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

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Thursday 22 January 2026

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 30 January 2026**.

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

A handwritten signature in cursive script, appearing to read "S Lawton".

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 Caroline Holt
Councillor Harry McCarthy
Councillor Kath Pinnock
Councillor Angela Sewell
Councillor Adam Zaman
Nicholas Booth (Co-Optee)
Andrew North (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

D Bellamy
D Hall
M Thompson

Green

K Allison
A Cooper
S Lee-
Richards

Labour

B Addy
M Ahmed
M Crook
J Rylah
S Ullah E Firth

Liberal

Democrat
J Lawson
D Longstaff
A Marchington
A Munro
A Pinnock
A Robinson
A Smith

Community Alliance

A Anwar
C Scott

Kirklees Community Independents

A Arshad
JD Lawson

Ex Officio Members

Councillor Bill Armer
Councillor Cahal Burke
Councillor Nosheen Dad
Councillor Graham Turner

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 - 6

To approve the Minutes of the meeting of the Committee held on 28th November 2025.

3: Declaration of Interests

7 - 8

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

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: Auditor's Annual Report 2024-25

9 - 62

To receive the External Auditor's Annual Report 2024-25.

Contact: Grant Thornton.

8: Audit Findings (ISA260) 2024-25 Report

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To receive the External Audit Findings (ISA260) 2024-25 Report.

Contact: Grant Thornton

9: Annual Governance Statement

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To receive the Annual Governance Statement 2024-25.

Contact: Simon Straker, Audit Manager.

10: Approval of the Councils final accounts for 2024-25

179 -
360

To consider the Councils audited statement of accounts for 2024-25 including the final version of the Annual Governance Statement.

Contact: James Anderson, Head of Accountancy.

11: Treasury Management Strategy and Investment Strategy 2026-27 361 - 390

To consider the Treasury Management Strategy and Investment strategy 2026-27 report.

Contact: James Anderson, Head of Accountancy.

12: Dates of Council Meetings 2026-2027 (Reference to Council) 391 - 394

To consider the Dates of Council Meetings 2026-27 (Reference to Council) report:

Contact: Leigh Webb, Head of Governance.

13: Kirklees Community Governance Review - Stage 1 consultation summary and stage 2 recommendations 395 - 436

To consider the Kirklees Community Governance review report including stage 1 consultation summary and stage 2 recommendations.

Contact: Nick Howe, Policy & Partnership Manager.

14: Agenda Plan 437 - 438

To review the 2025-26 Agenda Plan.

Contact: Nicola Sylvester, Principal Governance Officer.

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Contact Officer: Nicola Sylvester

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 28th November 2025

- Present: Councillor John Taylor (Chair)
Councillor James Homewood
Councillor Caroline Holt
Councillor Harry McCarthy
Councillor Kath Pinnock
Councillor Angela Sewell
Councillor Nosheen Dad (ex-Officio)
Councillor Graham Turner (ex-Officio)
- Co-optees Nicholas Booth
Andrew North
- In attendance: Chris Read, Corporate Customer Standards Officer
Ruth Calladine, Head of Procurement and Commissioning Support
Samantha Lawton, Service Director Legal and Commissioning (Monitoring Officer)
Rachel Spencer-Henshall, Deputy Chief Executive and Executive Director for Public Health and Corporate Resource
James Anderson, Head of Accountancy
Rachel Firth, Finance Manager
Alice Carruthers, Senior Risk Officer
Martin Dearnley, Head of Risk
Gareth Mills, Grant Thornton
Gregg Charnley, Grant Thornton
- Apologies: Councillor Bill Armer (ex-Officio)

- 46 Membership of the Committee**
Apologies for absence were received on behalf of Councillor Bill Armer (ex-Officio).
- 47 Minutes of Previous Meeting**
- RESOLVED –**
That the Minutes of the meeting held on 26 September 2025 be approved as a correct record.
- 48 Declaration of Interests**
No interests were declared.

49 Admission of the Public

It was noted that Agenda item 13 would be considered in private session.

50 Deputations/Petitions

No deputations or petitions were received.

51 Public Question Time

No public questions were received.

52 Corporate Customer Standards Annual Report 2024/25

The Committee received the Annual Report on Corporate Customer Standards 2024/25.

The report highlighted that complaint handling performance had remained broadly consistent with the previous year and provided a detailed breakdown of the overall number of complaints received, which included Ombudsman complaints. Appendix 1 of the report highlighted the comparisons across Yorkshire and Humber which showed Kirklees in the upper half of Councils in terms of performance, and appendix 2 provided a detailed summary of Ombudsman cases that were upheld. There had been no formal reports issues against the Council in 2024/25. The report also highlighted the increase in housing complaints which had risen from 190 to 250 and that Whistleblowing cases had returned to pre-covid levels. Information was provided in relation to Third Stage Complaints, in total 901 cases passed through the Corporate Customers Standards section in 2024/25 which was very similar to previous years. The report set out the number of complaints by service area and internal investigations had identified elevated numbers in waste collection and Special Educational Needs and Disabilities, as well as a small increase in highways and planning.

The report also included details of the Councils approach to adopting the Local Government Ombudsman Complaint Handling Code which required the Council to transition to a two-stage complaints process in April 2026.

During discussion, regarding broader performance, the committee was advised that the Ombudsman Code included Key Performance Indicators that would be reported on annually and would provide more detailed comparisons between services and other Councils. The Council also produced a quarterly performance report which was submitted to Cabinet. The Committee queried the increase in Housing complaints (8 to 49) and were assured that work had been undertaken within the service to improve processes.

In response to queries regarding the two-stage complaint process, the implementation across services and the importance of having a consistent approach across the organisation, the Committee was advised that a new complaints system would be introduced to collate the number of complaints received for each service.

RESOLVED-

- 1) That the Corporate Customer Standards Annual Report 2024/25 be noted.
- 2) That the Whistleblowing outcomes as in Appendix 4 of the report be noted.

- 3) That the proposed implantation of the Local Government Ombudsman Complaints Code by Kirklees as in Appendix 3 of the report be noted.

53 Contract Management Arrangements Update

The Committee received the Contact Management Arrangements Update Report which provided an update on the work undertaken in relation to the recommendation in the External Auditors' Annual Report 2023/24.

The report detailed the Councils response to the recommendation which had seen the establishment of a Contract Management Transformation Project in April 2025. The initiative focused on laying strong foundations and embedding core principles to better support colleagues involved in Contract management activities. A detailed action plan had been developed and a stakeholder team established to ensure the delivery of key milestones and outcomes at pace. The work had been divided into four workstreams, Learning Resource, Contract Management Framework, Governance Framework and Data Management. In relation to the Contract Management Framework, the Committee was informed that a tiering process to assess and categorise contracts (bronze, silver, gold) based on risk had been introduced. A suite of tools which included guidance documents and various training options had been developed to support contract managers and a specific role had been created to manage the contracts register.

During discussion, the Committee noted the framework but queried the timescale for roll out and the application to existing contracts. The Committee was informed that guidance was readily available and that the application to existing contracts was a long-term goal. The Committee suggested mapping gold and silver tier contracts to risk registers to ensure the right level of categorisation.

RESOLVED –

- 1) That the Contact Management Arrangements Update be noted.

54 Half Yearly Monitoring report on Treasury Management activities 2025/26

The Committee received the mid-year Treasury Management Report for 2025/26 which provided assurance that the Council's treasury management function was being managed prudently and pro-actively and that the Council had complied with its treasury management prudential indicators. The report highlighted that External investment, including the £10 million Local Authority Property Fund (LAPF), averaged £98.9 million during the period at an average rate of 4.21%. Investments ranged from a peak of £139.2 million in July 2025 to a low of £58 million in April 2025 and the majority of funds were placed in instant access accounts. The report also highlighted that the Council's external borrowing stood at £789.9 million which reflected new loans and scheduled repayments.

The Committee noted that the Treasury Management budget for 2025/26 was £36.1 million with a forecast underspend of £1.8 million. This reflected higher levels of investment balances and borrowing at rates below budget assumptions. It was also noted that all treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and Council's approved Treasury Management strategy.

Corporate Governance and Audit Committee - 28 November 2025

During discussion, the Committee queried the information presented in table one of the report in relation to forecast and estimated, and actual borrowing figures, both internal and external. The Committee was informed that estimates were part of the Capital Finance Requirement and historically had found that the outturn against Capital expenditure / Capital Plan was lower than estimated. The committee acknowledged that investment decisions were balanced on risk and reward and prioritised liquidity.

RESOLVED - That the Half Yearly Monitoring report on Treasury Management activities 2025/16 be noted.

55 External Audit Update Report

Gareth Mills and Greg Charnley, Grant Thornton External Auditors provided an update on the 2024/25 external audit and advised the Committee that the accounts audit was nearing completion, with only minor points outstanding. The ISA260 report and Value for Money (VFM) report were expected to be presented at the Corporate Governance and Audit Committee meeting in January 2026. A draft VFM had been issued in preparation for finalisation, with some ongoing issues highlighted.

The Committee noted that Kirklees remained outside the national backlog and was on track for a full audit opinion and that future statutory deadlines would move forward significantly, which would require earlier completion in subsequent years.

RESOLVED- That the External Audit Update report be noted.

56 Risk Management Update Report

The Committee received a report which provided an update on the Council's delivery of its risk management strategy and areas of focus for the next year.

The report highlighted that continual development and promotion of risk management was integral to strong performance, financial sustainability, ongoing compliance and the delivery of planned outcome for the Council. The Executive Leadership Team (ELT) were responsible for risk management, supported by the Risk Management Framework which provided a structure and process to identify, assess, monitor and report on risks. Service Risk Registers continued to form the basis of the risk management process and the standard service risk register template had been adopted by most services, with full adoption expected at the end of Quarter 4 2025/26. This would provide consistency and direct comparisons between risks on different risk registers. The report included a heat map which provided details of the change in distribution of corporate risks. The Corporate Risk Register formed part of the quarterly performance and risk report to ELT, as well as the Executive Board, Cabinet and the Overview and Scrutiny Management Committee on a quarterly basis. In addition, from Quarter 1, 2025/26, risk metrics had been included as part of the quality Check and Challenge process.

The report also highlighted the ongoing work with regards to the provision of a Risk Appetite Statement for Kirklees, which would be used as a strategic tool to help the organisation determine how much risk it was willing to take. A draft copy could be found at Appendix 2 of the report.

During discussion, the Committee highlighted the larger complex projects and the lack of independent programme assurance. The committee noted the continued work to embed risk management across governance frameworks, enhanced training, and regional collaboration.

RESOLVED - That the Risk Management Update report be noted.

57 Risk Assurance on selected services

The Committee received a report which provided assurance on the effective and operationalisation of risk management processes throughout the Council.

Two case studies were shared with the Committee in relation to Highways Service Risk Management and Corporate Risk CAS01 Community tension, resilience and wellbeing, as part of a request from the Committee to understand how the Risk Management Policy was operationalised at both a Service and Corporate level. The report highlighted that the Risk Management Framework was designed to ensure risks were identified, monitored and managed at a Service level, and, where required, there was clear escalation routes. The report provided detailed information in relation to Service Risk Registers and the Corporate Risk Register, which both followed the same quarterly review process.

