year, as follows:

	2023/24	2022/23
	£000	£000
Rent Arrears	**4,949**	4,975
Less Bad Debt Provision	**-1,601**	-1,485
Net Rent Arrears	**3,348**	3,490

H10 Housing PFI

In December 2011, the Council entered into a twenty two and a half year contract with Regenter Excellent Homes for Life for the design, build, financing and operation of a PFI contract to provide 466 units of HRA housing. The contractor has a licence from the Council to build and operate on Council sites. The operator is obliged to hand over the housing units in a specified condition at the end of the contract for no incremental consideration.

The Council incurred costs of £10.1 million under the contract in 2023/24 (2022/23 £9.4 million) and received £7.9 million in PFI Grant (2022/23 £7.9 million). Details of estimated payments due to be made are as follows:

	Service Charges	Interest Charges	Repayments of Liability	Total
	£000	£000	£000	£000
In 2024/25	3,421	2,871	2,993	9,285
Between 2025/26 and 2028/29	15,225	9,380	13,726	38,331
Between 2029/30 and 2033/34	17,950	5,119	26,115	49,184
In 2034/35	770	5	1,670	2,445
Total	**37,366**	**17,375**	**44,504**	**99,245**

Part of the contract is indexed annually in line with RPI (assumed to be 2.5% throughout the life of the contract).

The value of assets (Council Dwellings) held under this scheme is as follows:

	2023/24	2022/23
	£000	£000
Net Book Value at 1 April	**15,864**	15,472
Additions	**540**	336
Revaluations net of depreciation written back	**267**	359
Depreciation	**-443**	-303
Net Book Value at 31 March	**16,228**	15,864

The value of liabilities held under this scheme is as follows:

	2023/24	2022/23
	£000	£000
At 1 April	**-42,671**	-45,251
Movement in the year	**2,078**	2,580
At 31 March	**-40,593**	-42,671

COLLECTION FUND STATEMENT

The Collection Fund Statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic (Business) Rates.

	2023/24			2022/23			
	Business Rates	**Council Tax**	**Total**	**Business Rates**	**Council Tax**	**Total**	**Note**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Income							
Income from Council Tax		**-259,413**	**-259,413**		-242,775	-242,775	**C1**
Income Collectable from Business Ratepayers	**-91,033**		**-91,033**	-90,841		-90,841	**C2**
Contributions towards previous years' Collection Fund deficit	**0**	**0**	**0**	-30,887	-1,197	-32,084	
General fund Contribution for discretionary discounts	**0**	**-803**	**-803**	0	-2,445	-2,445	
Total Income	**-91,033**	**-260,216**	**-351,249**	-121,728	-246,417	-368,145	
Expenditure							
Precepts and demands -							
Central Government	**49,443**		**49,443**	43,717		43,717	
Kirklees Council	**48,454**	**220,432**	**268,886**	42,843	207,710	250,553	
West Yorkshire Fire and Rescue	**989**	**9,510**	**10,499**	874	8,799	9,673	
West Yorkshire Police		**29,113**	**29,113**		26,975	26,975	
Allowance for impairment of debt	**1,123**	**5,426**	**6,549**	1,960	3,769	5,729	
Provision for Appeals	**430**	**0**	**430**	170	0	170	
Cost of collection	**586**		**586**	586		586	
Transitional Protection Payment	**-7,026**		**-7,026**	1,271		1,271	
Designated Areas	**1,375**		**1,375**	419		419	
Interest on Refunds	**38**		**38**	0		0	
Distribution of previous year's Collection Fund surplus	**3,544**	**337**	**3,881**	0	0	0	
Total Expenditure	**98,956**	**264,818**	**363,774**	91,840	247,253	339,093	
Surplus(-)/Deficit	**7,923**	**4,602**	**12,525**	-29,888	836	-29,052	
Balance at 1 April	**-2,545**	**1,687**	**-858**	27,343	851	28,194	
Balance at 31 March	**5,378**	**6,289**	**11,667**	**-2,545**	**1,687**	**-858**	**C3**

NOTES TO THE COLLECTION FUND STATEMENT

C1 Council Tax

The Council Tax is charged on a series of property valuation bands. These bands, the charges due for the year and the average Council Tax are shown below.

Estimated at the start of the year						
	2023/24				2022/23	
Number of Chargeable Dwellings	**Band D Equivalent Dwellings**	**Average Council Tax**	Band	Number of Chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax
		£				£
92	51	1,168.03	A (5/9)	79	44	1,109.62
54,714	36,476	1,401.63	A (6/9)	53,833	35,888	1,331.54
28,134	21,882	1,635.24	B (7/9)	28,004	21,781	1,553.46
28,080	24,960	1,868.84	C (8/9)	27,856	24,761	1,775.39
15,653	15,653	2,102.45	D (9/9)	15,501	15,501	1,997.31
11,471	14,021	2,569.66	E (11/9)	11,342	13,863	2,441.16
5,241	7,570	3,036.87	F (13/9)	5,182	7,485	2,885.00
2,104	3,506	3,504.08	G (15/9)	2,087	3,478	3,328.85
116	232	4,204.90	H (18/9)	114	228	3,994.62
	124,351		Total		123,029	
	-1,135		Estimated losses on collection		-1,123	
	123,216		Council Tax Base		**121,906**	

C2 Non-Domestic (Business) Rates

The Government specifies a multiplier and, subject to the effects of transitional arrangements and other reliefs, local businesses pay rates calculated by applying the multiplier to their rateable value. There are two multipliers – the national non-domestic rating multiplier of 51.2p (2022/23 51.2p) and the small business non-domestic rating multiplier of 49.9p (2022/23 49.9p) which is applicable to those that qualify for small business rate relief. The Council is responsible for collection rates due from ratepayers in its area and pays 50% of the proceeds to Central Government and 1% to West Yorkshire Fire and Rescue Authority.

	2023/24	2022/23
	£000	£000
Non-domestic rate income 2023/24 (average rateable value £302,061,491)	**-150,729**	
Non-domestic rate income 2022/23 (average rateable value £284,288,518)		-141,860
Allowance and other adjustments (net)	**59,696**	51,019
	-91,033	**-90,841**

The actual non-domestic rateable value at 31 March 2024 was £302,082,707 (£284,264,761 at 31 March 2023).

Kirklees has been part of a regional business rates pool since April 2013. It pools the business rates income of member authorities which, for 2023/24, includes Kirklees, Bradford, Wakefield & Calderdale (top up authorities), and Leeds & York (tariff authorities). Leeds are the lead authority for the administration of this Leeds City Region (LCR) Pool.

The pool is established for one year at a time and thus the existing pool will cease at the end of 2023/24. As part of the 2024/25 Local Government Finance Settlement, Government confirmed the application for the continuation of the LCR Pool into 2024/25 was successful.

The pooling proposals offer suitable groups of authorities (where there is a mixture of top-ups and tariffs) the opportunity to avoid or significantly reduce government levies for which their tariff authorities would otherwise be liable if they grow their business rates income by more than inflation. The overall pool position for 2023/24 has yet to be determined, but as in previous years any gain will be utilised for the benefit of all pool members.

C3 Movement on Balances

The balance on the Collection Fund relates to Council Tax, Community Charge and Business Rates. That part of the balance which relates to Community Charge will be paid to the Council in subsequent financial years. That part of the balance which relates to Council Tax will be shared between the Council, West Yorkshire Police Authority and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. That part of the balance which relates to Business Rates will be shared between the Council, Central Government and West Yorkshire Fire and Rescue Authority in proportion to their precepts and demand on the Fund, again in subsequent financial years. The balance is split as follows:

	1 April 2023	Share of 2023/24 Surplus (-)/ Deficit	**31 March 2024**
	£000	£000	**£000**
Council Tax and Community Charge			
Kirklees Council: Community Charge	-10	0	**-10**
Council Tax	1,448	3,913	**5,361**
Collection Fund Adjustment Account - Council Tax	**1,438**	3,913	**5,351**
West Yorkshire Police Authority - Council Tax	187	523	**710**
West Yorkshire Fire and Rescue Authority - Council Tax	62	166	**228**
	1,687	**4,602**	**6,289**
Business Rates			
Kirklees Council - Business Rates	-1,247	3,882	**2,635**
Collection Fund Adjustment Account - Business Rates	-1,247	3,882	**2,635**
Central Government - Business Rates	-1,272	3,961	**2,689**
West Yorkshire Fire and Rescue Authority - Business Rates	-26	80	**54**
	-2,545	**7,923**	**5,378**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The financial year 2023/24 marked the final year of charges relating to the phasing of Collection Fund deficits. The intention to implement the three-year local tax Collection Fund deficit phasing was announced by the Secretary of State in July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations amended the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the ‘exceptional amount’ (i.e. relating to Covid-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

Glossary of Terms

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts
These are the proceeds from the sale of capital assets.

Cash Equivalents
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks.

Contingent Asset
A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability
A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core
Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost
The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme
A scheme in which retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciated Replacement Cost
A method of valuation which provides a recognised proxy for the market value of specialised properties. It is an estimate of the market value for the existing use of land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV – SH)
Existing Use Value for Social Housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following assumptions:

- The property will continue to be let by a body and used for social housing;
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably hinder the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let then, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund
This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets
A type of asset which is kept primarily for its contribution to knowledge and culture. Examples of heritage assets include museum artefacts, paintings, sculptures, and civic regalia.

Housing Revenue Account (HRA)
This fulfils the statutory obligation for Councils to account separately for the provision of Council houses. The Local Government and Housing Act 1989 ring fenced the HRA so that no subsidy can be received from the General Fund.

Impairment
A reduction in the value of a fixed asset below it's carrying amount on the Balance Sheet.

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets
Intangible assets are assets which do not have a physical form e.g., externally purchased software.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Leasing
A method of financing capital expenditure which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset. A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Live Condition – Grant
Live conditions are those conditions that specify that a grant must be used for a specific purpose and if it isn't used for that purpose, the grant funding must be returned to the giver.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Domestic Rates (also known as Business Rates)
This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

Non-distributed Costs
These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Past Service (Pensions) Costs
Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Precept
This is a charge levied by a local authority which is collected on its behalf by another authority (for example, the Police or Fire Authority). It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provisions
These are liabilities of uncertain timing or amount.

Related Parties
Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure
This is money spent on the day to day running costs of providing services. It is usually of a recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Settlements and Curtailments (Pensions)
Settlements and curtailments are non-periodic costs. They are events that change the pensions' liabilities but are not normally covered by actuarial assumptions, for example a reduction in employees through a transfer or termination of an operation.

Soft Loans
Authorities sometimes make loans to individuals or organisations at less than market rates, where a service objective would justify the Council making a concession. The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. In subsequent years this discount is unwound by applying a market rate of interest, which will write up the value of the loan less any repayments of principal.

Usable Reserves
These represent reserves available to support revenue and capital expenditure and are divided as follows:

- General Fund Balances – This is the general reserve available for Council use, excluding Housing Revenue Account purposes.
- Earmarked General Fund Reserves – These are reserves set aside for specific areas of expenditure and risk.
- Housing Revenue Account (HRA) – This is a general reserve available for HRA purposes.
- Capital Receipts Reserve – Income from the disposal of assets and capital loans is credited to this reserve. A proportion of the receipts relating to housing disposals is payable to the Government. The balance on the reserve can be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow.
- Major Repairs Reserve – The Council is required by regulations to maintain this reserve. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance capital expenditure on HRA assets or repay HRA debt.
- Capital Grants Unapplied – Capital grants and contributions received by the Council are credited to this reserve when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund related capital expenditure when it is incurred.

Unusable Reserves

- Capital Adjustment Account **-** This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Revaluation Reserve **-** This account records the net gain from fixed asset revaluations made after 1 April 2007.
- Accumulated Absences Account – This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
- The Collection Fund Adjustment Account – This account manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- The Deferred Capital Receipts Reserve – This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Financial Instruments Adjustment Account – This account provides a balancing mechanism between different rates at which gains and losses (such as premiums on the early repayment of debt and soft loans) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for Sale Financial Instruments Reserve - This Reserve records gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.
- Dedicated School Grant Adjustment Account - A temporary ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council's General Fund Earmarked reserves.

To be added in due course

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Kirklees Council

Annual Governance Statement 2023/24

January 2025

Overall Conclusion & Opinion

We have carefully considered the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We acknowledge responsibility for ensuring that there is a sound system of governance, which is particularly supported by the authority's code of governance.

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 have monitored their implementation during 2024/25 and will continue to do so in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Carole Pattison, Leader of the Council

Steve Mawson, Chief Executive

Kevin Mulvaney, Service Director Finance (S151 officer)

Introduction

All local authorities are required to produce an Annual Governance Statement. This is intended to provide information about how the council is governed to achieve effective and efficient service delivery compliant with all obligations.
This report sets out the scope of responsibilities, the purpose of a governance framework, the key parts of the framework, a review of the effectiveness of these processes in 2023/24, an indication of what would be a key governance issue, an assessment of progress against governance issues raised in previous years and new issues that have arisen during 2023/24.

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 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 2023/24 and up to the date that the Statement of Accounts is approved 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 2023/24 and those which are planned or ongoing in 2024/25.

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 key objectives and to assess if this has led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the Council's governance framework, designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims, objectives and policies and can only 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, *Our Council Plan*, which outlines how officers will seek to run the Council to meet our community commitments and key objectives and quarterly performance monitoring of progress in doing so.
- 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.
- 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 Leadership Team (ELT).
- 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 joint venture company, KSDL, whose accounts are subject to external audit.

2023/24 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 believes that its processes and arrangements effectively deliver the key elements of the governance framework and continue to be regarded as fit for purpose

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 at its meeting in May 2024. The Head of Audit has confirmed audit arrangements have continued to be compliant with prevailing professional standards and code of ethics.

2. Risk Management
   The overall framework, system and processes is working well and continues to be developed and embedded across all parts of the Council. Any new and emerging risks / and any high risks not being controlled effectively have been raised during the year and escalated to ELT as appropriate. These included matters related to the financial stability of the Council, SEND, associated parties, housing generally and property conditions specifically, employment and staffing- particularly in the context of hard to fill posts and the impact that this can have on performance in certain operational areas.

3. Head of Audit's Annual Assurance Opinion
   The proportion of areas where control issues have arisen during the year is growing but nevertheless the Head of Audit has reported he has obtained sufficient assurance that overall, the Council's systems of governance, risk management and internal control continue to be generally sound and operate reasonably consistently across Services. No new issues of significant concern were reported.

4. External Auditor's Review
   The audit of the Council's 2023/24 financial statements and Annual Report (VFM Review) is scheduled for approval at CGAC in January 2025 and includes reference to areas such as Safety Valve, Financial Position, Housing regulator which are addressed in this Statement.
   In December 2023, the 2022/23 financial statements were approved with an unqualified opinion. The 2022/23 Annual Report received by the CGAC in January 2024 reflected that the previous year's Report had been made only in the preceding July and so the significant weakness in financial sustainability and accompanying key recommendation remained in place for the current year of account. Whilst noting good progress had been made in addressing the recommendation concerning short term savings that could be delivered quickly, further developments in the governance of the savings plan and co-ordination with the longer-term transformation programme had yet to be addressed, in addition to a robust solution to rebuilding reserves.
   A second new key recommendation was made concerning the Council's Dedicated School Grant deficit position, as it judged the remediation plan agreed with the DfE had faltered, albeit that since then the Council has been proactive in ongoing negotiations to identify a way forward.
   No significant areas of weakness were identified either in governance arrangements, or those for identifying economy, efficiency and effectiveness.

5. Cabinet
No new significant issues to report arose from the Committee's work this year.

6. Corporate Governance & Audit Committee
During 2023/24 the CGAC reviewed 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 second line of defence mechanisms in their 2023/24 annual reports, such as regarding 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. No new significant issues to report arose from the Committee's work this year.

7 Overview & Scrutiny Management Committee
During 2023/24 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. No new significant issues arose from the work of the Overview & Scrutiny process this year.

8. Standards Committee
During the year, the Committee reviewed various aspects of Member conduct arising from an increased volume of complaints, but none individually or collectively were of sufficient significance to warrant reporting in this Statement.

9. Role of the Chief Financial Officer
During 2023/24 the previous Service Directors of Finance (SDF) retired, and his successor then left the Council after a short period of tenure and an Interim appointment was made pending the arrival of the new Chief Executive. A permanent appointment was made subsequently and the new incumbent started in the role in May 2024, a role which continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure he is able to operate effectively and perform his core duties compliant with the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.
Assessments by a previous SDF and Internal Audit confirmed prior to 2023/24 that the Council was compliant with the CIPFA Financial Management Code, although there are some aspects of operations that can be strengthened further in line with recommendations made by Internal Audit at that time.

10. Role of the Monitoring Officer / Senior Information Risk Owner
The Service Director performing this role left the Council at the start of June 2024 and has been replaced accordingly. She had 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.
The Council's Code of Corporate Governance as adopted in 2017 reflecting *CIPFA/SOLACE Delivering Good Governance Framework 2016* includes a requirement for regular review and best practice would suggest this may even be an annual process. This was subject to reviewed in 2020. No other Issues identified other than those included in the 2022/23 Statement. (see new areas 1).

11. Officer Governance
No new significant issues to report arose from the ELT's work this year.
Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme with strategic oversight from the ELT 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 and are covered in the financial position of the Council in this Statement.

12. Significant Partnerships
Partnerships range from the joint venture partnership and 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. Senior officers use this information to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. Every six-months, a report is provided to ELT as part of the quarterly assurance meetings that updates on key issues and risks across partnership working and the key partnerships.
Whilst the revised and strengthened governance framework has become embedded, the Council is continuing to work on a number of areas where there is scope for arrangements to be improved further.

13. Corporate Financial Management and Corporate Performance & Impact Reports
Twice-yearly Corporate Performance and Impact reports, covering key activities and the outcomes within the Council Plan, continued to be produced in 2023/24 in line with the expectations of the Administration. The Council will return to quarterly performance reporting, including a renewed set of key performance indicators to accompany the Council Plan priorities from quarter 1 2024/25. This will provide greater visibility of performance in key areas to aid an understanding of the effectiveness of the organisation. Overall understanding of the impact of the Council's performance and delivery of services continues to be the key purpose of reporting.

14 External Inspections, Regulatory Action & Peer Reviews

The central repository of the objectives, outcome and future timetable of all external inspections, audits, accreditations and reviews established by the Corporate Planning and Co-ordination Team from information provided by Service Directors enables areas for improvement and recommendations to be implemented to be identified quickly and progress monitored accordingly to ensure complete corporate oversight. This process will be embedded further into the work of the Team. A review is currently underway to identify any themes, and they will be communicated as part of preparation for the forthcoming Corporate Peer Challenge.

All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

What would be a Significant Governance Issue

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2022/23 Statement and some new areas. Those issues that meet one or more of the following criteria (suggested by CIPFA / SOLACE) have been regarded as *significant* and are included in this Statement:

A) It undermines / threatens the achievement of our four key Council priorities:
- to address our financial position in a fair and balanced way.
- to strive to transform council services to become more efficient, effective, and modern.
- to continue to deliver a greener, healthier Kirklees and address the challenges of climate change.
- to continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.

B) It is a significant failure to meet the principles of good governance.
C) It is an area of significant concern to an inspector, regulator or external audit.
D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee 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 (2022/23) Statement

Our previous Statements recognised 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 feature in a similar form for a number of years, though some aspects can be resolved during the year. A change of focus or circumstance with an issue may result in it being retained but in a revised form in the following year's Statement.

Good governance is about taking actions and making continuous improvement. Sufficient progress has been made since the 2022/23 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from those described in this Statement.

Issues from the 2022/23 Statement which are considered to be completed

2022/23 ISSUE	ACTION TAKEN
Corporate Planning & Resource Allocation processes and timing are not sufficiently joined to facilitate delivery of the Council's key objectives.	The two processes have been better synchronised so that the resource allocation process enables delivery of the Corporate Plan, with joint consideration and approval at Budget Council at the start of March 2024.
Partnership Governance and building on new relationships needed developing further.	A revised and strengthened governance framework has become embedded, although the Council is continuing to work on those areas where there is scope for arrangements to be further improved.
Governance of decision making, Member roles and place-based working needed strengthening.	Continued implementation and development of the current governance model with a focus on pre-decision scrutiny and delivery of improved communication and training to those involved.
Assimilation of new personnel into key corporate management roles within the Executive Leadership Team.	Appointments have been made to all the key posts concerned and effective new working relationships have been developed.

Issues from the 2022/23 Statement where further work or time to embed improvements is still required

No	Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in the remainder of 2024/25 and beyond, and target date for implementation, & Person Responsible
1	Ensure there is corporate oversight of progress to 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.	The Housing Regulator issued formal notice in March 2024, identifying areas where the Council needs to improve its compliance, specifically for the treatment of damp, mould and condensation and fire safety. Since then, the Council has met with the Regulator on a monthly basis to provide assurance on progress against an agreed Action Plan. The Regulator has undertaken to work with the Council to secure delivery, rather than apply statutory sanction. The Council alerted the Regulator in July 2024, concerning the correct inspection, testing and assurance regime for water quality in all tenanted properties. The Council has implemented the correct testing arrangements, (October 2024), with properties prioritised according to a risk assessment An Improvement 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 of Social Housing. The Scrutiny Committee for Growth & Regeneration also has Homes and Neighbourhoods standards within its remit, and it receives timely updates as part of its annual work programme.	Continue to deliver the Action Plan agreed with the Regulator within the timescales specified. (continuous) Assurance is provided to the Building Safety Assurance Board, Homes and Neighbourhoods Improvement Board, Regulator. (all monthly) Internal process review led by Director of Homes and Neighbourhoods, with input from the corporate Transformation Team, as part of the Improvement Programme (quarterly programme reporting)

	A, C, E	A six-monthly report, set out progress against the Regulator's concerns, as reported to the Cabinet committee in October 2024.	**Responsible:** Director of Homes & Neighbourhoods
2	Robust governance oversight and management of progress in implementing the significant changes that underpin the 2024/25 budget that is of key importance to ensuring the financial stability of the Council.	**2023/24** The serious financial position was partly mitigated by controls introduced in September 2023 including: - • Spending and recruitment controls • Review of all reserves- earmarked or otherwise- to determine if any of those reserves could be used to support the in-year position and if any could be moved to unallocated reserves to bolster the Minimum Working Balance (using a risk-based analysis - as per CIPFA guidance). • External review of MRP policy to generate short to medium term revenue savings to help the 2023/24 overspend and to provide balances over the next 2 to 3 years whilst the Council's financial position could be stabilised over the medium term. • 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. Collectively these actions helped reduce the revenue overspend from £20.3m (Q1 (23/24) projection) to	**For 2024/25** Continue to update monthly projections and to implement use of reserves to balance in year overspends. **For 2025/26** Budget proposals to Cabinet in December 2024 and out for consultation. Budget 2025/26 to be taken to February Cabinet and March 2025 Council for approval. 2025/26 budget provides significant additional funding for demand pressures and where services have overspent. This is expected to reduce the number and scale of budget variations in year. Regular Monitoring of revenue and capital budgets will continue with monthly updates to Executive Leadership, Cabinet and Council.