The Committee welcomed the approach as a way of providing deeper assurance and suggested extending similar reviews to long-standing risks with limited movement. The Committee also highlighted the importance of managers undertaking self-assessments of control, effectiveness and design as a way of consistency.

RESOLVED - That the Risk Assurance on Selected Services report be noted.

58 Internal Audit Quarterly Report 2 2025/26 - July 2025 to September 2025

The Committee received a report which set out the Internal Audit activity during Quarter 2, 2025/26. Appendix 1 of the report provided an update on all recommendations from 2024/25 and 2025/26 that were due to be implemented by 30th September 2025 but had not yet been fully carried out. Of the outstanding recommendations, two fundamental recommendations had not been fully completed, two major recommendations had not been implemented and eighteen had seen partial implementation. This was an improved position from Quarter 1. The report also highlighted the Regulation of Investigatory Powers Act investigations, of which there had been none for this period.

Corporate Governance and Audit Committee - 28 November 2025

During discussion, the Committee sought confirmation that recommendations prior to 2024/25 had been fully implemented and agreed that a retrospective review should be undertaken and added to the report as required.

RESOLVED – That the Internal Audit Quarterly Report 2025/26 – July 2025 to September 2025 be noted.

59 Agenda Plan 2025/26

RESOLVED- That the Agenda Plan 2025/26 be noted.

60 Exclusion of the Public

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

61 Internal Audit Quarterly Report 2 2025/26 - July 2025 - September 2025

RESOLVED - That the Committee noted the exempt information, which was an appendix to Agenda item 13

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

Interim Auditor's Annual Report
Year ending 31 March 2025

21 January 2026



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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.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Kirklees Metropolitan Council during 2024-25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VFM) arrangements. The responsibilities of the Council are set out at Appendix A. The Value for Money Auditor responsibilities are set out at Appendix B.

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 2025 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 2024-25
- 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.

Auditor's powers

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

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024-25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Kirklees Council (the Council) was formed in 1974 and has a population of around 433,000 residents (ONS 2021). The Council covers approximately 158 square miles and has Huddersfield as its largest population centre. The Council is a member of the West Yorkshire Combined Authority (WYCA) which was established in 2014. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans. The Council’s formal decision making and governance structure constitutes the full Council and an Executive (the Cabinet). The Council has 69 councillors, and has been under no overall control since 2024.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024-25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages. We have retained the three key recommendations from the prior year in respect of the Council’s overall financial position, the level of Dedicated Schools Grant (DSG) deficit, and the matters identified by the Housing Regulator. In line with our responsibilities under the Code, our assessment of the Council’s VFM arrangements reflects our understanding of the arrangements in place during 2024-25. However, where relevant, we have included additional context from events in 2025-26. We will set out our full assessment of arrangements in respect of 2025-26 in next year’s report.

Criteria	2023-24 Assessment of arrangements	2024-25 Risk assessment	2024-25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified, two key recommendations and three improvement recommendations also raised.	Two risks of significant weakness identified in relation to: the Council’s financial position and Dedicated Schools Grant (DSG) deficit.	R Two continuing significant weaknesses in arrangements identified around the Council’s financial position and DSG deficit were identified, and two key recommendations retained.
Governance	A No significant weaknesses in arrangements identified, four improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses identified; one improvement recommendation has been updated on waiver reporting and one improvement recommendation raised to support reporting and monitoring of the Council’s capital programme.
Improving economy, efficiency and effectiveness	R Significant weaknesses identified in relation to housing compliance, one key recommendation and four improvement recommendations raised.	One risk of significant weakness identified in relation to: the Council’s failure to meet statutory health and safety requirements in Council homes.	R One continuing significant weakness identified on the Council’s housing compliance, resulting in a key recommendation being retained and updated. An improvement recommendation is retained on data quality, and a new improvement recommendation is raised on implementing improvement following the 2025 Local Area SEND Inspection.

- Page 13** No significant weaknesses or improvement recommendations.
- Page 14** No significant weaknesses, improvement recommendation(s) made.
- Page 15** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024-25, the Council delivered a £5.6m revenue overspend, funded from earmarked reserves. Services overspent by £13.5m in-year, with the largest variances in the Children and Families (£5.7m), and Place (£6.3m) directorates. The £5.7m overspend in Children and Families was despite use of £1.5m from the earmarked demand reserve. The Council continues to face financial pressures in the short and medium-term as a result of demand and cost pressures within social care, with an estimated cumulative budget gap of £30.2m in the period to 2030-31. We have therefore retained our Key recommendation on strengthening the Council's financial position.

The Council is expecting to gain additional funding in the medium-term from equalisation and the Fair Funding Review. The Council took a prudent approach and forecasted funding gains over the next three years of £6.7m in 2026-27, and £5m annually in 2027-28 and 2028-29 within the Medium-Term Financial Plan (MTFP). As at January 2026, the Council has now estimated that there is an additional £6m of funding available in 2026-27 from the provisional Local Government Finance Settlement (LGFS) – the Council has indicated that allocation will be determined in budget-setting.

The Council's Dedicated Schools Grant (DSG) deficit has also continued to increase, with an in-year overspend of £20.1m. The cumulative deficit stood at £63.8m at the end of 2024-25. This deficit is already 105% of the Council's total usable reserves and is forecast to continue increasing. As a result, we have also retained our Key recommendation in this area. DSG deficits are a national issue affecting many local authorities. Recent Government announcements continue to suggest that there will be a national resolution to this issue in the future but, at the time of our review, the details of this were not clear. The Government intends to set out its proposed reforms to the Special Educational Needs and Disabilities (SEND) System in the Schools White Paper, which had been expected in Autumn 2025 but was delayed until 2026. We will follow up this issue as part of our work in 2025-26.



Governance

The Council had arrangements in place to identify and manage risks during the year. The Council has an established Risk Management Framework, including a Risk Management Policy, Risk Management Strategy and Guidance, Risk Assessment Matrix and Risk Register Template, all of which were refreshed in 2024-25.

Budget-setting and monitoring arrangements continued to operate throughout 2024-25 with member and officer engagement. We have raised an improvement recommendation for the Council to enhance capital monitoring and reporting to members.

The Council has taken action to align its procurement arrangements with the legislative changes relating to the Procurement Act 2023. Training on the related new regulations has been undertaken and a new Procurement Strategy was agreed in December 2025. As a result, we have updated an improvement recommendation from 2023-24 for the Council to implement formal waiver reporting to members.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Improving economy, efficiency and effectiveness

Corporate performance against the objectives of the 2024-25 Council Plan was reported to Cabinet.

The Council received a Regulatory Notice from the Regulator of Social Housing in March 2024 following a self-referral. The Notice identified a failure to meet statutory health and safety requirements in homes, with regards to high instances of damp and mould, as well as overdue fire and remedial actions.

The Council has put in place a programme of work to rectify these failures and has continued to work with the Regulator to address issues in 2024-25. Progress has been made towards completing fire remedial actions and addressing the damp and mould backlog. We understand that this is reflected by the Regulator stepping back the frequency of meetings in 2025-26 with a continued focus on fire remedial actions. Management has communicated that progress is ongoing in 2025-26 and that the Council is working towards demonstrating compliance with the relevant regulatory standards. Despite this, we consider that this remained a significant weakness in arrangements in 2024-25 and have retained a Key recommendation from the prior year.

In June 2025, there was an Area SEND Inspection of the Kirklees Local Area Partnership which identified four areas for improvement. We have raised an improvement recommendation for the Council to implement identified actions in response to these findings. The Council anticipates that the forthcoming White Paper will have a positive impact and has been working on additional local provision to bring down overall costs.



Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024-25 outcome
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Opinion on the Financial Statements

Our work is substantially complete and our anticipated financial statements audit report will be an unmodified, ‘clean’ opinion. We intend to issue the audit opinion in early February 2026 following the Corporate Governance and Audit Committee meeting on 30 January 2026.

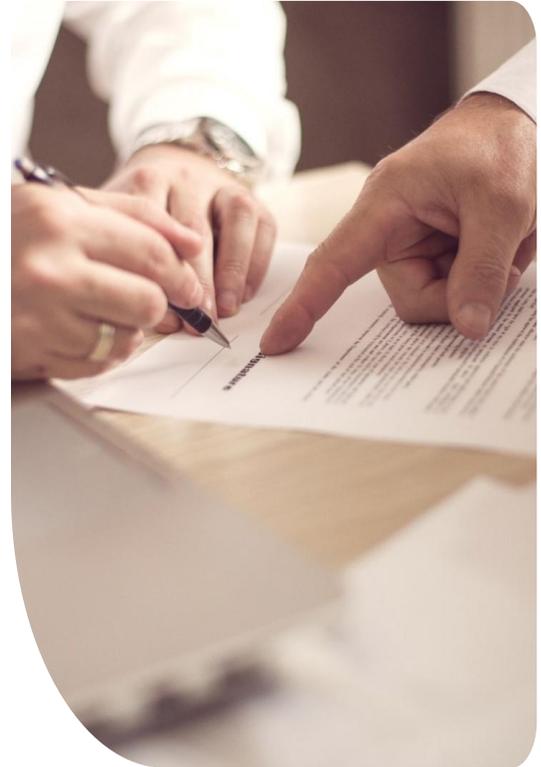
Use of auditor’s powers

We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work is substantially complete and our anticipated financial statements audit report will be an unmodified, 'clean' opinion. We intend to issue the audit opinion in early February 2026 following the Corporate Governance and Audit Committee meeting on 30 January 2026.

The full opinion is included in the Council's Annual Report for 2024-25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 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 2024-25
- 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 (2024) 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.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by appropriately detailed working papers. We did not identify any adjustments impacting on the Council's useable reserves balances which represents a good outcome of the Council. Several classification, disclosure and presentational adjustments were identified from the audit, and the volume and type of such adjustments identified is consistent with other audited bodies across the LG sector.

In our ISA260 report, we indicated that there is scope for improvement in the integrity, accuracy and understandability of the Council's cash flow working papers following several audit adjustments identified to this primary accounting statement in the current and prior year. In addition, we highlighted that issues had been identified in the gross internal area data (floor areas) that was supplied to the valuer for the purpose of the buildings' estate valuation estimate, with such variances between the valuer's data and the underlying estates records also occurring in the prior year. We have raised auditor recommendations in our report for management to address these ahead of the 2025-26 accounts closedown.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Our Audit Findings (ISA260) report is to be presented to the Council's Corporate Governance and Audit Committee on 30 January 2026. Requests for this Audit Findings Report should be directed to the Council.

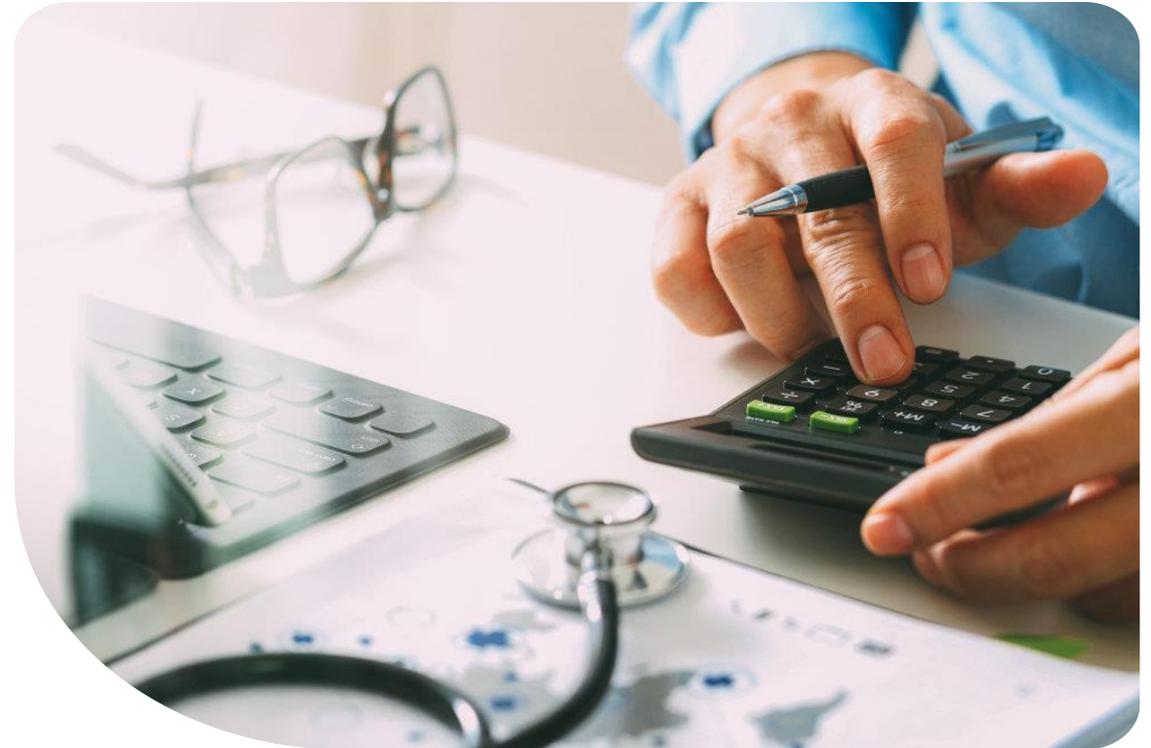
Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office 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, 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.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council reported a net £5.6m revenue overspend for 2024-25, funded from earmarked reserves. This was despite funding from the earmarked demand reserve of £1.5m within the Children and Families Directorate. Services overspent by £13.5m (Place: £6.3m, Children and Families: £5.7m, Adults and Health: £1.3m), and the net overspend was reduced through an £8m underspend in central budgets (largely linked to a recalculation of the Minimum Revenue Provision in 2023-24). The Council, like many others, continues to face significant financial pressures from increasing demand and costs. As quarter 2 2025-26 it forecast a net £5.1m overspend, after use of £5.3m from the budget contingency reserve. This is however a lower forecast overspend than the same point in 2024-25 (£9.9m), 2023-24 (£16.1m) and 2022-23 (£24.3m). Some £4.8m of the forecast £5.1m overspend was attributed to overspends within the Children and Families directorate and £4.5m was attributed to the Adults and Health directorate.

We raise a continuing key recommendation in 2024-25 for the Council to strengthen its financial position. On balance, we consider that this significant weakness within financial sustainability arrangements remains in place at 31 March 2025 (see **Key recommendation 1**). The Council agreed a balanced budget for 2025-26 though this relied on use of £5.5m from budget contingency reserves. The Council’s latest Medium-Term Financial Plan (MTFP) from December 2025, which covers a six-year period from 2025-26 to 2030-31, indicated an estimated budget gap of £30.2m over the period to 2030-31.

The Council's cumulative DSG deficit has been increasing despite the Council being part of the Safety Valve Agreement since 2022. The Department of Education (DofE) approved an extension to the original timescale for the Council to eliminate its deficit (from 2026-27 to 2029-30). In 2024-25, the Council had an in-year overspend of £20.1m on its DSG budgets, and its cumulative deficit rose to £63.8m against a planned deficit of £63.3m. This is above existing usable reserve levels (earmarked and general revenue reserves), which stood at £61.1m at year-end. In common with a number of local authorities experiencing DSG challenges, the Council's forecasts indicate that it now expects the cumulative deficit to peak at £78.5m in 2025-26, and to remain at £56.3m in 2029-30. Based on this we retain a Key recommendation (**Key recommendation 2**).

R

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- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>In 2024-25, the Council delivered £33.7m (79%) in savings against a budgeted target of £42.6m. Slippage was driven by a lack of delivery within the adults and health transformation programme - of the initial target of £8.2m identified, £4.828m (59.1%) was delivered at year-end. The Council needs to continue to progress and deliver its programme of transformation, this is included within our key recommendation (Key recommendation 1)</p> <p>The Council has set a savings target of £26.8m in 2025-26. This is a substantial decrease from the required target in 2024-25, and Q2 financial monitoring has indicated that savings are forecast to be delivered at 84% of this target.</p>	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has a Council Plan with four key priorities: address financial position in a fair and balanced way, strive to transform Council services to become more modern, efficient and effective, continue to deliver a greener, healthier Kirklees and address the challenges of climate change, and continue to invest and regenerate towns and villages to support diverse places and communities to flourish. The Council's MTFs and 2024-25 budget reflect these corporate priorities and help to support delivery of the Council Plan.</p>	G
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	<p>The Council can evidence alignment between financial plans and other corporate strategies, such as the Environment Strategy: Everyday Life and its People Strategy.</p> <p>There is a multi-year capital programme updated annually and covering the period up to 2031-32 which is set to deliver capital investment of £1.4bn. Capital budget monitoring was included in quarterly budget monitoring reports. We raise an improvement recommendation related to capital programme monitoring and strategic project reporting (Improvement recommendations 2) which are relevant to this area, hence an “amber” rating.</p>	A

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- A No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- A Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans

Cabinet received quarterly budget monitoring reports throughout 2024-25. Reports identified risks impacting the in-year financial position, detailed cost pressures, identified forecasts to year-end, and explained any variances alongside proposed mitigating actions. The Council implemented a number of actions to reduce spend, such as stopping non-essential expenditure, recruitment freezes, ongoing reviews of discretionary fees/charges. However, services overspent by around £13.5m at year-end. This was, however, offset by a £8.0m underspend on corporate budgets, leaving a £5.6m net variance. In response, The Council drew down £8.7m from earmarked reserves, using £5.6m to fund the overspend and making a £3.1m contribution to its budget contingency reserve. The Council undertook scenario planning and sensitivity analysis as part of its updates to the MTFP.

The Council risk-assesses its general reserves twice a year. The Council’s reserves are not excessive for a local authority of its size and type and remain below its own ideal level, though it is above the minimum level. The Council’s latest assessment indicated a minimum level of £22m, and a desirable level of £31m – the Council’s general reserve currently sits at £25m. There was no contribution to reserves in 2024-25, but the Council’s MTFP includes a planned £1m contribution annually to the general reserve between 2025-26 and 2030-31. The Council also expects its government funding to increase with the implementation of the fair funding review. The MTFP (as of September 2025) set out that government funding increases are forecast to be in the region of £6.7m in 2026-27, and £5m annually in 2027-28 and 2028-29. However, as we set out above, challenges remain in mitigating financial risks, particularly in regard to addressing funding gaps across the medium-term, controlling service overspends and incrementally building reserve levels to safeguard medium-term financial sustainability. We have identified concerns around the Council's reserve levels, which are low compared to revenue expenditure and when compared to other metropolitan authorities. We therefore consider that **Key recommendation 1** also applies to this area.

R

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No significant weaknesses or improvement recommendations.

- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council, like many others, continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the MTFP, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels. The Council should also continue enhancing the output of its transformation programme and linking this through to its MTFP. We retain the key recommendation raised in our 2023-24 AAR.

Evidence: The Council delivered £33.7m (79%) of its savings target of £42.6m in 2024-25. This was a considerably higher target than in 2023-24, where the Council delivered 100% of the target of £19.8m. However, the Council ended 2024-25 with a net £5.6m overspend. The overspend within the Children and Families, Adults and Place directorates was a combined £13.5m. This is not a sustainable position, and the Council only managed to lower the net overspend to £5.6m following a one-off underspend in corporate services. In 2025-26, the Quarter 2 financial monitoring report forecast a £5.1m overspend to year-end, with the Council also looking to reprioritise its capital programme to reduce revenue pressures. The Council therefore needs to mitigate risk by delivering spend as close to possible in 2025-26 to avoid continued use of reserves.

The Council reviews its MTFP annually, with updates brought to Cabinet and Full Council in September each year. In September 2025, the MTFP indicated an estimated funding gap of £56.3m from 2025-26 to 2030-31, with the biggest shortfall being £17.9m in 2026-27. In 2024-25, the Council did not increase reserve levels, though use of reserves in 2024-25 was lower than 2023-24. The general reserve remained at £25m at year-end, and earmarked reserves stood at £36m. The Council has a plan in place to incrementally increase its reserve levels, with the MTFP including an annual contribution of £1m to the general reserve from 2025-26 onwards up to 2030-31. Additionally, officers have indicated that there was a prudent approach taken to the Fair Funding Review, and any additional funding from the Local Government Finance Settlement (LGFS) will be determined in the budget setting process and could be added to reserves. However, the Council has yet to demonstrate that it can increase reserves sustainably given ongoing revenue overspends.

The Council has a significant adult social care transformation programme in place with a target of £12m set for 2025-26, however transformation savings are not clearly identified and monitored within budget management reports. Reporting on transformation efficiencies was embedded within savings monitoring – in 2024-25, the Council had a target of £8.2m but only managed to deliver £4.8m (59.1%) at year-end. Delivery of transformation efficiencies is key to the Council's effort to set itself in a more sustainable position moving forward, and we include this within the updated Key recommendation below.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Impact: The Council should continue to build on work to mitigate risks to its financial position. There are still significant budget pressures, and reserve levels, although set to increase, remain low in comparison to revenue budgets. Unless the Council can control financial pressures in the short and medium-term, and deliver to the agreed budget target, pressures on reserve levels could undermine the capacity to effectively manage future financial shocks. Additionally, the Council should strengthen its focus on clearly identifying deliverable transformation savings and include this within the MTFP to identify impacts in the future, as an inability to deliver planned transformation efficiencies would put financial sustainability at risk.

Key Recommendation 1 (retained from 2023-24)

KR1: 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 2025-26
- reviewing pressures, assumptions and future savings levels in the MTFP
- identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans
- reviewing the target level of reserves it wishes to achieve in future years of the MTFP.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Although the Council is taking action to reduce spend and to implement mitigations, the DSG cumulative deficit is forecast to peak at £73.2m in 2025-26 and is projected to still be £56.3m at the end of the Council's Safety Valve Agreement in 2029-30. The Council is not on track with the target to eliminate the in-year deficit by this time, and is also off-track with the annual targets identified for each year within the Agreement. DSG deficits are a national issue affecting many local authorities. Recent Government announcements continue to suggest that there will be a national resolution to this issue in the future but, at the time of our review, the details of this were not clear. The Government intends to set out its proposed reforms to the Special Educational Needs and Disabilities (SEND) System in the Schools White Paper, including the anticipated outcome for those Councils with significant deficits. This was expected in Autumn 2025 but was delayed until Summer 2026. We will follow up this issue up in 2025-26.