		£7.3m at outturn 2023/24 and consequently reduced the reliance on reserves. **<u>2024/25</u>** Completion of 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 2025/26 to 2029/30 based on a range of sound assumptions with an aim of providing a more robust base budget going forward. The approved budget for 2024/25 included savings of £42m and these are tracked each month as part of the suite of corporate reports. Quarterly reports to Members continue to highlight the in-year financial position and the need to further use short term reserves to balance the budget. At Q2 (24/25), the projected overspend was £9.9m after using £3m of unallocated reserves. Ongoing review of capital programme to ensure it remains affordable, with over £70m slipped into future years.	**Summer 2025** Refresh of MTFP to Cabinet to reflect new revenue pressures, revised capital plans and reserves strategies.
	A, C, E, F		**<u>Responsible:</u>** Director of Finance
3	The management, governance and use of data is not always effective, meaning that decisions are not necessarily informed by	The council's draft Data and Insight Strategy is designed to improve how the Council manages and uses data. Its content has regularly evolved as the council's needs have changed in the past two years	The Data and Insights Strategy will be brought forward for sign off in quarter 3, 2025/26. This will be subject to a robust

	robust evidence, as well as creating unintended financial and operational risks. A, F	and is subject to reassessment and sign-off in 2025/26. Implementation of priority activities continues, alongside the Technology and Information Governance Strategies. For example, performance dashboards have been introduced, which supports the regular reporting of performance across the council.	implementation programme alongside the Technology Strategy. **Responsible:** Director of Strategy & Innovation
4	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 (DSG). A, E, F	There is an agreed plan with the Department for Education to reduce the High Needs Block cumulative deficit by 2029/30. This requires the continuation of the DfE's annual safety valve contributions and funds from the Council (which is factored into the 2025/26 budget and the latest version of the MTFP). This Plan has been revised with agreement of DfE. Council Services will continue to work collaboratively with schools and other partners to effectively manage the High Needs Block expenditure. Woodley Moor, a Satellite to Woodley School and College opened 01/10/2024. However, substantially increased demand, and other difficulties means that achievement of the goals requires substantial continued attention.	The Safety Valve plan includes - New special schools (one to be completed by September 2026) - Further Additionally Resourced Provisions and Satellite Provision, (the second phase of A due to be in place by 01/09/2025 - More effective processing and resource allocation as a part of the initial SEND assessment. (completion by 31/03/2025) **Responsible:** Executive Director of Childrens Services

New Issues

The annual review of the effectiveness of our governance arrangements in 2024 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In addition to those issues retained from the 2022/23 Statement, the following new ones have emerged through this process which require further remediation and management action.

New Issues which require action

No	Governance Issue / Theme	Reason for Inclusion	Action Taken and Planned in 2024/25 and beyond
1	The Code of Corporate Governance has not been reviewed formally since March 2020.	The Code underpins arrangements and the environment in which this Statement is compiled. (B)	The Code will be reviewed in line with CIPFA / SOLACE good governance practice by the Service Director, Legal, Governance & Commissioning to ensure it remains fit for purpose in the current position of the Council and the outcome reported to the CGAC in February 2025 and posted on the website.
			Responsible: Director of Legal Governance & Commissioning
2	Ensuring Accident Reporting is timely and in accordance with statutory regulations.	The Council was issued a Notice of Contravention by the Health & Safety Executive (HSE) for late reporting. (E)	Awareness has been raised across the Council. Communication on prompt accident reporting was circulated to all Kirklees Leadership Forum members in June 2024. Senior management are monitoring compliance closely with performance is reported to the Health and Safety Oversight Board. Managers must report accidents to the Corporate Health & Safety Team within 24 hours who will notify the HSE as required These measures have proved effective to date in improving management notification of accidents.
			Responsible: Head of Health Protection

The Executive Leadership Team (ELT) and Corporate Governance & Audit Committee (CGAC) will monitor progress during 2024/25 and beyond.

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Our Ref: KM/SD/HC

Date:

Grant Thornton UK LLP
No.1 Whitehall Riverside
Whitehall Rd
Leeds
LS1 4BN

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

Dear Grant Thornton UK LLP

Kirklees Council Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council and its joint venture undertaking Kirklees Stadium Development for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

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

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

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the group and Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

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

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

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

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

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

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

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

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

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

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

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

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

Information Provided

xvii. We have provided you with:

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

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

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

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

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

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

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

a. management;

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

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

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

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

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

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

xxvi.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council’s Corporate Governance and Audit Committee at its meeting on 31 January 2025.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

Grant Thornton

Kirklees Council

Auditor's Annual Report for the year ended 31 March 2024

23 January 2025

For Corporate Governance and Audit Committee

Contents

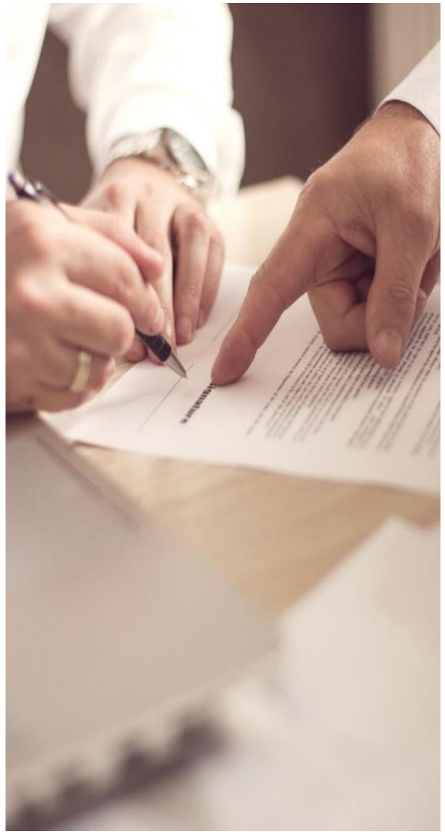
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

1. Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Kirklees Council (the Council) during 2023-24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023-24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness.

The Value for Money auditor responsibilities are set out at Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.

Executive summary

2. Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. Our summary findings are set out below. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 33.

Financial sustainability

In 2023-24 the Council experienced extensive budget pressures and ended the year with an overspend of £7.3m (representing 2% on a net budget of £359.5m) but delivered all the planned savings of £19.8m. We identified in the Auditor's Annual Report for 2022-23 that the Council had a significant weakness in Financial Sustainability. The Council had an overspend of £7.3m as discussed in 2023-24 and is currently forecasting an overspend of £9.9m at Q2 in 2024-25. The Council has taken action but in our view the weakness remains. The pressures on the Council's budget are not in themselves unique, and are similar to many other authorities, and the responses have generally been designed to reduce overspends – consistent with other authorities we audit, though the Council did not fully anticipate or incorporate the pressures that have become clear in the 2024-25 budget. The overall situation is more acute for the Council as the level of reserves are low, when compared with its peers and upcoming expenditure pressures. A Key Recommendation has been made which has been accepted by Management.

Key recommendation 1: the Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:

- **taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25**
- **reviewing pressures, assumptions and future savings levels in the MTFS**
- **reviewing the target level of reserves it wishes to achieve in future years of the MTFS.**

Further detail can be found on page 18.

The Dedicated Schools Grant (DSG) is a budget allocated in four blocks, including schools, early years, high needs, and central school services. Nationally, a number of councils have experienced increasing costs in the DSG High Needs Block (HNB). The Council has been spending more than the funding provided and has been in an ongoing deficit position, attributable to the HNB and is part of the Department for Education's Safety Valve programme, which allocates additional funds and support to councils to improve DSG financial sustainability. The DSG deficit was identified as a significant weakness in 2022-23. Having completed our detailed work in this area, we consider this remains a significant weakness in arrangements for 2023-24. Whilst the Council has renegotiated its Safety Value management plan with the DfE, this plan is not on track. The deficit stands at £43.7m at 31 March 2024

Councils are at present permitted not to charge the deficit on DSG to their General Reserve, but when this "Statutory Override" ends, currently scheduled to be 2026, then it is likely they will have to meet the ongoing deficit, forecast for Kirklees to be £20m in 2024-25. This would place further pressure on the Council's financial position as noted in Key Recommendation 1 above.

A Key Recommendation has been made which has been accepted by Management. **Key recommendation 2: The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.**

Further detail can be found on page 19.

Executive summary (continued)

Governance

The Council had systems in place to identify and manage risks, prevent and detect fraud, and maintain standards within the Council. The internal audit service provided a range of reviews during 2023-24.

The 2024-25 budget was agreed by Cabinet in February 2024 and Full Council in March 2024. The 2024-25 budget included the outcome of the budget process in terms of pressures from pay, demography and demand. This process included the identification of savings and efficiencies for each department. The Council engaged with residents, business and local people; and with scrutiny on the budget, but spend in 2024-25 has been higher than anticipated. Financial performance was reported quarterly to Cabinet. The reports included information on revenue, capital, HRA, reserves, achievement of savings and treasury information. The reports were clear and highlighted key messages. However, we became aware of an area – district heating where the Council was not recovering the full cost of energy supplied to it. The detailed budgetary control arrangements did not highlight the problem. Accordingly, we have raised an improvement recommendation on page 24.

We consider that the Council has sufficient arrangements in place to make informed decisions, but we have identified improvements, on page 25, which could be made for the following decisions agreed in 2023-24:

1. Kirklees Stadium Development Ltd (KSDL, the decision by Cabinet in October 2023 to progress the shareholder restructure
2. the change in the Council's Minimum Revenue Provision (MRP) charge, which was not clearly communicated to members or presented to Full Council for approval.

Executive summary (continued)

Improving economy, efficiency and effectiveness

In 2023-24 the Council did not report its performance against its corporate objectives as set out in its 'Our Council Plan' to formal Cabinet meetings, instead reporting more operational information to the Executive Team, the Executive Leadership Team and informal Cabinet meetings. In our view this limits members ability to challenge performance and have raised an improvement recommendation on page 31.

Throughout 2023-24 the Council has continued to work and develop effective working relationships with its key partners through the Kirklees Partnership Executive, which includes key officers from its key partners, such as Health bodies, Educational establishments and blue light organisations. It aims to joins resources across key agencies to maximise impact on shared outcomes.

The Council operates a central procurement team who provide procurement support for services. The central team facilitate the tender process. At the award of the contract, the team will provide handover documentation to support the services in managing the contract. However, contract management undertaken within the services is not consistent, and varies dependent on the expertise and capacity within the service area. We are aware of a number of areas where contract management could be improved and have raised an improvement recommendation on page 32. Whilst we have not raised a key recommendation, this is an area that the Council needs to demonstrate that actions are implemented at pace to ensure enhanced arrangements are in place.

The Council received an overall rating of 'good' from Ofsted for its Children's Services, an improvement from the previous 'requires improvement to be good' rating. This represented a strong achievement for the Council.

In March 2024, the Social Housing Regulator published a Regulatory Notice identifying that the Council was failing to meet statuary health and safety requirements in some council homes. We have raised the following key recommendation.

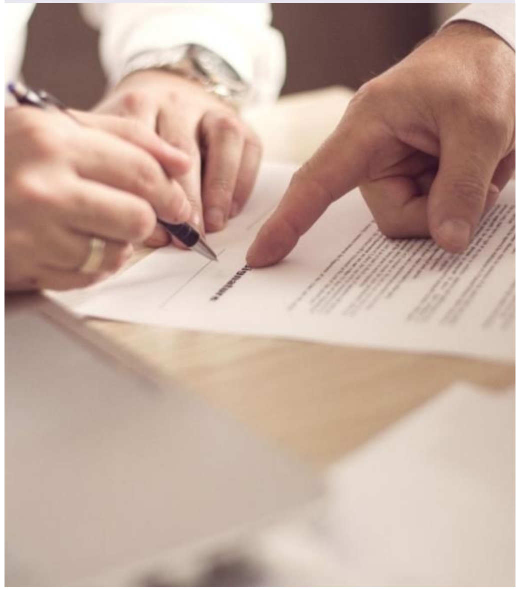
Key recommendation 3: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:

- **fire remedial actions resulting from fire assessments**
- **repairs required to address damp and mould**
- **water quality testing.**

Progress should be regularly reported to Cabinet in a public meeting.

Further detail can be found on page 30.

We have substantially completed our audit of your financial statements and are targeting to issue our audit opinion following the Audit Committee meeting on 31 January 2024. Our findings are set out in further detail on page 10.



Executive summary (continued)

Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023-24 is the fourth year that these arrangement have been in place.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022-23 Auditor judgement on arrangements		2023-24 Risk assessment	2023-24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Two significant weaknesses in arrangements identified and two key and two improvement recommendations made.	Risk of significant weakness identified due to previous years weaknesses.	R	Ongoing significant weaknesses in arrangements for financial sustainability in the general fund and in the management of the DSG deficit. We have raised two key recommendations and two improvement recommendations.	↔
Governance	A	No significant weaknesses in arrangements identified but two improvement recommendations made.	Risk of significant weakness identified following review of decision making.	A	Our work did not identify any areas where we considered that key recommendations were required. We have raised four improvement recommendations.	↔
Improving economy, efficiency and effectiveness	A	No significant weaknesses in arrangements identified but one improvement recommendation made.	Risk of significant weakness identified following Social Housing Regulator report.	R	Significant weakness in arrangements in relation to its social housing compliance with the Social Housing Regulator standards. We have raised one key recommendation and four improvement recommendations.	↓

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements and use of auditor's powers

3. Opinion on the financial statements

Audit opinion on the financial statements

We expecting to issue an unqualified opinion on the Council's financial statements following approval of the updated financial statements, and the presentation of this Auditor's Annual Report and our Audit Findings (ISA260) Report at Corporate Governance and Audit Committee on 31 January 2025.

The full opinion will be included in the Council's Signed Financial Statements for 2023-24, which can be obtained from the Council's website following upload expected in early February 2025.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit Findings (ISA260) Report

We report the detailed findings from our audit in our Audit Findings Report. Our Audit Findings (ISA260) report is to be presented alongside this report on 31 January 2025 to the Corporate Governance and Audit Committee. Requests for this Audit Findings Report should be directed to the Council.

Findings from the audit of the financial statements

We received the group and Council's draft 2023-24 accounts on 28 June 2024. This puts the Council slightly behind the 41% of local government that produced their accounts by the statutory deadline of 31 May 2024 but still represents a good achievement for the Council. We would also note that the Council has continued to work with appropriate focus on the accounts closedown and audit to ensure that the Council does not become part of the LG accounts opinion backlog.

Draft financial statements were of a good standard and supported by detailed working papers. We did not encounter any significant difficulties and there has been a good level of engagement from finance officers throughout the audit process.

We did identify a number of misstatements, many of which related to the valuation of land & buildings, including source data and the robustness of the process in place including carrying out appropriate stand back / challenge on the valuations prior to publication of draft accounts. Our work identified an impairment to a school of £16.7m, which had been closed and earmarked for demolition – this has been adjusted given it was material. An extrapolated misstatement of £3.3m in respect of gross internal areas (floor areas) used in the valuation of specialised land and buildings (unadjusted), and our Audit Findings report details that a verification and cleansing exercise is required on the Council's buildings records to resolve the variances identified. Our work on valuations also detected one former day care centre that should have been reclassified as a surplus asset and valued at its fair value at year end – an impairment of £1.2m which remained unadjusted on the grounds of materiality. None of these findings impact on the Council's usable reserves.

Separate from the valuations findings, we noted an additional misstatement of £1.1m that impacted between cash, debtors & creditors on the Council's balance sheet but had no overall impact on the total value of the balance sheet or reserves (unadjusted).

We also identified a number of presentational and disclosure amendments, which are set out in detail in the Audit Findings (ISA260) report.

We reported a total of ten recommendations, none of which were considered high priority. In addition to responding to the land and buildings matters discussed above, these recommendations set out a number of important 'housekeeping' exercises that the finance function should aim to progress over the remainder of the 2024-25 financial year to enhance the quality, overall true and fairness, and understandably of financial statements for the upcoming year end.

Use of auditor's powers

We bring the following matters to your attention:

	2023-24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Value for Money
Commentary on arrangements

4. The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023-24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk
- Twenty councils being with government approval for exceptional financial support during 2024-25, totalling approximately £1.5bn. Only six of these councils had previously issued a section 114 notice
- The Local Government Association warning that councils in England face a funding gap of £4bn over 2023-24 and 2024-25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the then Chancellor in March 2024 for public sector productivity to deliver up to £1.8bn worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.

Local context

The Council is a metropolitan borough council formed in 1974 with an estimated population of 442,033 residents, making it the fifth most densely populated local authority in Yorkshire and the Humber (ONS 2023). It experienced a population growth of 2.6% since 2011; whilst England's population grew by 6.6% in that time. The Council is a member of the West Yorkshire Combined Authority (WYCA) which was established in 2014. The Council covers approximately 157.74 square miles and has Huddersfield as its largest population.

Pupils within the Council area achieve grades (GCSEs grade 5 and above) on par with the national average; however, 29.1% are educated to degree level or above, which is below the national level (36.9%). The unemployment rate reported on March 2024 is 3.7%, which is the same as the national average.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet).

The Council has 69 councillors, and the next election is due in May 2026. The most recent elections in May 2024 left the Council operating under a Labour minority administration, with 24 Labour councillors. The Leader of the Council had remained stable until July 2023 but has since had two further changes.

5. Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council built additional funds into its budget planning and Medium Term Financial Strategy. For both 2023-24 and 2024-25 children's services and homelessness had very high demand pressures, as has occurred in a large number of other authorities. The Council has a fixed funding envelope from central government and limits on the amount Council tax can go up by and in recent years costs have been increasing at a higher rate than these items. In our previous Auditor's Annual Report we identified two significant weaknesses with regard to financial sustainability and both of these remain in place for 2023-24. The first of these related to the Council's overall General fund financial position. Whilst, as recommended in the last Auditor's Annual Report, the Council has improved the process for generating and monitoring savings, having changed the focus from one off items (though there is still some use of one off reserves), and the Council has a plan to increase reserves, there are still significant budget pressures and available reserves have reduced. **A Key Recommendation is made (see page 18) that the Council should build on its work identifying its financial position and risks to it by:** • **taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25** • **reviewing pressures, assumptions and future savings levels in the MTFS** • **reviewing the target level of reserves it wishes to achieve in future years of the MTFS.** We have discussed the work already underway with officers. The Council also has a significant weakness with regard to the Dedicated Schools Grant deficit, reflecting the national picture across the country. The Council had a cumulative DSG deficit of £43.7m at the end of 2023-24, and in 2024-25 the forecast at quarter one for the year was for an overspend of £20m. The Council did agree a new plan to improve this called a Safety Valve Management Plan with the Department for Education at the end of 2023-24 but this plan is not on track. **A Key Recommendation is made that Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.** Set out on page 19. As well as the Council's challenges with its level of General Fund reserves, and the DSG Safety Valve, the Council also needs to continue the work it is doing to keep its HRA financially sustainable and an improvement recommendation regarding this is also discussed on page 26.	R

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	The Council has been successful in delivering a savings programme of £19.8m for 2023-24 but has a higher target for 2024-25 of £42.6m (11.6% of the 24-25 budget) which will require a coordinated organisational effort. The savings identified have bridged the budget gaps identified at budget setting stage for 2023-24 and 2024-25, however, during 2023-24 there were significant in year pressures in addition to this. £10.3m of additional full year effects of the 2024-25 savings are planned to occur in 2025-26, partly to replace £2.3m of the 2024-25 savings that are non recurrent. At present the monitoring for 2024-25, at Q2 shows a shortfall of £9m in terms of savings delivery. In subsequent years, the budget gap as reported in the February 2024 report is £7.9m for 2025-26 and £5.6m for 2026-27, so any shortfall on delivery of savings will create further pressures in future years. The Council is carrying out transformation work across all areas and is intending to feed outcomes into future MTFS plans. An improvement recommendation is made to continue and enhance the Transformation work.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has a Council Plan, four top tier partnership strategies around economy, health, environment and communities and below that supporting strategies. The Council Plan has three ambitions - to make Kirklees a greener place, to continue the journey to excellence in Children's Services and making sure residents can live healthier and independent lives for longer. The Council's MTFS and the work around it reflect the Council's approach and strategy, as shown in the Council Plan. The Council's is designed to support the delivery of Council Plan aims, and very specifically the objective regarding financial stability. The Council has looked at its costs using information from the Local Government Association, and its own work in comparing itself with other West Yorkshire and similar authorities, but not as part of its decision making on budget options. An Improvement Recommendation is made that the Council should utilise more benchmarking information.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial plans were consistent with other key plans that the Council produces. The Capital Programme outturn showed slippage of spend at 13% of a capital programme of £170.6m, but the Council has been reviewing budgets to ensure they are more aligned to likely actual spend, and also so that the programme was aligned with objectives and the Council's financial position. The Council shifted spend into future years to accommodate key priorities and is planning to spend more in 2024-25 and 2025-26 than in 2023-24. This high level of programme does create some risks of revenue costs if there is overspending on projects. For the General Fund all of the costs of borrowing are accommodated. For the HRA Capital programme some reprogramming is still required as discussed in the Improvement Recommendation on page 26. Our work did lead us to challenge senior management on the rationale for continuing to hold onto its £90m Investment Property portfolio at a time when additional capital borrowing is planned for regeneration schemes and in view of its aim to generate additional capital receipts. Capital receipts obtained can be used to progress the Council's transformation programmes. Inquires highlighted that there is a Council Corporate Property Strategy with the disposals programme supported by the work of the Corporate Property Board. Officers communicated that Investment Property assets may form part of the capital disposals subject to an appropriate business case and Cabinet decision, and at this time, officers are drawing up plans for consideration. The Council's Treasury strategy for 2023-24 was aligned with the capital programme, and the interest and principal (through the Minimum Revenue Provision (MRP)) repayments are reflected in the budget. The Council has reviewed its MRP allocation and reduced the amount it puts aside for this. We comment on this further in the ISA260 Report and elsewhere in this report on pages 22 and 25, where we discuss that the changes were not approved by members. The Council had clear policies for treasury management and has reviewed the balance between risk and reward in borrowing and investment decisions.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council has identified risks to its budget and its Medium Term Financial Strategy and is still experiencing pressures in 2024-25. The financial monitoring reports reported to Cabinet on a quarterly basis give commentary on variations, discuss overspends and reasons for them, and actions to be taken. The reports included forecasts of the current expected position and detail on proposed mitigating actions, and can be seen to be dealing with the key issues that face the Council by, for example, discussion of a review of the VfM of payments to an adoption service and reopening of a children's home. There is also extensive discussion of risks to the Council's financial sustainability as part of the Council's risk management reporting. The Council made it clear its understanding of the dynamic nature of parts of its budget, and looked at the sensitivity of figures. An extensive consideration of variables was carried out in the early part of the planning process, in September 2023, before key variables such as external funding had become clear. The Council looked at how its council taxbase, government funding and interest rates might vary and generated scenarios to support this. This work also identified other areas of uncertainty such as demand for services and inflation, though as discussed in practice there have been pressures in the 2024-25 year which were higher than expected. One of the ways that councils can manage this difficult environment is by the level of reserves. However, the Council's reserves are low - as discussed in the significant weakness raised on page 18. The Council has low reserves compared to revenue spend when compared with other metropolitan authorities. Figure 1 (overleaf) shows the Council highlighted and other metropolitan authorities. The Council has not based their budget strategy around an unsustainable use of reserves but has needed to use reserves to meet demand led pressures in particular in children's services and homelessness. This has reduced the Council's resilience, making delivery of savings and spending inline with budget more acutely important for Kirklees than it is for many other authorities.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Page 313

Financial sustainability (continued)

Significant weakness identified

We raised a significant weakness in respect of the Council's financial sustainability in the 2022-23 Auditor's Annual Report and this remains the case. This is because, although the Council has taken extensive action, the pressures on the Council in 2023-24 and 2024-25 remain above budget level and the Council's reserves have reduced.