Evidence: The Council's cumulative DSG deficit stood at £63.8m at the end of 2024-25, with the in-year overspend of £20.1m (£15m in-year deficit in 2023-24). This is clearly a worsening position and the Council is aware it needs to control overspends within the high needs block (HNB).

The Council has a DSG Management Plan in place, with workstreams to control spend including savings within mainstream schools based on cluster work, savings within post-16 costs, and ongoing development of additional capacity including specialist schools to provide additional places. Progress is reported regularly to Members. Current mitigating measures are set to begin having a financial impact in 2025-26 with a £4m impact projected at the time of our review, increasing significantly in later years as mitigating measures take effect. The Council has also prioritised revenue resource to increase high needs sufficiency, and has committed to contribute £10.75m to 2029-30. The first £2.15m has been included within the 2025-26 revenue budget, and is expected to recur in future years.

Currently, the Management Plan indicates that in-year balance will be reached in 2028-29 post-mitigation, however at the time of our review the cumulative deficit was forecast to rise to £72.3m in 2025-26 before slowly levelling off to £56.3m in 2029-30. Despite mitigations, therefore, the Council is still off-track compared to the targets set out within the revised Safety Valve Agreement. The Council ended 2024-25 with general reserves of £25m and earmarked reserves of £36m (£61m total). The cumulative deficit of £63.8m in 2024-25 has already exceeded this level (105%). The Council also faces a cashflow pressure of around £3m-£4m pressure as a result of servicing the cumulative deficit, as this represents balances that could otherwise been used for service provision or to fund capital rather than increasing external borrowing.

Impact: The Council is aware it needs to manage its DSG position to mitigate increases in its cumulative deficit, as a worsening DSG deficit would go towards compounding financial risk.

Financial sustainability (continued)

Kirklees DSG Cumulative Deficit against Safety Valve Targets



Key Recommendation 2 (retained from 2023-24)

KR2: The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DofE.

	DSG Cumulative Deficit	
	Council forecast pre-mitigating actions in DSG management plan	Council post-mitigation forecast
	£m	£m
2025-26	76.3	72.3
2026-27	87.7	70.8
2027-28	98.3	66.7
2028-29	107.8	61.4
2029-30	116.3	56.3

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has arrangements in place to manage strategic risks. There is a Risk Management Framework in place, including a Risk Management Policy, Risk Management Strategy and Guidance, Risk Assessment Matrix and Risk Register Template, all of which were reviewed and updated in 2024-25. Quarterly risk reports and the corporate risk register are reviewed by Cabinet and Overview and Scrutiny Committee.</p> <p>The Internal Audit function provided quarterly updates to the Corporate Governance and Audit Committee. The Internal Audit Annual Opinion 2024-25 was reported to Committee in June 2025, and noted that there was sufficient evidence to demonstrate that the Council's system of governance, risk management and internal control was effective.</p>	<p>G</p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Council had an established annual budget setting process in 2024-25. The final budget was approved by Full Council on 5 March 2025 following scrutiny by the Overview and Scrutiny Management Committee in January 2025. Public consultation was undertaken to engage the public and key stakeholders during budget development. In addition, regular cross-party budget meetings were held to enable member engagement across the political parties.</p>	<p>G</p>

- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>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</p>	<p>Quarterly financial monitoring reports were considered in 2024-25 by Cabinet. Variances were explained, with a summary of mitigating actions put into place to control overspends. Despite this, there were still significant service overspends noted in 2024-25, largely attributed to pressures within the Children and Families directorate. Reports covered the HRA, DSG, capital monitoring, treasury management information and a summary of reserve levels. Reporting on capital did not set out expenditure by programme, we raise an improvement recommendation (Improvement recommendation 2). Our recommendations in relation to controlling expenditure at service level and delivering savings are also relevant (see previous financial sustainability section).</p> <p>A clear treasury management reporting framework was in place in the year, in line with what we would expect to see. There were two treasury management reports considered by members in 2024-25, and the Annual Report on Treasury Management for the year was received in June 2025. Treasury management reports provided assurance on treasury management prudential indicators, and also provided updates on investment and borrowing performance.</p> <p>We previously raised improvement recommendations on internal budgetary control information and risk management arrangements around high-value capital regeneration schemes, which have been closed down. We have raised a new improvement recommendation (Improvement recommendation 2) on the monitoring and reporting of high-value capital schemes.</p>	<p>A</p>

-  No significant weaknesses or improvement recommendations.
-  No significant weaknesses, improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council's Constitution sets out its decision-making processes and procedures. We raised an improvement recommendation in 2023-24 on arrangements to manage conflicts of interest, sufficiently informative Cabinet papers, as well as MRP calculations – we consider that the Council has improved arrangements around declarations of conflicts of interest, and has enhanced Cabinet papers to include financial information and further explanations on MRP calculations, and this recommendation is now closed.</p> <p>The Council has an Overview and Scrutiny Management Committee, supported by four Scrutiny Panels. The Council also has an established Corporate Governance and Audit Committee, and a second independent member was appointed to the Committee in March 2025. The Committee now has two independent members and is aligned with established good practice.</p> <p>An improvement recommendation was raised in the 2023-24 AAR on HRA financial sustainability which has been closed.</p>	<p>G</p>

-  No significant weaknesses or improvement recommendations.
-  No significant weaknesses, improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council's Constitution is regularly reviewed, and this includes the Councillor and Officer Codes of Conduct. The Codes include requirements for registering and disclosing gifts and interests.</p> <p>The Council has a new Procurement Strategy that was approved by Cabinet in December 2025. The Strategy is aligned with the Procurement Act 2025. Contract Procedure Rules were refreshed and agreed in March 2025. The Council can evidence work undertaken for alignment with the Procurement Act 2025, with training undertaken by relevant officers. An improvement recommendation was raised in 2023-24 on procurement and waiver reporting, whilst some elements of this recommendation have been addressed, the Council does not formally report waivers to members. This has been retained and included within an improvement recommendation (Improvement recommendation 1).</p>	<p>A</p>

- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: procurement arrangements

Key Finding: The Council has a new Procurement Strategy which was approved by Cabinet in December 2025. Although the Council has an internal log of waivers, this is only reported to the Contract Assurance Board which is officer-led and not to members.

Evidence: The Strategy is aligned with regulations set out within the Procurement Act 2025, and relevant officers have undertaken training on new regulation.

The Council maintains a waivers register which is reported to the Contract Assurance Board, chaired by the Monitoring Officer and the S151 Officer. Contract management arrangements were strengthened and agreed by Corporate Governance and Audit Committee in November 2025. Waivers are not currently reported to members, however there are plans in place to begin reporting to Cabinet or Scrutiny Committee after Contract Procedure Rules are updated in February 2026. At time of writing, the Council has had only 5 waivers in 2025-26.

Impact: Although the Council has not used a significant number of waivers in 2025-26, enhancing procurement arrangements and waiver reporting will ensure there is sufficient member and officer oversight of exemptions.

Improvement Recommendation 1

IR1: The Council should introduce annual waiver reporting to a relevant member-led Committee, in order to identify trends and actions required.

Governance (continued)

Area for Improvement identified: capital monitoring and reporting of high-value capital schemes

Key Finding: The Council has a multi-year capital programme. Capital programme updates were included within quarterly financial monitoring reports considered by Cabinet in 2024-25, however individual schemes are not listed, with spend broken down among directorates. Additionally, we previously raised an improvement recommendation for the Council to enhance arrangements around high-value capital regeneration schemes to ensure that risks were appropriately managed.

Evidence: The Council's quarterly financial monitoring reports include a section on capital to track expenditure against budget. There is a narrative summary provided on the capital budget, and any changes to the multi-year capital plan that have been made. Capital expenditure is broken down by service area, with variances identified against budget. However, reporting could be enhanced by including information on individual capital projects and schemes, especially for large capital projects. Currently, in our view, it is difficult for members to appropriately scrutinise and have oversight of large schemes that may be off track.

The Council has several high-value capital schemes in place, such as Our Cultural Heart and the George Hotel. Although we recognise that the Council has governance and monitoring arrangements in place for the individual projects, with programme boards that meet regularly and update reports brought to Cabinet as and when necessary, adopting a “major projects” approach could support in identifying strategically important projects which may involve one or more of: high capital value, complex or high-value commercial arrangements and contracts with third parties, and strategic important to the Council’s aims and objectives.

Given the strategic and financial importance of these and other regeneration projects to the Council - both individually and as a portfolio - we consider that the Council should enhance arrangements by increasing the frequency and transparency of progress reporting to a relevant Member-led committee.

Impact: Improving arrangements would enhance transparency, member oversight and scrutiny of the Council's capital programme to help manage risks.

Improvement Recommendation 2

IR2: The Council should enhance capital reporting arrangements to a sufficiently detailed level to allow material variances to be discussed. Additionally, the Council should establish appropriately regular reporting on progress with major capital projects to a relevant member-led Committee, such as Cabinet. Reports should cover progress against agreed timescales and budgets, key risks and mitigations, and – for more mature projects – assessments of benefits realisation.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council set a 2024-25 Council Plan which was approved by Full Council in March 2024 and set out four three-year priorities. The priorities are supported by key performance indicators, grouped by theme. Progress against the Plan indicators was reported quarterly to Cabinet in 2024-25. Metrics within reports were RAG-rated, clearly explained, and benchmarked against national or local data where possible. Red-rated measures vary across directorates, however there is narrative included to indicate how the Council will improve performance. We previously raised an improvement recommendation to introduce corporate performance monitoring within formal Cabinet meetings – corporate performance is now reviewed by Cabinet quarterly in public meetings, so this recommendation has been closed.</p> <p>An improvement recommendation was also raised in 2023-24 on data quality, this is in progress and the Council is actioning this for 2025, so we consider this remains outstanding (Improvement recommendation 3).</p> <p>There is evidence to indicate that the Council used benchmarking to compare its performance with similar authorities in 2024-25. This was raised as an improvement recommendation in 2023-24, and we close this down.</p>	<p>A</p>

- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>A LGA Corporate Peer Challenge was undertaken in November 2024, with an action plan agreed by Cabinet and Full Council in response to findings in April 2025. A progress review was undertaken in September 2025 and reported to Cabinet in December 2025, indicating positive progress against the action plan. The Council also had an area SEND inspection of the local area partnership in June 2025, which highlighted four areas of improvement around the transition to adulthood, reducing waits, the quality of Education, Health and Care Plans (EHCP) and communication across the partnership (see Improvement recommendation 4).</p> <p>The Council was issued with a Regulatory Notice by the Regulator of Social Housing in March 2024 following a self-referral. We raised a related Key recommendation in relation to this in our 2023-24 VFM review. The Council developed action plans in response and continued to progress improvements in 2024-25. We understand that the Council has completed a substantial amount of fire risk and legionella assessments as well as having reduced the backlog of open damp and mould cases. There are positive developments, with damp and mould now returning to a business-as-usual position, and the Council is working towards having the Regulatory Notice removed at the end of calendar year 2025 or the beginning of 2026. However, at the end of 2024-25, the Notice had not been removed - this remained a significant weakness in 2024-25. We have updated Key recommendation 3.</p>	<p>R</p>
<p>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</p>	<p>There is a Kirklees Communities Partnership Plan 2022-27 in place, which sets out local community safety partnership priorities over the period. The Council also delivers four key partnership strategies (Environment Strategy, Kirklees Health and Wellbeing Strategy, Inclusive Economy Strategy and Inclusive Communities Framework) with partners across the region and has place partnerships that work with local people and organisations. The Council ensures that it delivers its role within key partnerships through reporting to the Kirklees Partnership Executive, which met five times throughout 2024-25.</p>	<p>G</p>