Spend, Reserves and Savings

The Council's spend levels increased in 2023-24 reflecting the high pressures the Council was and is experiencing, and for this year the balancing of the budget required a large planned use of reserves and left the Council needing to make significant savings or use reserves for 2024-25. The Council has focused on making savings with a smaller use of reserves in the 2024-25 budget. It delivered £19.8m of savings in 2023-24 and now needs to deliver £42.6m in 2024-25 and at the time of writing is forecasting to be short of this by £9m (21%). The Council has an adequate process for monitoring progress in delivering savings but given its overall financial position may need to focus on remedial action to get savings back on track.

Action Being Taken

The Councils short and medium term actions in relation to the budget and MTFS include:

- taking action to reduce the forecast overspend in 2024-25
- ongoing management of pressures in departments (for example in children's services, the use of special guardianship orders, the low use of external residential placements)

and their medium and long term actions include:

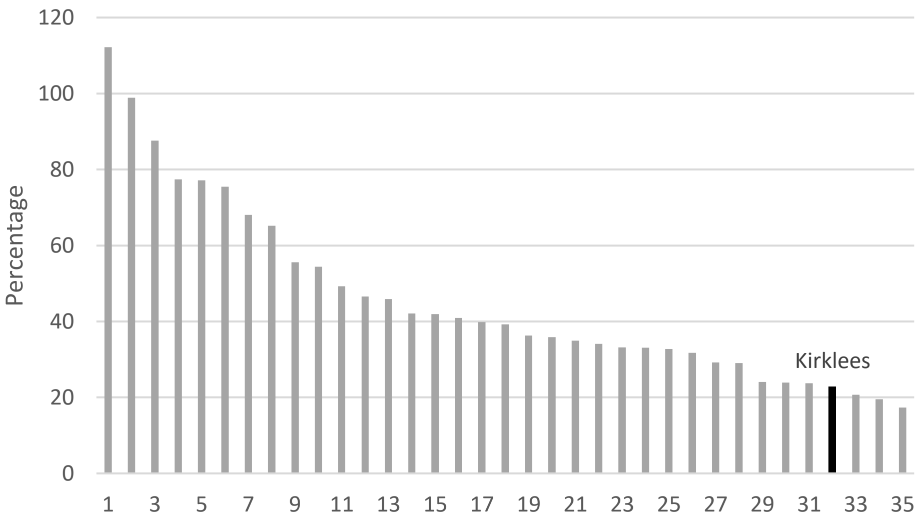
- transformation work (where the Council has put effort into developing a realistic plan and set of activities and is making measured assumptions about project management and progressing plans)
- medium term budget plans which aim to stabilise and increase reserve levels
- use of savings in the Council's minimum revenue provision.

Future Plans

At the present time the service pressures seem likely to require significant savings in 2025-26, though on the Council's planning assumptions the position would then ease. We encourage the Council to review these assumptions to ensure that they are content that the response in terms of savings is adequate.

The Council's future plans will if carried out improve the Council's financial position though this will depend on controlling current pressures, delivering further savings and replenishing reserves, possibly to a higher level than the Council is indicating.

Figure 1 Reserves as a percentage of net Revenue Expenditure for Metropolitan Authorities 2022/23



Key Recommendation 1: Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:

- taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- reviewing pressures, assumptions and future savings levels in the MTFS
- reviewing the target level of reserves it wishes to achieve in future years of the MTFS.

Financial sustainability (continued)

Significant weakness(es) identified

Dedicated Schools Grant Deficit

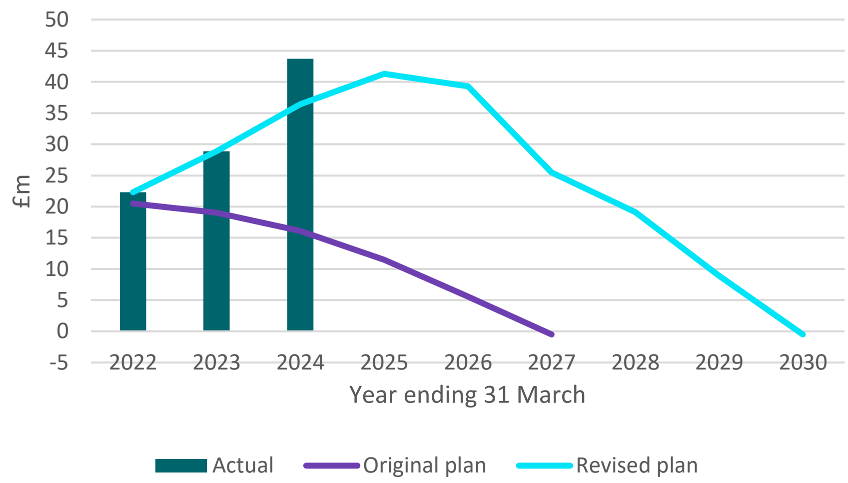
We raised a significant weakness in respect of the Council's financial sustainability in the 2022-23 Auditor's Annual Report regarding the Dedicated Schools Grant deficit and this remains the case. This is because, although the Council has renegotiated its Safety Valve agreement, it is off track in delivering this, leaving the Council exposed to having to accommodate ongoing costs in the budget in the future, and having to meet the cumulative deficit if the Government requires this.

During 2023-24, the Council was in enhanced monitoring measures but concluded a new agreement with DfE which extended the management plan from 2026-27 to 2029-30. In 2023-24, the in-year deficit was £15m (against an original plan of the deficit reducing by £3m), giving a cumulative DSG Deficit of £43.7m at 31 March 2024. This was due to inflationary costs from external providers and increasing complexity of cases. The Council's experience is that additional capacity created is being filled by new children rather than seeing the impact of movement from children currently in high-cost independent placements. In 2024-25, the Q1 forecast was for an overspend of £20m against budget of £64.7m for High needs block, which the Council are currently working on reducing.

Based on the latest forecast, the cumulative deficit at the end of 2024-25 will be £61.3m instead of £50.3m as in the new Safety Valve agreement, and would be still be a £8.2m deficit at the 2029-30 end point instead of zero, or could be higher if current problems do not prove to be one off. If the statutory override is removed the Council may have to meet the ongoing annual deficit, currently at £20m. The Council's plans rely on increases in in-house capacity; including special school capacity and satellite provision, and an additional free school, becoming available and this causes the deficit, shown in Figure 2, to reduce. The DfE have requested that these items are modelled at a later stage in the process.

Based upon the evidence we have reviewed, we are not satisfied that the Council has proper arrangements in place to ensure there is an appropriate plan in place to manage the short to medium term financial risks regarding DSG deficit. This is a significant weakness in arrangements to deliver financial sustainability. We have therefore maintained a key recommendation.

Figure 2 Kirklees DSG cumulative deficit £m



Key Recommendation 2:The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.

Financial sustainability (continued)

Transformation work

The Council is carrying out transformation work across all areas, with a particular focus in 2024-25 on SEND, Adults services and passenger transportation and is intending to feed outcomes into future MTFS plans. Based upon the evidence we have reviewed, we have concluded that the Council's arrangements are adequate, but we have made an improvement recommendation to continue and enhance the Transformation work.

Improvement recommendation 1: The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.

Benchmarking

The Council has looked at its costs in an ad hoc manner using information from the LGA and its own work comparing itself with other West Yorkshire and similar authorities. It does not look at benchmarking and unit costs as part of its consideration in making decisions on budget options, but it has said that it will use data and insight as part of its transformation work and an improvement recommendation is made that it should do so, either in that work or elsewhere. Based upon the evidence we have reviewed, we have concluded that the Council's insight into areas where it could make changes would be enhanced by greater use of benchmarking. We have therefore raised an improvement recommendation.

Improvement recommendation 2: The Council should carry out benchmarking work to compare its services and performance with other Local Authorities, for example as part of its Transformation Programme.

6. Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risk Management is reported to members every three months, as part of framework agreed in June 2024, and the key risks were also reported quarterly to members. The Council reported on 10 Key Corporate Risks i.e. a corporate risk register setting out strategic risks as part of the financial monitoring report. The risks were scored and given a RAG (Red Amber Green) rating, with likelihood, impact, responsible officer, controls and actions shown. Internal Audit presented an annual report and regular progress updates to the Corporate Governance and Audit Committee. The Council's audit plan was agreed by the Audit Committee. The 2023-24 Head of Internal Audit's opinion awarded adequate assurance ratings for sound governance, risk management and internal control. The audit team were reviewed externally in line with the Public Sector Internal Audit Standard in 2022-23. There has been an increase in the number of limited assurance reports The Council is reviewing resources and, in line with our recommendation last year, focusing more attention within departments on ensuring recommendations are implemented. The Council is pursuing a number high value regeneration schemes, centred around the Huddersfield Blueprint and enhancing the town centre, that are currently in their early stages of development which are expected to sum to over £250m. With these schemes in the early stages of development, the quantum of the planned spend gives rise to potential financial risks that requires close monitoring. We have therefore raised on improvement recommendation on page 25 as a forward looking action for the Council.	A
approaches and carries out its annual budget setting process	The 2024-25 budget was agreed by Cabinet in February 2024 and Full Council in March 2024. For each department the budget report showed the outcome of the budget process in terms of pressures from pay, demography and demand, and efficiencies are identified for each department. The budget was consistent with the MTFS - the MTFS and budget are set at the same time and linked with each other. There was engagement on the budget with residents, business and local people; and with scrutiny. For the public there was engagement on the budget via a 6 week online process which generated 946 responses, and during the year the Council consulted on and changed proposals for leisure centres.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council reported on its financial performance quarterly to Cabinet. The reports included information on revenue, capital, HRA, reserves, achievement of savings and treasury information. The reports were clear, highlighted key messages and identified the pressure areas from early in the year. They showed variations from budget and discussed corrective action. The Council reported on the budget pressures in key areas and continues to do so. We became aware of an area - District Heating where the Council was not recovering the full cost of energy supplied to it. The detailed budgetary control arrangements did not highlight the problem. We have raised an improvement recommendation regarding this on page 24.	A