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- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>In 2024-25, the Council had a contracts register in place including relevant details of major contracts that the Council holds. We raised an improvement recommendation in our 2023-24 AAR for the Council to strengthen contract management arrangements. The Council identified contract management as an important area of improvement at year-end for 2024-25 within its Annual Governance Statement and Risk Management Annual Report and continued to recognise that there is work to be done. We are aware that during the course of 2025, the Council implemented an action plan to strengthen contract management, refreshed governance arrangements and provided contract management training to relevant officers. There is a Contract Assurance Board in place that reviews waivers and exemptions regularly and is also chaired by the Monitoring Officer and the S151 Officer. Based this and our discussions with the Council we consider that the Council has strengthened its contracts register and refreshed governance arrangements and continues to look to progress improvements by introducing risk tiering in the future. These actions are all positive. As a result, we have closed this recommendation but will revisit this area to confirm this progress have been maintained as part of our work in 2025-26.</p> <p>The Council transferred its 40% shareholding in Kirklees Stadium Ltd (KSDL) to Huddersfield Town Association Football Club Limited (HTAFC) in September 2025 following a delegated decision. The Council had an objective to dispose of its entire shareholding, and commissioned and received external advice from consultants and solicitors in relation to tax and property guidance. We have not identified any significant issues with this matter and not raised any related recommendation.</p>	<p>G</p>

- No significant weaknesses or improvement recommendations.
- No significant weaknesses, improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key Finding: A significant weakness and key recommendation was reported in our 2023-24 VFM review concerning the Council's housing stock. The Regulator of Social Housing issued a Regulatory Notice in March 2024 following the Council's self-referral. The Council has been on an improvement journey and, whilst there has been significant progress, the Council is aware it needs to continue strengthening arrangements.

Evidence: The Council has continued to progress improvement against the Notice, and has actions in place to close down issues identified (fire remedial actions, damp and mould case backlog, water quality testing). Regular reporting on progress has been considered by Cabinet in 2024-25, alongside regular communication with the Regulator. Governance arrangements were refreshed in 2024-25, with a Homes and Neighbourhoods Improvement Board (HNIB) implemented, as well as bi-monthly reporting to the Building Safety Assurance Board. Despite this, weaknesses in arrangements continued in 2024-25, with the majority of improvement action beginning in January 2025 and escalating throughout the 2025 calendar year. Actions around fire, damp and mould, and water quality testing still remain outstanding as at June 2025. Although the Council can evidence improvement like water quality testing and assurance being 99.8% compliant and damp, mould and condensation reaching the 'Business as Usual' position by June 2025 and being maintained since, this continued to be a significant weakness in arrangements in 2024-25 as the Council's performance was not yet at a level where the Regulatory Notice could be removed.

Impact: The Council is not providing adequate housing services for some tenants, and has not fully addressed or actioned all issues identified within the Regulatory Notice of March 2024 as at 31 March 2025. The Regulatory Notice has not been removed yet.

Key Recommendation 3 (retained and updated from 2023-24)

KR3: The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024. This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and water quality testing within all properties. Improvements should continue to be reported regularly to Cabinet, so there is oversight and assurance to ensure that service improvements are made to allow for the removal of the Notice.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: data quality

Key Finding: The Council did not have a Data Management Strategy in 2024-25 which addressed data quality.

Evidence: Discussions with the Council have indicated that there is work being undertaken around agreeing a Digital Strategy by the end of 2025-26 which will drive an Implementation Programme. Activity has been underway since 2023-24.

Impact: Implementing a data strategy would help with performance and data quality standards.

Improvement Recommendation 3 (retained from 2023-24)

IR3: The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: SEND Area Inspection

Key Finding: The Council had an Area SEND Inspection of the Kirklees Local Area Partnership in June 2025, which identified several areas of improvement.

Evidence: The 2025 inspection identified areas of improvement which include the following: strengthening and implementing plans to reduce waits, improving the quality and impact of Education, Health and Care Plans (EHCP), improving communication across the partnership and improving how effectively children and young people are prepared for adulthood.

The Council should now focus on implementing the identified improvement actions within its 'Big Plan 3'. The 'Big Plan' acts as a co-produced SEND Transformation Strategy for the local area partnership. Progress against actions should be reported to the relevant Committee for oversight and scrutiny.

Impact: The Council is at risk of failing to address identified issues, which could lead to a decline in the quality of childrens' services.

Improvement Recommendation 4

IR4: The Council should implement the identified actions within the 'Big Plan' in response to the Area SEND Inspection of the Local Area Partnership in June 2025, with progress monitored by the relevant Committee.

05 Summary of Value for Money Recommendations raised in 2024-25

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="188 422 812 529">The Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul data-bbox="188 551 820 1082" style="list-style-type: none"> <li data-bbox="188 551 766 658">• taking action to deliver savings and to deliver spend as close to budget as possible in 2025-26 <li data-bbox="188 679 761 751">• reviewing pressures, assumptions and future savings levels in the MTFS <li data-bbox="188 772 820 958">• identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans <li data-bbox="188 979 779 1082">• reviewing the target level of reserves it wishes to achieve in future years of the MTFS. 	<p data-bbox="853 715 1049 786">Financial sustainability</p>	<p data-bbox="1090 308 2364 379">Actions: The Council has made considerable progress on this recommendation. To put this progress into context.</p> <p data-bbox="1090 401 1454 429"><u>In Year Financial Position.</u></p> <p data-bbox="1090 436 2328 472">Q2 25/26 lowest projected overspend £5.1m over past few years as reported to Cabinet</p> <p data-bbox="1090 494 1217 522"><u>Reserves</u></p> <p data-bbox="1090 529 2333 601">General Reserve balances unchanged in 24/25 and plans to add £5m over next 5 years. Currently at £25m they remain above minimum calculated level.</p> <p data-bbox="1090 622 1174 651"><u>MTFS</u></p> <p data-bbox="1090 658 2390 801">Prudent position taken in September MTFS re Fair Funding 2.0 assumptions. LGFS gives a further c£6m of funding in 26/27 compared to draft budget. Draft Budget report referenced additional funding to be allocated to reserves. Final Budget proposals reflect further contributions to reserves.</p> <p data-bbox="1090 822 1447 851"><u>Budget Savings Required</u></p> <p data-bbox="1090 858 2333 929">Significant reductions in the level of savings required to balance budgets. Reduced from reduced from £47m in 24/25, to £27m in 25/26 and now c£10m (£6.9m new) in 26/27.</p> <p data-bbox="1090 951 1276 979"><u>Capital Plan</u></p> <p data-bbox="1090 986 2423 1058">Reviewed and reduced borrowing during 25/26. No new Council funded schemes allowed (one in, one out approach) during 24/25</p> <p data-bbox="1090 1079 1276 1108"><u>DSG Deficits</u></p> <p data-bbox="1090 1115 2359 1186">Government has indicated that the Council will not be responsible for future deficits (post March 28) and will work to support Councils with historic deficits.</p>

KR1

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="112 586 168 622">KR1</p> <p data-bbox="188 272 828 382">The Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul data-bbox="188 404 828 943" style="list-style-type: none"> <li data-bbox="188 404 828 511">• taking action to deliver savings and to deliver spend as close to budget as possible in 2025-26 <li data-bbox="188 532 828 604">• reviewing pressures, assumptions and future savings levels in the MTFS <li data-bbox="188 625 828 811">• identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans <li data-bbox="188 832 828 943">• reviewing the target level of reserves it wishes to achieve in future years of the MTFS. 	<p data-bbox="856 568 1049 639">Financial sustainability</p>	<p data-bbox="1090 472 1187 508">(cont.)</p> <p data-bbox="1090 525 2423 632">We recognise, like most LAs, there are still challenges ahead. but we feel significant progress has been made and the Council continues to head the right direction. The MTFS financial gap is reducing £30m Dec v £56m Sept MTFS.</p> <p data-bbox="1090 654 1551 689">Responsible Officer: S151 Officer</p> <p data-bbox="1090 711 1628 746">Due Date: Update MTFS by Sept 2026</p>
<p data-bbox="112 1115 168 1150">KR2</p> <p data-bbox="188 1058 828 1208">The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DofE.</p>	<p data-bbox="856 1100 1049 1172">Financial sustainability</p>	<p data-bbox="1090 965 2423 1108">Actions: Noted. We welcome the Government’s recent announcement on their intended treatment of historic and future in year deficits (post Statutory override) and await the detailed proposals in the upcoming White Paper. We will provide a full response after the white paper is published.</p> <p data-bbox="1090 1129 2423 1200">The DfE remain supportive of the Council’s progress on the delivery of the Safety Valve Action Plan.</p> <p data-bbox="1090 1222 1849 1258">Responsible Officer: Exec Director Children & Families</p> <p data-bbox="1090 1279 1416 1315">Due Date: Q2 2026/27</p>

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="107 658 173 692">KR3</p> <p data-bbox="191 421 843 571">The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024.</p> <p data-bbox="191 592 843 938">This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and water quality testing within all properties. Improvements should continue to be reported regularly to Cabinet, so there is oversight and assurance to ensure that service improvements are made to allow for the removal of the Notice.</p>	<p data-bbox="856 601 1059 749">Improving economy, efficiency and effectiveness</p>	<p data-bbox="1090 482 2430 592">Actions: The Homes and Neighbourhood service has achieved the Regulator’s satisfaction with our approach to managing damp, mould, and condensation cases, and addressed issues relating to water safety.</p> <p data-bbox="1090 614 2430 763">The Council continues to work with the Regulator of Social Housing to make required progress on fire safety. We have completed full re-appraisal of our fire risk assessment programme and have a detailed action plan to address fire safety actions that will lead to the removal of the regulatory notice. The service reports directly to Cabinet twice per year.</p> <p data-bbox="1090 785 2244 819">Responsible Officer: Exec Director Place / Director of Homes and Neighbourhoods</p> <p data-bbox="1090 841 1365 868">Due Date: 2025-26</p>

Improvement recommendations raised in 2024-25

	Recommendation	Relates to	Management Actions
IR1	The Council should introduce annual waiver reporting to the relevant Committee in order to identify trends and actions required.	Governance	<p>Actions: Noted. We are now monitoring of Waivers from Contract Procedure Rules internally via the Contract Assurance Board. We'll take away this recommendation and consider the most appropriate way of reporting these to the relevant committee.</p> <p>Responsible Officer: Monitoring Officer</p> <p>Due Date: Q2 2026-27</p>
IR2	The Council should enhance capital reporting arrangements to a sufficiently detailed level to allow material variances to be discussed. Additionally, the Council should establish appropriately regular reporting on progress with major capital projects to a relevant member-led Committee, such as Cabinet. Reports should cover progress against agreed timescales and budgets, key risks and mitigations, and – for more mature projects – assessments of benefits realisation.	Governance	<p>Actions: Noted. We will undertake a review of its quarterly reporting on progress against the Capital Plan to improve awareness of significant variations. Update reports on key programmes including Our Cultural Heart and Special Schools are provided to Cabinet. These reports are normally taken at key decision points in the relevant programme.</p> <p>Responsible Officer: S151 Officer / Relevant Service Director</p> <p>Due Date: 2026-27</p>