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council operates under a Cabinet structure and operates four scrutiny committees in addition to joint health scrutiny panels. The Overview and Scrutiny Management Committee met 10 times in 2023-24. One Cabinet decision was called-in in 2023-24 by the Environmental and Climate Change Scrutiny Panel and one delegated decision by the Health and Adult Social Care Scrutiny Panel. In order to assess effective decision making we have considered two key decisions that occurred during 2023-24, the change in the Council's Minimum Revenue Provision (MRP) and the decision to progress the shareholder structure of the company which operates the Kirklees Stadium, Kirklees Stadium Development Ltd (KSDL). We found that the change in the MRP calculation assumptions made by officers, and their medium to long-term budgetary impact had not been clearly communicated to members in 2023/24. A detailed explanation of the changes to assumptions was set out in the mid-year treasury update and was presented to the Corporate Governance and Audit Committee in December 2024. In our view the papers to support the decision taken by Cabinet in October 2023 relating to KSDL did not clearly set out why the decision was in the best interests of the Council and the costs that could be prevented and savings that might be achieved if the decision was to be made. Members were not provided with information on the financial costs should the Council continue to remain a shareholder, such as maintaining the existing buildings and financial support to KSDL. We found that sufficient information had been provided in December 2022 and in October 2024. Whilst we recognise that members could have accessed previous papers, in our view each decision should stand alone and provide sufficient information to enable informed decision making. In addition, the Cabinet member who was also a Director of KSDL and did not declare their interest at the start of the Cabinet meeting or withdraw from the meeting. A declaration was made during the meeting, but this was not recorded in the minutes of the meeting. We consider that the Council had adequate arrangements in place to ensure it made properly informed decisions, but that improvements could be made and have raised an improvement recommendation on page 25.	A

Page 318

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council's constitution contains a range of key documents which set out the expected standards and behaviours for officers and members, such as the Member Code of Conduct and the Employee Code of Conduct. The Council's Code of Corporate Governance is not found in the constitution, but is published on the Council website. Procedures are in place and records maintained for members and employees to declare interests and any gifts or hospitality received. As noted on page 22, we have raised concerns where a member declaration was not declared at the start of the meeting. The contract standing orders and procurement regulations have not yet been updated to ensure compliance with the new Procurement Act 2023. The Procurement Team have developed an action plan to address the changes and training requirements. Training is being delivered to the different directorates and is not yet complete, we have raised an improvement recommendation on page 31.	A

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)

Areas for improvement

Risk Management

The Council is pursuing some high value regeneration schemes that are currently in their early stages of development which are expected to sum to over £250m. These include the Cultural Heart development scheme (est. £250m), full refurbishment and letting of the George Hotel (est. £30m) and re-development of the Huddersfield Open Market (est. £16m). Considering the constricted revenue budget envelope in which the Council is operating there is a risk that any construction overspends or additional interest costs from unplanned borrowing spill over and impact the revenue position, and potentially threaten the overall financial sustainability of the Council.

Across the sector, we have observed high-value schemes being progressed with the business case noting strong commercial interest and anchor tenants subscribing to schemes which include cinemas, food outlets, entertainment venues and shopping centres. Unfortunately for a number of other authorities, there are instances where schemes have been completed but by which point the commercial interest has evaporated based on macro economic factors or changes in the operator's business plans, resulting in adverse financial impact for the local authority concerned. This is relevant to the Kirklees' plans, since schemes such as the George Hotel are expected to be let to a commercial operator.

These risks require close management by the Council, ensuring the business plan and commercial feasibility remains under scrutiny throughout development and the contractual provisions with third parties are appropriate and sufficient to protect the Council's regeneration, commercial and financial interests. We have raised a forward-looking improvement recommendation.

Improvement Recommendation (forward looking) 3: In relation to its high-value capital regeneration schemes, the Council should ensure these risks are considered during commercial negotiations and ensure contractual provisions with third-parties are such that the Council is protected financially as best as possible from the risks that a third-party operator pulls out. The Council should also ensure that its risk management arrangements enable for the full business case to be kept under review during development and construction to ensure that wider macroeconomic factors continue to support the development of these capital schemes. The Council should also ensure interest from commercial operators to partner with the Council remains throughout the construction stage of each project.

Budgetary Control

We became aware of an issue highlighted at Corporate Governance and Audit Committee regarding the District Heating arrangements. The Council was not recovering the full cost of the energy it was consuming from tenants and leaseholders for the specific scheme. The Council's budget monitoring could have highlighted this if the costs and income for this were on the same cost centre without other items, but this was not the case. The cost centre arrangement was not the cause of the problem, but if it had been arranged differently it could have highlighted it. Based upon the evidence we have reviewed, we have concluded that the Council should review and enhance its cost centre structure for more robust budgetary control. We have therefore raised an improvement recommendation.

Improvement Recommendation 4: The Council should review its internal budgetary control information to ensure that cost centres are appropriate to enable the identification of adverse variations from budget to enable management to take action. This may involve having fewer cost centres in several areas or more in others.

Governance (continued)

Areas for improvement

Informed decision making

We considered the following decisions:

Kirklees Stadium Development Limited (KSDL) - In October 2023, Cabinet made the decision to go ahead and restructure the joint venture KSDL. KSDL owns and manages the Football and Rugby stadium in Huddersfield, also known as the John Smith's or Kirklees Stadium. KSDL shareholders being Kirklees Council (40% shareholding), Huddersfield Town AFC (40%) and Huddersfield Sporting Pride (20%). However, we found that the papers provided to Cabinet, including confidential papers, did not clearly set out why the decision should be made, the risks and opportunities, including the cost benefit for the Council of no longer being a 40% shareholder. Whilst the Council has made it clear that it would no longer contribute to further funding of KSDL, the Council had only included the costs associated from withdrawal and had excluded the future cost benefits. This information had been provided when the Cabinet had previously considered this decision in December 2022. Whilst we recognise that members could access the information provided in 2022, in our view each key decision should stand alone and be supported with sufficient information to ensure the risks and benefits of the decision are clear to make an informed decision.

Cabinet agreed to give the Executive Director delegated authority following discussions with the two other partners to transfer the Councils shareholding to Huddersfield Town AFC (HTAFC). This delegated decision was made in October 2024 to continue to progress the share restructure and we found that this decision did include sufficient information which had been excluded from the October 2023 Cabinet decision.

We have also identified that when Cabinet made this decision Councillor Davies was a member of Cabinet and was also a Director of KSDL. However, Councillor Davies was present at the meeting and this declaration was not made at the start of the meeting but during the discussion on this item. This declaration of interest was also not recorded in the minutes. Potential conflicts should be declared at the start of meetings and ideally ahead of the meeting with the Council's Monitoring Officer to ensure the potential conflict is managed appropriately.

Minimum Revenue Provision (MRP) - In 2023, the Council changed its MRP policy which resulted in a reduction in the amount it needed to set aside in 2023-24. The value of this reduction was approximately £10m which it set aside in a reserve. The Council has changed its policy following an external review, this was an officer decision. The 2024-25 budget did mention that changes had been made, but these were not clear. However, any changes in this policy should have been approved by Full Council and this has not taken place. We have also raised this in our Audit Findings ISA260 Report.

Improvement Recommendation 5: The Council should ensure that:

- **members who have a potential conflict of interest, are aware of their responsibilities and declare any interest, so that the potential conflict can be managed accordingly**
- **Cabinet papers prepared to support a decision include all the key financial information, including the financial rationale for making the decision as well as the financial costs of the decision**
- the MRP calculation methodology, the assumptions used and the profiling of MRP charges over the medium to long term are clearly documented, reviewed and understood by Cabinet and Full Council.

Governance (continued)

Areas for improvement

Housing Revenue Account (HRA)

On this page we have considered the issues relating to financial sustainability and governance for the HRA, the issue relating to contract management is discussed on page 32.

In 2023-24 the HRA has and is experiencing a range of issues which will have an impact going forward if not addressed. These include:

- in effective governance arrangements so that the District Heating Service was not effectively managed, resulting in a lack of income, more details can be found on page 24
- the impact of national issues such as increasing concern about damp and mould and fire safety. The Council has self referred and been categorised as in breach of standards by the Social Housing Regulator. Meeting these requirements will increase capital spend to rectify the sub-standard housing
- two high rise buildings that require a waking watch service to ensure residents safety
- the level of subsidisation between income received from non-HRA and HRA residents. One example being the district heating bills subsidising Council tenants and leaseholders living within homes using the district heating service.

The Council has recognised and began to include these issues within its HRA plans and has built-in the immediate requirements, but has yet to determining the phasing of this over time for future years. Officers acknowledge that this might lead to a medium-term shift of resources which will need to be met by efficiencies in other parts of the HRA spend given the HRA ring fence and effective limitations on rent increases. As part of this the Council will need to revisit its 30-year business plan for the HRA.

Based upon the evidence we have reviewed, we have concluded that an improvement recommendation for the HRA is required.

Improvement recommendation 6: The Council should
- **strengthen the governance arrangements within the HRA**
- **progress its medium term plans for the HRA including assessing the cost of works to stock, allowing for a deliverable programme, and other balancing changes needed to the HRA cost base**
- **review and update its 30-year HRA business plan.**

7. Improving economy, efficiency and effectiveness

We considered how the audited body:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	The Council's corporate plan, 'Our Council Plan July 2023 to January 2024' was agreed by Cabinet on 23 July 2023. It was superseded by the 'Our Council Plan 1 April 2024 - 31 March 2025' agreed by Cabinet in February 2024. In August 2023, Cabinet reviewed the Council's corporate performance for 2022-23 and received a Corporate Performance and Impact Report. This report indicated that performance reporting would continue in 2023-24 twice yearly, however, this did not happen in 2023-24. This was as a result of a change in the administration and a new Chief Executive and the Council making the decision to review the quality and value of the information that they were producing. The conclusion was that more detailed reporting was required based on risks and challenges facing the Council. The Council produced demand and capacity monitoring reports which were reviewed by the Executive Team, the Executive Leadership Team and Cabinet (informal meetings only). These reports were not reported to a public member committee in 2023-24, although the Q1 report for 2024-25 was reported to the Overview Scrutiny and Management Committee (OSCM). We have raised an improvement recommendation on page 31. The Council does not have a Data Management Strategy and is in the process of developing one. In line with notable practice the Council should consider the principles to ensure data quality. We have raised an improvement recommendation on page 31.	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council has both good service performance as well as areas that require significant improvement. The Council was inspection by Ofsted in July 2024, where the Council was rated as 'good', replacing a previous 'requires improvement to be good', rating in 2019. This is a positive improvement and a good achievement for the Council. However, in March 2024, the Social Housing Regulator published a Regulatory Notice following a self-referral from the Council after failing to meet statuary health and safety requirements in some council homes. We have raised the following key recommendation, further details can be found on page 30. **Key recommendation 4: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:** • **fire remedial actions resulting from fire assessments** • **repairs required to address damp and mould** • **water quality testing.** **Progress should be regularly reported to Cabinet in a public meeting.**	R