Improvement recommendations raised in 2024-25

	Recommendation	Relates to	Management Actions
IR3	The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	Improving economy, efficiency and effectiveness	<p>Actions: The draft Data and Insight Strategy is under ongoing review, with priority activities being implemented alongside Technology and Information Governance Strategies.</p> <p>Performance dashboards and robust quarterly reporting on key indicators have been introduced.</p> <p>In early 2025-26, the Council committed to developing a comprehensive Digital Strategy, replacing the previous plan to embed the Data and Insight Strategy. This Strategy will guide digital transformation from 2026/27 onwards.</p> <p>Responsible Officer: Director of Strategy & Innovation</p> <p>Due Date: Q1 2026/27</p>
IR4	The Council should implement an action plan in response to the Area SEND Inspection of the Local Area Partnership in June 2025, which identified four areas of improvement. Actions should be integrated within the Council’s ‘Big Plan’, with progress monitored by the relevant Committee.	Improving economy, efficiency and effectiveness	<p>Actions: The post inspection action plan has been developed and agreed with partners across Kirklees and has been included into the council "Big Plan 3". This has been signed off by the DFE and NHS England, and will be formally signed off locally by the health and wellbeing board and Cabinet who will monitor progress.</p> <p>Responsible Officer: Exec Director Children & Families / Director of Learning and Early Support</p> <p>Due Date: Action plan completed, ongoing monitoring in 2026/27.</p>

06 Follow up of previous Key recommendations

Follow up of 2023-24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul style="list-style-type: none"> - 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. 	2023-24	<p>Whilst the Council has begun to make progress, it has yet to demonstrate that it is financially sustainable. Services continued to overspend in 2024-25 and reserve levels remained low. The Council is forecasting a £5.1m overspend for 2025-26, and has identified an estimated budget gap of £56.3m for the period to 2030-31. There was no contribution to reserves in 2024-25, but the MTFP includes an annual £1m contribution to the general reserve.</p>	Partially implemented	Retained key recommendation on page 16
KR2	<p>The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.</p>	2023-24	<p>The Council’s Safety Valve Agreement has been extended to 2029-30, however forecast deficits continue to be in excess of identified targets. In 2024-25, the in-year DSG overspend was £20.1m, resulting in a cumulative deficit of £63.8m at year-end. The deficit is forecast to peak at £72.3m in 2025-26, and will still remain at £56.3m at the end of the Agreement.</p>	Partially implemented	Retained key recommendation on page 18

Follow up of 2023-24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p>KR3</p> <p>The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:</p> <ul style="list-style-type: none"> - fire remedial actions resulting from fire assessments - repairs required to address damp and mould - water quality testing. <p>Progress should be regularly reported to Cabinet in a public meeting.</p>	<p>2023-24</p>	<p>The Council has been working through improvements against the Notice, and has actions in place for identified issues. In 2024-25, there was regular reporting to Cabinet and regular communication with the Regulator.</p> <p>Although the Council is on a positive trajectory of improvement, it is not at a level of objective performance where the Notice was removed.</p>	<p>Partially implemented</p>	<p>Updated and retained key recommendation on page 28</p>

07 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 Council's Chief Finance Officer (S151 Officer) is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

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.

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 – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.	2023-24	The Council's MTFS does not clearly identify outcomes of transformation work.	Ongoing	Included within key recommendation 1
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.	2023-24	The Council can evidence benchmarking against local and national data where possible within performance papers. Benchmarking data from the Regulator of Social Housing was also included within the 2025-26 HRA budget.	Complete	N/A

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
IR3	2023-24	<p>The Council has established governance and monitoring arrangements around high-value capital schemes, in particular, Our Cultural Heart and the George Hotel. Both programmes are subject to Cabinet decision-making, and in 2024-25, there were programme boards in place to manage costs and risks.</p> <p>The Council has indicated that procurement processes include all appropriate due diligence checks and that contractors are appointed due to their financial resilience and capability. There have been no significant issues identified with contractors pulling out.</p>	Ongoing	Included within improvement recommendation 2.

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2023-24	Cost centres have been reviewed, and the net position of income and expenditure is reported monthly through monitoring. Costs are also reported against service areas in financial monitoring reports.	Complete	N/A

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>The Council should ensure that:</p> <ul style="list-style-type: none"> - 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. 	2023-24	<p>The Monitoring Officer regularly reminds members to declare conflicts of interest and provides advice. We have not identified any issues around potential conflicts of interest in 2024-25.</p> <p>MRP policy was reported within the overall Treasury Strategy to members for approval as part of the annual budget.</p>	Complete	<p>We would expect to see continued transparency and clarity in terms of the in-year impact and future year impacts - and any associated risk - of the Council's approach to MRP calculations in future budget and budget monitoring.</p> <p>Documentation should be clear in order that members are adequately sighted on this key statutory requirement.</p>

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	<p>The Council should</p> <ul style="list-style-type: none"> 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. 	2023-24	The Council reviews and updates its 30-year HRA business plan annually. There has been reprioritisation of the capital programme, and a stock condition survey to be undertaken for all assets.	Complete	Key recommendation 3 has been raised around the Council’s Regulatory Notice and we will revisit this area in the future.
IR7	The Council should introduce corporate performance monitoring in formal Cabinet meetings.	2023-24	Performance monitoring reports are now considered quarterly in public Cabinet meetings.	Complete	N/A
IR8	The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	2023-24	The Council has agreed a Digital Strategy and Implementation Programme, which will begin in 2025-26. The Strategy and Programme will address how data is used and managed across the Council to support service delivery and transformation.	Outstanding	The Council has indicated that there is ongoing work, and this will be revisited as part of our work in 2025-26.

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>IR9</p> <p>The Council should:</p> <ul style="list-style-type: none"> - 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. 	<p>2023-24</p>	<p>The Procurement Strategy is currently being updated and reviewed for alignment with the Procurement Act. Relevant officers have completed training on the new legislation. Waivers are now reported to the Contract Assurance Board, which is chaired by the Monitoring Officer and the S151 Officer, however, they are still not currently reported to members.</p>	<p>Partially implemented</p>	<p>Updated improvement recommendation 1</p>

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2023-24	In 2024-25, there was an action plan in place to address weaknesses and strengthen contract management. The action plan has been implemented with contract management arrangements were refreshed as part of the Council-wide transformation programme. As of October 2025, the overall project status was rated green. The Contract Assurance and Oversight Board’s Terms of Reference has also been refreshed to include oversight of breaches.	Complete	Ongoing area of focus for the Council based on risk assessment, we understand further enhancements are to be made to contract management arrangements. We will follow this up as part of our 2025-26 VFM review.



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Audit Findings (ISA 260) Report for Kirklees Council

Year ended 31 March 2025

21 January 2025

For Corporate Governance and Audit Committee



Cllr John Taylor
 Chair of Corporate Governance and Audit Committee
 Kirklees Council
 PO Box 1720
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21 January 2025

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Audit Findings (ISA260) Report for Kirklees Council for the year ended 31 March 2025

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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-.pdf).

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

Gareth Mills
 Engagement Lead & Key Audit Partner
 For Grant Thornton UK LLP

Chartered Accountants

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1 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Kirklees Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the Authority and its 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.

Our audit work was completed on a hybrid basis of on-site and remote work between July and December. As with prior years, we are pleased to report that there has been a good level of engagement from the Council's finance team during the audit process. We recognise the earlier audit close required in future years due to the accounts backstop dates moving to 30 November from 2027. We update about this further on page 9 of the report.

This Audit Findings (ISA260) report will be presented to Corporate Governance and Audit Committee on 30 January 2026. Our anticipated financial statements audit report will be an unmodified, 'clean' opinion. We intend to issue the audit opinion in early February 2026 following the CGAC meeting. We note that the Council is expected to receive a fully completed audit opinion subject to a satisfactory resolution of the matters listed overleaf. It ensures the Council avoids being impacted by disclaimer opinions as a result of the backstop (see page 9) unlike a majority of other local authorities. This is a positive outcome for the Council.

The Council implemented the new IFRS 16 Leases accounting standard in 2024-25 and our work did not identify any material issues with the Council's implementation of this accounting standard in the draft financial statements in terms of identifying relevant leases and accounting for these accurately on transition. This represents a good outcome for the Council. We did identify one matter of a presentational nature in respect of the accounting for a change in valuation of PFI assets following the initial application of IFRS 16, which resulted in an adjustment to the draft financial statements. This is set out on page 44 of this report.

We have not identified any misstatements in the draft financial statements, which impact on the Council's usable reserves and this represents another good outcome for the Council.

We identified one misstatement impacting on the Council's Comprehensive Income and Expenditure Statement, which had resulted in an overstatement of specific grant income (credited to services) totalling £1.075m with a corresponding overstatement of expenditure. There is no impact on the financial outturn or useable reserves. This has not been adjusted by management on the grounds of materiality.

We also identified three misstatements which only impact on the Council's balance sheet position, once the local government capital accounting provisions are taken into account. These are set out on pages 47 to 50. These remain unadjusted in the final accounts.

Our work also identified some presentational and disclosure amendments which are detailed on pages 51 to 53 of this report. We have also raised four new recommendations for management as a result of our audit work. These are set out on pages 54 to 57. We have followed up on the recommendations raised in the prior year from page 58 through to page 64. We note that a high proportion of the recommendations raised in the prior year have not been implemented by management in time for the accounts closedown in 2024-25. We strongly recommend that all recommendations are implemented ahead of the 2025-26 accounts closedown.

Headlines

Financial statements (continued)

We have considered it appropriate to highlight two of the high priority recommendations from the prior year, in relation to which we do not consider that significant progress has been made to address these. Both areas have resulted in an increased amount of time and effort on both our side and that of the Council and we strongly recommend that both these areas are actioned prior to the 2025-26 accounts closedown.

The first area to draw out is the Council's cash flow statement, which is designated as a primary accounting statement under applicable accounting standards and is typically a straightforward area of the audit which does not take excessive time to audit. Unlike more local authorities which use a CIPFA model, the Council has an internally-developed model to prepare this statement, which we understand has been the Council's long-standing adopted approach to the preparation of this statement. During the last two cycles of external audit, we have flagged concerns that the sections of the statement presenting net cash flows for investing activities and financing activities include non-cash-based transactions, which should not be included in these sections. As was the case in the prior year, we have identified misstatements arising from the presentation of this primary accounting statement. These are set out on page 53 of this report. Whilst we are pleased that agreement on misstatements has been reached this year end, we consider that there are steps that finance officers can take to improve the accuracy of the statement and supporting working papers in future and so an auditor recommendation has been raised on page 56 of this report.

The second area we would like to draw attention to is the source data provided to the Council's buildings estate valuer, termed gross internal area data, which is used by the valuer to establish the precise size of Council buildings so a reliable estimate can be made as to their current value, and buildings are required to be carried at that value on the Council's balance sheet as per the local authority accounting code. In the prior year we reported inaccuracies in that data identified from our audit testing and raised a recommendation in our ISA260 Report. Unfortunately, we have encountered similar issues from our audit testing in the current year which has given rise to an extrapolated error of £4.1m, which is of greater magnitude than in the prior year (£3.3m). We understand that local authority accounting is moving to a model of indexing building valuations between formal valuations, however, under that approach it will remain crucial that the initial valuation is accurate. We have opted to re-raise our recommendation to management for these inaccuracies to be reviewed and resolved in time for 2025-26 closedown and this is detailed on page 61 of this report.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters: completion of internal quality review processes, including final reviews of the file by the Quality Review Partner, Engagement Lead and Engagement Manager, specifically in respect of the significant audit risks of the closing valuation of land and buildings and council dwellings, journal entry testing and valuation of the defined benefit pension scheme net balance.

- confirmation from the pension fund and its auditor that its audit misstatements identified have been adjusted for in the revised statement of fund assets provided to the Council
- review of the final set of financial statements to check agreed amendments have been processed
- 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.

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 Authority 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 Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

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

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We have completed our value for money work and our detailed commentary is set out in the separate Auditor's Annual Report, which is to be presented to Corporate Governance and Audit Committee on 30 January 2026 alongside this report.

We identified three significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority 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

The revenue outturn in 2024-25 was an overspend of £5.6m. Services overspent by £13.5m in-year, with the largest variances in the Children and Families (£5.7m), and Place (£6.3m) directorates. The £5.7m overspend in Children and Families was despite use of £1.5m from the earmarked demand reserve. The Council continues to face significant financial pressures in the short and medium-term as a result of demand and cost pressures within social care, with an estimated cumulative budget gap of £56.3m in the period to 2030-31. **Key recommendation:** The Council should continue to build on its work to strengthen its financial position.

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's Dedicated Schools Grant (DSG) deficit has also continued to increase, with an in-year overspend of £20.1m. The cumulative deficit stood at £63.8m at the end of 2024-25, compared with the Safety Valve agreement plan of £63.3m. This deficit is already 105% of the Council's total usable reserves and is forecast to continue increasing. **Key recommendation:** Action is required to bring the Council's 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 statutory 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, repairs to address damp and mould and conducting water quality testing. Progress has been made towards completing fire remedial actions and addressing the damp and mould backlog. However, despite these positive developments, further progress is still required before the Council is able to demonstrate compliance with the relevant regulatory standards. Management has communicated that this progress is ongoing in 2025-26 and that the Council is working towards demonstrating compliance with the relevant regulatory standards. **Key recommendation:** The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing.

Headlines

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the Whole of Government Accounts audit has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

In addition, we cannot issue our audit certificate for 2024-25 or 2023-24 until we have concluded our work on the Objections raised in 2023-24 regarding the Council's oversight of the investment strategy of the Pension Fund. We are aiming to conclude our work on the Objections in 2026.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Headlines

National context – Accounts backstop

Local Authority accounts backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027.

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our response

Our audit findings are to be presented to Corporate Governance and Audit Committee in January 2026 following operational completion of detailed audit work in December 2025. We recognise that for the 2026-27 audit and accounts cycle, the backstop date has been set at 30 November and as such there is a requirement to complete our audit work to a more compressed timetable. As audit practitioners, we are developing strategies which should enable us to deliver our audit work to the revised national timetable and conclude and report our findings in advance of the backstop dates. Some of these initiatives include rebalancing remote, office and on-site audit work and frontloading more audit work to the planning and interim audit stages.

We understand from our discussions with the finance team that, like us, they are keen for the 2025-26 audit to be concluded earlier, and we are looking forward to working with finance officers in the process of refining and optimising the external audit process in the coming year with the aim of presenting our Audit Findings (ISA260) report alongside our Auditor's Annual Report with our value for money findings to Corporate Governance and Audit Committee in November 2026. There is a joint aim to use the 2025-26 accounts and audit process as a 'dry-run' for the end of November 2026, one year ahead of the statutory date moving to 30 November 2027.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

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. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

The principles of IFRS 16 also apply to the accounting for PFI liabilities, which are subject to annual indexation using RPI. Previously, such additional PFI rentals were accounted for as a charge to the revenue account as expenditure (contingent rents). The impact of the new accounting standard is to account for these additional PFI rentals within the PFI model, which is expected to result in an overall increase in the value of the PFI liability on the balance sheet.

Impact on the Authority

As expected, the material impact on adoption of the IFRS 16 occurred in respect of the Council’s PFI liabilities, whereby the liability was indexed to account for the cumulative impact of indexation since the commencement of the contract. This impacted on the Council’s balance sheet with a £19m increase in the carrying value of the Council’s PFI liabilities at 1 April 2024.

Right of use assets with corresponding lease liabilities were also recognised on day one of the accounting period for approximately 210 vehicles with a total cost on initial recognition of £1.3m and a carrying value at year end of £0.47m, with the fall in value over the year representing vehicle depreciation charged. It is to be noted that these vehicles were mid way through their leases at the time of initial recognition and hence why the closing balance appears low.

The Council also recognised two land and building assets on its balance sheet as right of use assets on adoption of IFRS 16. These were Wellhouse Junior & Infant School, a primary school with approx. 80 pupils on roll and a storage compound next to a council depot in Heckmondwike.

2 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 9 June 2025, we determined materiality at the planning stage to be £18.4m based on 1.5% of the Council's prior year gross expenditure on the cost of services. On receipt of the draft accounts, we reconsidered planning materiality based on the draft financial statements. Materiality has remained at the same level as determined at the planning stage and equates to 1.47% of gross expenditure on the cost of services for 2024-25.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We determined materiality at £18.4m based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as prior year audit findings and consideration of the risks associated with the audit of the financial statements.
- We used 1.5% of the prior year's gross expenditure on the cost of services as the basis for determining materiality.
- As communicated at the planning stage, the 1.5% measurement percentage is greater than the 1.35% used in the prior period. We reached the judgement to increase this in 2024-25 on the basis that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves were identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to some improvements in the Council's overall financial standing.

Performance materiality

- We have determined performance materiality at £12.8m, this is based on 70% of headline materiality. There has been no change to the level of performance materiality determined at the planning stage and the 70% remains consistent with the measurement percentage used in the prior period.
- The level determined reflects the fact that the Council 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.

Specific materiality – Remuneration disclosures

- We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.

Reporting threshold

- This has been determined to be £0.9m, equivalent to 5% of headline materiality.
- We will report all misstatements identified in excess of this threshold to Corporate Governance and Audit Committee, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

Materiality area	Amount	Qualitative factors considered
Materiality for the Council's financial statements	£18.4m	This equates to 1.5% of the Council's gross expenditure on the cost of services for 2023-24 based on the audited statement of accounts for the year then ended. This is greater than the 1.5% measurement percentage used in the prior period. We have reached this judgement on the basis that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves have been identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to some improvements in the Council's overall financial standing. These factors have indicated that increasing the measurement percentage to 1.5% is appropriate. Our overall risk assessment supports the 1.5% benchmark applied.
Performance Materiality (PM)	£12.8m	Performance materiality has been set at 70% of financial statement materiality, consistent with the measurement percentage used in the prior period. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at 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.
Trivial Matters (reporting threshold)	£0.9m	This is the amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. This equates to 5% of headline materiality. We report all misstatements identified in excess of £0.9m to Corporate Governance and Audit Committee.
Specific Materiality – Senior Officer Remuneration Disclosures	£20k	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the senior officer remuneration disclosures for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

3 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we have identified.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	✘	Medium	● Green
Closing valuation of land and buildings, including council dwellings	Significant	↔	✘	✓	High	● Green
Closing valuation of investment properties	Significant	↔	✘	✓	High	● Green
Valuation of the defined benefit pension scheme net balance	Significant	↔	✘	✓	High	● Green
Presumed risk of fraud in revenue recognition (rebutted)	Rebutted the risks	↔	✘	✘	Low	● Green
Presumed risk of fraud in expenditure recognition (rebutted)	Rebutted the risks	↔	✘	✘	Low	● Green
Implementation of new leases accounting standard (IFRS 16)	Other	↔	✘	✘	Low	● Green

Significant risks

Risk identified	Auditor commentary and procedures performed
<p data-bbox="104 268 300 375">Management override of controls</p> <p data-bbox="104 396 366 732">Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p data-bbox="104 753 366 1320">We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p data-bbox="410 268 2435 339">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 June 2025 and none have subsequently been identified from the audit fieldwork procedures performed.</p> <p data-bbox="410 354 2435 461">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.</p> <p data-bbox="410 475 2435 625">We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risk 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.</p> <p data-bbox="410 646 830 682">As part of our work, we have:</p> <ul data-bbox="410 696 2435 1218" style="list-style-type: none"> • evaluated the design effectiveness of management controls over journal 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 considered whether these judgements and estimates are individually or cumulatively indicative of management bias • 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 • identified a population of journals to test using data analytics software to analyse journal entries and to split large batch journals into smaller sets of transactions to consider against specific risk criteria determined by the audit team, as detailed below • identified and tested journal entries that met the following criteria for appropriateness and corroboration: unusual material journals made across the year with the greatest focus placed on those posted late in the year and during the accounts production stage; journals posted late in the financial year that were crediting (reducing) non-pay expenditure; and those posted by senior management personnel <p data-bbox="410 1246 575 1282">Key findings</p> <p data-bbox="410 1296 1666 1325">Our audit work did not identify any issues in respect of management override of controls.</p>

Significant risks

Risk identified

Closing valuation of land and buildings, including Council dwellings

Land and buildings: The Council re-values its land and buildings on a rolling three-yearly basis which is fully compliant 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 £473m at 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of land and buildings is not materially different from the current value at the balance sheet date, where a rolling programme is used.

Council dwellings: The CIPFA Code requires that Council dwellings (some £835m at 31 March 2025) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology.

The valuation of land and buildings and council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

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.

Auditor commentary and procedures performed

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 Council's valuation expert 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 valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. This has not been adjusted by management on the basis that this is an extrapolation 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 49 of this report.

Significant risks

Risk identified

Closing valuation of investment properties

The Code requires the Council to re-value its investment property portfolio annually.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £81.5m) 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 balance sheet 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.

Auditor commentary and procedures performed

The carrying value of investment property has decreased by 10% in year to £81.5m. All of this decrease can be explained by fair value losses. Over 65% of investment property (by value) is land. The £9m decrease relates to some decrease in land values adopted in the current year's valuation, consistent with some small decreases observed from the national indices on land values and the Montagu Evans local government trends report that states it should be expected that valuers re-adjust land values downwards where they consider it appropriate.

As part of our work, we have:

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated the assumptions used by management's valuer, the instructions issued to the valuer and the scope of their work
- 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
- written to the valuer to confirm the basis on which the valuation was carried out and concluded this to be appropriate
- tested, on a sample basis, revaluations 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 & 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 issues 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 held as investment property.

Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2025, there were investment properties totalling £9.3m 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 held by the Authority. The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £12.8m, 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 re-raised a management recommendation on page 59 of this report. We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.