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
commissions or procures services, assessing whether it is realising the expected benefits	The Council operates a central procurement team who provide procurement support for services. The central team facilitate the tender process and at selection and award of the contract will provide handover documentation to support the service to manage the contract. The procurement team manage an Excel version of the contracts register to enable them to identify contracts approaching renewal. The Council has a Procurement Strategy last reviewed and updated in 2022-23 which requires updating to reflect the procurement Act 2023. We understand that contract management undertaken within the services is not consistent, and varies dependent on the expertise and capacity within the service area. High value contracts will have dedicated teams to ensure they are well managed (for example the waste contract). The Council has established the Contract Assurance and Resilience Board (CAB) supports the contract managers (for contracts over £25k) through the tender process, but once this comes to an end the contract manager takes full responsibility. The CAB will further support contract managers if requested. The Council recognises contract management as a risk area and has increased the risk rating in Q1 of 2024-25, to a red risk. We have identified the following contract management issues: • Internal Audit follow-up review of the District Heat Service identified no contract manager in place and the service was delivered for a period without a contract in place, resulting in lost income • Internal Audit reviews of Home to School Transport and Energy Supply identified poor internal controls relating to the management of the contract • the central procurement team were unable to effectively monitor spend compared to contract, using the Council's SAP system, to ensure compliance and targeted support, this limits the ability to prioritise and be reactive to provide support where it would be most beneficial. We understand that this is a widespread issue • contract management training has been limited. We also found that contract waivers and breaches are not formally monitored and reviewed by officers or members, for 2023-24 there were 35 waivers to the value of £13.8m. We have raised two improvement recommendation on pages 31 and 32. Whilst we have not raised a key recommendation this is an area that the Council needs to demonstrate that actions are implemented at pace to ensure arrangements are enhanced. We will consider the Council's progress in this area as part of our 2024-25 VFM work.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

We considered how the audited body:	Commentary on arrangements	Assessment
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council's corporate plan (Council Plan) sets out the four key partnership strategies which are being delivered with partners across the region. These strategies are partnership-led and include the: • Health and Wellbeing Strategy • Inclusive Communities Framework • Inclusive Economy Strategy • Environmental Strategy. The Council continues to chair the Kirklees Partnership Executive (KPE), which aims to join resources across key agencies to maximise impact on shared outcomes as well as connect partnership working across the region. The Council has provided a biannual report to the Executive Leadership Team covering its strategic partnerships.	G

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified

The Social Housing Regulator published a Regulatory Notice in March 2024, prior to the new regulations coming into effect on the 1 April 2024.

The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements. The regulator found that:

- the Council had completed fire risk assessments for all blocks that required one. However, more than 20,000 fire remedial actions from the fire risk assessments were overdue (March 2024) and more than 200 of the overdue remedial actions were high-risk actions
- there were over 1,500 uncompleted repairs relating to damp and mould, and more than 1,000 of these were classed as high risk
- the Council was also not providing a cost-effective repairs and maintenance service, as it did not respond effectively to the significant numbers of high-risk damp and mould cases

The regulator considered the case as a potential breach of part 1.2 of the Home Standard and concluded that the Council did not have an effective system in place to allow it to meet its statutory health and safety responsibilities in relation to fire safety.

Key Recommendation 3: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:

- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould
- water quality testing.

Progress should be regularly reported to Cabinet in a public meeting.

Improving economy, efficiency and effectiveness (continued)

Areas for improvement

Corporate performance reporting

The Council suspended its formal corporate performance reporting in 2023-24. It was replaced by more detail reporting, but this reporting was not considered at formal Cabinet committee meetings where performance could be challenged and action requested in the public domain.

Improvement recommendation 7: The Council should introduce corporate performance monitoring in formal Cabinet meetings.

Data Management

The Council does not have a Data Management Strategy or Data Quality Strategy. The Council is in the process of developing a Data Management Strategy and should include data quality within it.

Improvement recommendation 8: The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.

Procurement

The Procurement Strategy was last updated in November 2022. Whilst the Council is still in the process of delivering the ambitions within this strategy it does not reflect the Procurement Act 2023. Whilst we recognise that the Government has delayed the implementation of the legislation the Council should ensure it is prepared and that all relevant staff have been trained.

The Council operated an authorisation process for contract waivers in 2023-24, but did not review to identify any trends or actions that needs to be taken.

The table opposite identifies the waivers which were authorised in 2023-24.

Improvement recommendation 9: The Council should:
- **review and update its Procurement Strategy** following the introduction of the Procurement Act 2023 regulations
- **introduce a system whereby contract waivers are regularly reviewed by a senior officer group and members (public meeting) to identify any trends and actions required.**

Directorate	No.	£m
Adults	2	0.375
Children	2	0.480
Corporate & Strategy	13	4.294
Growth & Regeneration	18	8.690
Total	**35**	**13.839**

Improving economy, efficiency and effectiveness (continued)

Areas for improvement

Contract management

In 2023-24 the Council's Internal Audit department issued limited assurance opinions on two reviews; Home to School Transport and Energy Supply. Both these reviews identified weaknesses in management of the contract.

Internal Audit identified failings in the contract management for the District Heating Service in 2020 and we understand this was reported to the Corporate Governance and Audit Committee, but no action was taken and did not commence until the follow-up review in 2024. The current membership were unaware until Internal Audit reported to the Corporate Governance and Audit Committee in July 2024.

The central procurement team have been unable to produce meaningful contract monitoring information, such as contract spend compared to contract value. This is because it has not been possible to obtain meaning information from the Council's SAP system. This issue exists for all contracts, but we recognise that services which have resourced and established devolved contract management arrangements may have developed work arounds to resolve this. This kind of monitoring would ensure compliance with contract and also enables targeted support to be provided.

Improvement recommendation 10: The Council should develop an action plan to address the weaknesses within its contract management arrangements and ensure the actions are delivered consistently and at pace, including the lack of contract management within the District Heating Service.

Value for Money Recommendations raised in 2023-24

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR1	Council should continue to build on its work to strengthen its financial position and mitigate risks to it by: • taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25 • Reviewing pressures, assumptions and future savings levels in the MTFS • Reviewing the target level of reserves it wishes to achieve in future years of the MTFS.	Key	Financial sustainability	The Council continues to face significant financial pressures and the level of reserves remains low.	The Council is unable to be financially sustainable.	**Actions:** *Accepted* *The Council has identified a number of activities aimed at reducing spending further within the 24/25 financial year, and these continue to be managed and monitored, including: stopping non-essential expenditure; implementing a process whereby all recruitment is approved by senior management; ongoing review of discretionary fees and charges and increasing these by inflation where possible; exploring all external funding opportunities to bring in additional income and an ongoing review of the Council's capital investment programme to manage the overall treasury management budget.* *As part of both the MTFS (reported to Cabinet and Council in September 2024) and the Proposed Budget, reported to Cabinet in December 2024, there has been updates to the underlying budget assumptions, incorporating known expenditure and income pressures. Whilst we acknowledge the concerns of the auditors that the 2025/26 gap had grown significantly from a previous iteration of the plan, the S151 officer considers it important that the Council recognises these pressures to ensure the base budget is as robust as possible. The outcome of this is clearly additional savings will be required to balance future budgets and these have been identified in the proposed budget presented at Cabinet in December 2024 for next year.* *We will continue to review the Council reserves position on a regular basis and plan to provide the appropriate funding in the MTFS updates.* ***Responsible Officer:*** *James Anderson* ***Executive Lead:*** *Kevin Mulvaney* ***Due Date:*** *September 2025 for review and update of MTFS and ongoing.*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR2	The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.	Key	Financial sustainability	The Council concluded a new agreement with DfE which extended the management plan from 2026-27 to 2029-30. In 2023-24, the in-year deficit was behind plan, giving a cumulative DSG Deficit of £43.7m at 31 March 2024.	The increasing DSG deficit limits the Council's ability to be financially sustainable.	**Actions:** *Accepted* *Both the DFE and SV advisors are happy with our plans and are clear there is no more we could be doing practice wise, in fact Kirklees practice is being seen as a national exemplar. Funding levels per pupil for HNB is the second worst in the country and the lowest of our statistical neighbours.* *The National Audit Office report 'Support for children and young people with special educational needs' highlights the issues facing the system.* *The new Government is recognising this area as a nationwide issue and has provided additional £1bn of funding in the 25/26 budget for SEND which will guarantee a minimum 7% increase compared to the modelled 4% which will help with deficits.* **Responsible Officer:** *Jo-Anne Sanders* **Executive Lead:** *Tom Brailsford* **Due Date:** *Updated by September 25 as part of MTFS and ongoing for the duration of the safety valve agreement.*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR3	The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including: • fire remedial actions resulting from fire assessments • repairs required to address damp and mould • water quality testing. Progress should be regularly reported to Cabinet in a public meeting.	Key	Improving economy, efficiency and effectiveness	The Social Housing Regulator raised a range of concerns relating to Home Standards.	The Council is not providing homes which are safe and meet required standards.	**Actions:** *Accepted* *The Council has already commenced actions in this area.* *These actions include arrangements for a full stock condition survey of all its assets, reprioritisation of the HRA Capital Plan into Fire Safety and Damp and Mould Issues.* *With regard to reporting progress, there has been an update under Item 10 Holding Executive to Account at Full Council on December 11th 2024. There is also a 6 monthly update of the H&N improvement programme that goes to Cabinet. The last one was around September/ October 2024.* **Responsible Officer:** *Director of Housing (post currently being recruited* **Executive Lead:** *David Shepherd* **Due Date:** *By next Regulator review (November 2025)*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1	The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.	Improvement	Financial sustainability	The Council is carrying out transformation work across all areas, with a particular focus in 2024-25 on SEND, Adults services and passenger transportation. Arrangements are adequate, but we have made an improvement recommendation to continue and enhance the Transformation work.	Ensure transformation is delivered at pace.	**Actions:** *Accepted* **Responsible Officer:** *Andy Simcox and relevant Transformation Lead Officers* **Executive Lead:** *Rachel Spencer-Henshall* **Due Date:** *September 2025 & ongoing*
IR2	The Council should carry out benchmarking work to compare its services and performance with other Local Authorities, for example as part of its Transformation Programme.	Improvement	Financial sustainability	The Council has not looked at benchmarking and unit costs as part of its consideration in making decisions on budget options. Insights into areas where it could make changes would be enhanced by greater use of benchmarking.	Benchmarking should enable the Council to prioritise high cost services.	**Actions:** *Accepted* **Responsible Officer:** *Andy Simcox* **Executive Lead:** *Rachel Spencer-Henshall* **Due Date:** *September 2025 & ongoing*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3	In relation to its high-value capital regeneration schemes, the Council should ensure these risks are considered during commercial negotiations and ensure contractual provisions with third-parties are such that the Council is protected financially as best as possible from the risks that a third-party operator pulls out. The Council should also ensure that its risk management arrangements enable for the full business case to be kept under review during development and construction to ensure that wider macroeconomic factors continue to support the development of these capital schemes and interest from commercial operators to partner with the Council remains throughout the construction stage of each project.	Improvement	Governance	Forward looking recommendation based on the high value (£250m +) capital regeneration schemes that the Council is progressing,	Development and construction of new buildings using external borrowing without any commercial partners to rent and operate said buildings. This would also result in regeneration goals not being achieved.	**Actions:** *Accepted* *It is agreed that capital schemes should have business cases that cover sensitivity analyses around key variables and reasonable estimates should be used therein. Furthermore, these should be updated at key points in the relevant programme.* *However the existing mitigations listed below should be recognised:* • *The Council has ensured sound business cases have been considered and approved where appropriate for all regeneration schemes. The business cases all follow the standard format used by HM Government, i.e. based on HM Treasury Green Book 5 case business case.* • *By way of example, gateway processes have been employed for Our Cultural Heart, ensuring Cabinet remain able to decide for each of the 5 phases, independent of previous commitments and with timely information.* • *The council has appointed a Strategic Delivery Partner (Turner & Townsend Ltd), to ensure the required skill set and capacity is available for delivering regeneration schemes at scale and pace across a varied construction programme.* • *The chosen form of contract for construction helps manage risks and apportion them appropriately, i.e. Design & Build contracts where applicable, to quantify and apportion risk to the contractor, keeping large scale construction projects to time and budget.* • *Income assumptions have been prudent in all cases where commercial income is required, i.e. George Hotel. Sensitivity testing has been undertaken and made available to cabinet to help inform their decisions.* **Responsible Officer:** *Lead officer for project* **Executive Lead:** *Statutory Officers* **Due Date:** *ongoing*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4	The Council should review its internal budgetary control information to ensure that cost centres are appropriate to enable the identification of adverse variations from budget to enable management to take action. This may involve having fewer cost centres in several areas or more in others.	Improvement	Governance	The Council's budget monitoring did not enable the Council to identify missed income within the District Heating Service.	Effective budget monitoring enabling appropriate action to be taken.	Actions: *Accepted* *The Council is of the view that its monitoring reports now strike the right balance as to whether monitoring reports should be subjective or objective.* **Responsible Officer:** *Jacqui Fieldhouse* **Executive Lead:** *Kevin Mulvaney* **Due Date:** *1 April 2025*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR5	The Council should ensure that: • members who have a potential conflict of interest, are aware of their responsibilities and declare any interest, so that the potential conflict can be managed accordingly • ensuring that Cabinet papers prepared to support a decision include all the key financial information, including the financial rationale for making the decision as well as the financial costs of the decision • the MRP calculation methodology, the assumptions used and the profiling of MRP charges over the medium to long term are clearly documented, reviewed and understood by Cabinet and Full Council.	Improvement	Governance	In our view the decision taken by Cabinet relating to the restructure of KSDL did not clearly set out why the decision was in the best interests of the Council. It omitted the cost benefits of such a decision. The member portfolio lead did not declared their interest at the start of the meeting and did not withdrawn from the discussion and decision, as they were also a Director of KSDL. We found that the change in the MRP calculation assumptions made by officers, had not been clearly communicated to members in 2023/2024.	Members are not able to make decisions based on all the information.	**Actions:** *Accepted* *Officers will continue to report the MRP policy (within the overall Treasury Strategy) to CGAC annually. The Treasury Strategy is then reported to Cabinet and Council for approval as part of the Annual Budget.* **Responsible Officer:** *James Anderson (MRP) / All report Authors* **Executive Lead:** *Kevin Mulvaney and Sam Lawton* **Due Date:** *Immediately*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6	The Council should • strengthen the governance arrangements within the HRA • progress its medium term plans for the HRA including assessing the cost of works to stock, allowing for a deliverable programme, and other balancing changes needed to the HRA cost base • review and update its 30-year HRA business plan.	Improvement	Governance	In 2023-24 the HRA has and is experiencing a range of issues which will have an impact going forward if not addressed. These include: • in effective governance arrangements so that the District Heating Service was not effectively managed • breach of standards by the Social Housing Regulator. • two high rise buildings that require a waking watch service to ensure residents safety • the level of subsidisation between income received from non-HRA and HRA residents.	Effective governance and management of the HRA	**Actions:** *Accepted* *The Council updates its 30 year business plan on a regular basis and will continue to do so.* *As referenced in the KR, the Capital Plan has been reprioritised and a stock condition survey of all assets will be undertaken.* **Responsible Officer:** *Director of Housing (post currently being recruited)* **Executive Lead:** *David Shepherd* **Due Date:** *September 2025*
IR7	The Council should introduce corporate performance monitoring in formal Cabinet meetings.	Improvement	Improving economy, efficiency and effectiveness	Throughout 2023-24 corporate performance was not reviewed in a formal Cabinet meeting.	Performance is not challenged within public meetings	**Actions:** *Accepted* **Responsible Officer:** *Andy Simcox* **Executive Lead:** *Rachel Spencer-Henshall* **Due Date:** *Implemented since Q1 2024-25*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

8. Recommendations raised in 2023-24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR8	The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	Improvement	Improving economy, efficiency and effectiveness	The Council does not have a Data Management Strategy or Data Quality Strategy.	Staff are not clear on their role and responsibilities.	**Actions:** *Accepted* **Responsible Officer:** *Andy Simcox* **Executive Lead:** *Rachel Spencer-Henshall* **Due Date:** *September 2025*
IR9	The Council should: • review and update its Procurement Strategy following the introduction of the Procurement Act 2023 regulations • ensure all training on the new procurement legislation is completed prior to it coming into effect • introduce a system whereby contract waivers are regularly reviewed by a senior officer group and members (public meeting) to identify any trends and actions required.	Improvement	Improving economy, efficiency and effectiveness	The Procurement Strategy does not reflect the Procurement Act 2023. The Council operated an authorisation process for contract waivers in 2023-24, but did not review to identify any trends or actions that need to be taken.	Ensure effective procurement arrangements.	**Actions:** *Accepted* *We will update the Procurement Strategy once the Procurement Act 2023 regulations are in place. Waivers are now being reported to Contract Assurance Board chaired by the Monitoring and S151 officer.* **Responsible Officer:** *Sam Lawton* **Executive Lead:** *Rachel Spenser-Henshall* **Due Date:** *September 2025, bot awaiting the introduction of the Procurement Act 2023*
IR10	The Council should develop an action plan to address the weaknesses within its contract management arrangements and ensure the actions are delivered consistently and at pace, including the lack of contract management within the District Heating Service.	Improvement	Improving economy, efficiency and effectiveness	Issues in relation to contract management have been found in; Home to School Transport, Energy Supply and the District Heating . The central procurement team have been unable to produce meaningful contract monitoring information, such as contract spend compared to contract value, due to being unable to obtain meaning information from the Council's SAP system.	In effective contract management.	**Actions:** *Accepted* **Responsible Officer:** *Sam Lawton & Lead Contract Manager* **Executive Lead:** *Rachel Spencer-Henshall* **Due Date:** *September 2025*

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

Appendices

Appendix A: Responsibilities of the Council

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

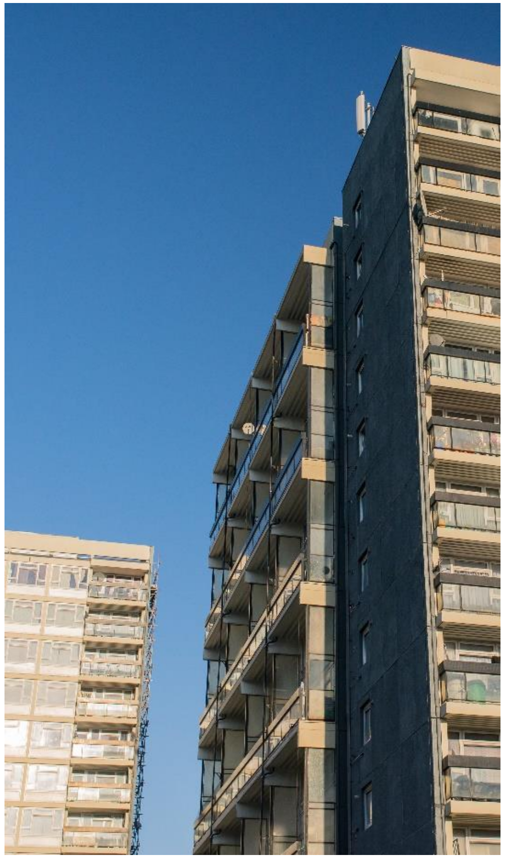
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability	Governance	Improving economy, efficiency and effectiveness
Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).	Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.	Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	The Councillors and senior officers of the Council must recognise the severity of the Council's medium term financial outlook and the need to take prompt, effective and far-reaching action to restore a sustainable financial position in the medium term	Key	January 2023	The Council have improved their process for generating savings, reduced the amount of one off use of reserves in the budget and set out plans to increase reserves but the Council is still subject to significant pressures and has low reserves.	Remains ongoing	We have raised a recommendation to ensure that the Council is focused on this. See key recommendation on page 18.
2	The Council needs to take action to address the shortfall in the Dedicated Schools Grant (DSG) recovery plan that has been agreed with Department for Education (DfE)	Key	January 2023	The Council have taken action, but at present the number of children who need the services is continuing to grow which is holding back the financial impact of actions taken.	Remains ongoing	We have raised a recommendation to ensure that the Council is focused on this. See key recommendation on page 19.
1	The Council should develop an enhanced savings development tracker that uses RAG ratings or similar means to capture the level of risk associated with the delivery of savings.	Improvement	January 2023	This has been addressed through reporting to the Executive Leadership Team.	Yes	No
2	The Council should ensure that the ongoing Transformation programme is properly integrated and supports the short-term budget savings development process.	Improvement	January 2023	The Council's programme involves key staff in departments and is progressing.	Yes	No

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3	The Council should review the arrangements for implementation and follow up of recommendations.	Improvement	January 2023	The Council now reports external and internal audit recommendations to Corporate Governance and Audit Committee	Yes	No
4	The Council should consider the merits of appointing an additional appropriately qualified councillor to the Corporate Governance and Audit Committee.	Improvement	January 2023	The Corporate Governance and Audit Committee has approved the appointment of another independent member and is currently recruiting to the role.	In progress	The Council is currently recruiting a second independent member to the Corporate Governance and Audit Committee.
5	Performance management could be improved with more effective use of data and insights.	Improvement	January 2023	Limited progress as has had to be balanced with other priorities.	No	Improvement recommendation raised on page 31.

* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

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Corporate Governance and Audit Committee – Outline Agenda Plan – 2024/25

MEETING DATE	ITEMS FOR CONSIDERATION
28 June 2024	1. Customer Complaints 2. Treasury Outturn Report (Reference to Council) 3. Annual Governance Statement (draft) 4. Amendment to Risk Management Statement (Reference to Council)
26 July 2024	1. Annual Corporate Emergency Planning & Business Continuity 2. Annual Report of the Committee 3. External Auditors Recommendations 4. Appointment of a second Independent Person 5. Q1 of IA
27 September 2024	1. Health & Safety Report 2. Information Governance Annual Report 3. Members Allowances 4. Internal Audit update plan Oct 24 – March 25 5. District Heating request for officer attendance
06 December 2024	1. Notification of a Second Independent Member 2. Bad Debt Write Off Report 3. Treasury 6-month Outturn Report 4. Q2 of IA
31 January 2025	1. Dates of Council Meetings (Reference to Council) 2. Members Allowances 3. Audit Finding Report 4. Annual Governance Statement 5. Final Accounts 6. Treasury Strategy Report 7. 2023-24 Auditors Annual Report (Value for Money)
21 February 2025	1. Annual Customer Standards Report 2. Risk Management Update 3. Q3 of IA 4. Cyber Security Update
07 March 2025	1. Proposed amendments to Financial Procedure Rules (Reference to Council) 2. Proposed amendments to Contract Procedure Rules (Reference to Council) 3. Proposed changes to the Constitution (Reference to Council) 4. Outside Bodies Nominations 5. District Heating Update 6. Housing Tenant Allocation Update
25 April 2025	1. Informing the Audit Risk Assessment

	2. 2024-25 Audit Plan 3. Annual report of Internal Audit 4. Q4 of IA 5. Internal Audit Plans 2025-26 (Q1-Q2)