Significant risks

Risk identified

Valuation of the defined benefit pension scheme net balance

(net pension asset capped at £nil and unfunded liabilities of £47m at 31 March 2025)

The Council's pension scheme net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (asset of £2.5bn and liability of £1.9bn in 2025) and the sensitivity of the estimate to changes in key assumptions.

At 31 March 2025, the Council reported a net pension surplus in its financial statements that was subsequently capped at £nil applying the principles of IFRIC 14. Gross assets were reduced by just over £0.6bn to reach the £nil balance sheet asset position. A £47m pension liability reflected the Council's obligations in respect of unfunded liabilities (teachers and LGPS), for which there are no pension assets.

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 its 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 Council 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 pension balance. In particular, the discount and inflation rates, and life expectancy.

2024-25 is the third 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 to be a significant risk. A key aspect of our work planned is to consider whether this net surplus position remains supported by fund-level assumptions and market-based factors.

We have therefore concluded that there is a significant risk of material misstatement in the LGPS funded net pension balance estimate due to the assumptions used in the calculation and the application of IFRIC 14 and its impact on the valuation of the net pension surplus. Acknowledging the high degree of judgement and subjectivity associated with the defined benefit pension assumptions, we have identified the valuation of the Council's pension scheme net balance as a significant risk.

Auditor commentary and procedures performed

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 scheme 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 scheme 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 scheme 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 required, as directed by their 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 scheme asset valuations were based on a 31 March 2025 valuation date.
- obtained and reviewed the IFRIC 14 calculation document directly from the Council's actuary, including considering whether the Council's future pension funding assumptions would give rise to no economic benefit that would support the capping the net pension asset at £nil on its balance sheet.

Significant risks

Auditor commentary and procedures performed (continued)

Additional commentary and work undertaken in respect of pension surplus position

LGPS Defined Benefit Pension Scheme balance sheet position:

UK economic and market conditions have continued to give rise to circumstances for a LGPS funded net pension scheme surplus to exist. The surplus position is consistent with the prior period, although the headline surplus has increased in magnitude to £0.6bn. 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 audited body presented a pension asset of £nil in its draft accounts, which fully eliminated the £144m asset presented on the balance sheet in the prior year accounts. Prior to any application of the asset ceiling, the gross LGPS funded asset had increased this year 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. The gross LGPS funded pension asset rose from £0.25bn to £0.6bn.

During the preparation of the Council's draft accounts, management obtained an IFRIC 14 calculation from its actuarial expert that satisfies the requirements of the accounting standard. The asset ceiling calculation presented by the actuary capped the LGPS net pension surplus at £nil as per IFRIC 14 principles on the basis that the future cash contributions that the Council is required to make to the fund exceed the projected future service cost (the cost of providing the benefits accruing to members of the scheme). As such, no economic benefit is generated for the Council from the existence of the net pension surplus and hence why the net pension surplus has been capped at £nil.

The calculation assumed 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 in the calculation. Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 20-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.

An unfunded defined benefit liability of £47m continues to exist that should be recognised as a liability under IAS 19 in the accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme (teachers and LGPS). This amount should be recognised separately on the balance sheet irrespective of the pension scheme asset position. Management has continued to account for the unfunded pension liability within pension liabilities at Note 18. We consider this accounting to be appropriate.

Key findings

Following discussions with the Pension Fund, Management identified post draft accounts that the Pension Fund's assets had increased by 0.6% for year ended 31 March 2025. Management obtained an updated IAS 19 report that indicated an increase in the LGPS funded gross pension asset of £9.5m. Since the LGPS net pension surplus has been capped at £nil, this increase in asset values does not impact on the Council's balance sheet position. Management has reflected this change in the disclosures at Note 41 to the accounts by increasing the value of the gross pension asset disclosed by £9.5m with a corresponding increase to the value of the unrecognised asset.

Risks rebutted

Risk identified

Presumed risk of fraud in revenue recognition - revenue cycle includes fraudulent transactions

(rebutted)

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.

We reported in our Audit Plan dated 9 June 2025 that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, 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; and

the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable.

Auditor commentary and procedures performed

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 appropriate classification of specific grant income credited to services and non-specific grant income credited to non-specific grant income and taxation. Regard to principal/agent accounting 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 performed substantive analytical procedures 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 income sub-streams. Housing rents (HRA) income was tested using a substantive analytical procedure recognising the recurrent and predictable nature of the income generated annually from the rental of the Council's housing stock.
- Tested, on a sample basis, fees and charges 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 2025.

Key findings

Our work has not identified any issues that would change our assessment of the risk of fraud in revenue recognition. We have gained assurance that Council revenues are materially stated. One immaterial error has been identified, and this has led to an overstatement of grant income credited to services totalling £1.075m with a corresponding overstatement of expenditure. There is no impact on useable reserves. This has not been adjusted on the grounds of materiality. Further detail is set out on page 47.

Risks rebutted

Risk identified

Presumed risk of fraud in expenditure recognition – expenditure cycle includes fraudulent transactions (rebutted)

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. As per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams. We rebutted this risk for the Council because:

- the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits. The Council makes direct payments for social care expenditure, which are regular and paid on a timely basis, which suppresses the opportunity to meaningfully exclude expenditure transactions from being reported in the general ledger.
- the Council has presented general fund reserves balances (excluding £12m of statutory reserves) at outturn of £61m, which represents 16.5% of the £368m financial outturn. This exceeds the broad 5% target in the LG sector and as such the availability of reserves to fund the Council's expenditure does not indicate excessive financial pressures at the Council.

Auditor commentary and procedures performed

No changes to our assessment reported in the audit plan subsequently identified. Although we rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions:

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 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 expenditure is recorded in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025.
- Disaggregated non-pay expenditure, identifying significant and recurrent sub-streams of expenditure. Examples include housing benefit payments, PFI unitary charges and the public health contract. With regards these expenditure sub-streams, we established the expenditure recognition principles and performed substantive procedures to test the occurrence and accuracy of the expenditure recognised.
- Reviewed the nature of expenditure charged to the HRA to ensure compliance with ringfencing requirements.
- Inspected a sample of accruals made at year end for expenditure incurred which had not yet been invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end.

Key findings

Our work has not identified any issues that would change our assessment of the risk of fraud in expenditure recognition. We have gained assurance that Council expenditure is fairly stated and there are no matters to report in respect of the Council's expenditure recognition.

Other risks

Risk identified

Implementation of new leases accounting standard (IFRS 16)

The adoption of the IFRS 16 leases standard for local authorities has been deferred several times by the CIPFA Local Authority Code Board. Adoption is now mandated for local authorities, for periods beginning from 1 April 2024, and therefore this is required to be implemented by the Council during its 2024-25 period of account.

From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors.

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called 'peppercorn' rentals. This is one instance where the right of use asset and its associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

The principles of IFRS 16 also apply to the accounting for PFI liabilities, which are subject to annual indexation using RPI. Previously, such additional PFI rentals were accounted for as a charge to the revenue account as expenditure (contingent rents). The impact of the new accounting standard is to account for these additional PFI rentals within the PFI model, which is expected to result in an overall increase in the value of the PFI liability on the balance sheet.

Auditor commentary and procedures performed

As part of our audit work, we have:

- Challenged the completeness of the contracts identified by the Council as containing a lease including housing properties where the Council has a contract to occupy, and employee car lease schemes, to assess the completeness of arrangements identified as being within the scope of the IFRS 16 leases accounting standard.
- Agreed disclosures presented in the financial statements to underlying accounting records and calculations.
- Reviewed management's lease accounting calculations, and assessed the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals. We concluded that the assumptions used were appropriate and reasonable.
- Considered management's accounting for leases with little to no consideration payable annually, termed peppercorn leases. Such leases convey a right to use land and buildings, however, management has not identified the Council's three peppercorn leases as in scope since the value in existing use of these land and buildings is immaterial in aggregate. We, as auditors, are materially satisfied with this judgement.
- Assessed how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised and assessed the Council's treatment of those leases where the Council continues to utilise the identified asset without a formal agreement being in place (holding over).
- Engaged internal PFI financial modelling specialists to review the revised PFI models which capture the cumulative indexation since each scheme's date of commencement. Some of these PFI schemes contain fixed elements not subject to indexation and we checked that these elements were appropriately adjusted for in management's calculations.
- Reviewed the appropriateness of the cost model adopted by the Council on subsequent recognition of the right of use assets that were brought onto the Council's balance sheet on initial recognition.

Key findings

The adoption of this standard has impacted on the Council's three PFI schemes, increasing the balance sheet liability by £19m. The lease terms and implicit interest rates were clearly stated in the PFI models, minimising management estimation on remeasurement of the liability at the time of adoption (1 April 2024). The increases in PFI liabilities on the Council Balance Sheet following implementation of the new standard will be written down over the remaining term of each contract, split between a charge to the CIES as interest and the repayment of the lease creditor.

We concluded that the Council's remeasurement of leases liabilities on initial recognition under IFRS16 requirements were fairly stated, aside from a presentational matter set out on page 44 of this report arising on transitional accounting for PFI schemes. We note this adjustment impacts only on the face of the CIES and MiRS with no impact on useable or unusable reserves. Overall, this represents a good outcome for the Council in adopting what is a new and complex accounting standard.

Our work also concluded that the Council had conducted an appropriate exercise to identify relevant contracts that contained a lease within the scope of IFRS 16. We did not identify any instances of a lack of completeness regarding right of use assets and corresponding lease liabilities, either at 1 April 2024 or at the year end.

4 Other findings

Other findings – key judgements and estimates

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

Key estimate Summary of management's approach

Valuation of other land and buildings

£473m at 31 March 2025

Other land and buildings comprise £371m of specialised assets such as schools, leisure centres, and libraries, which are required to be valued at depreciated replacement cost (DRC), 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 (£94m) are not specialised in nature and are to be valued based on their value in existing use (EUV) either using the capitalisation of income or with reference to the valuation of similar land & buildings on the open market. EUV assets include offices and public car parks. There is an additional £7.7m of land & buildings held at historic cost which is not Code compliant albeit it does not represent a material issue.

The Council has engaged Align Property Partners to complete the valuation of land and buildings as at 31 January 2025 on a three yearly cyclical basis. In the draft accounts around 54% of total other land & buildings (by value) were revalued during 2024-25 as disclosed in the revaluations table in the draft accounts. This is Align Property Partners first year as valuers to Kirklees Council but as a local authority-controlled firm of valuers, this firm has significant experience of local authority valuations employing a team of RICS registered valuers.

The capital accounting function worked with the Council's 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 and repurposing with its external valuers. 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 value of these assets. This assessment of assets not revalued in year did not identify a material change to those assets' current value compared with their carrying value as at 31 March 2025.

Management's assessment was also performed for assets valued in year, with a valuation reference date of 31 January 2025, to determine whether any material movements were identifiable for the two months up to the year end of 31 March 2025. No material changes in current value were indicated from the Council's assessment and the carrying values of these assets were therefore not adjusted.

Auditor commentary

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 methods used to revalue assets, and ensured that the method is suitable for the type of land or building in question
- in relation to assets not revalued in the year, and those valued as at the end of January 2025 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)

Key findings

Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in the source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. This has not been adjusted by management on the basis that this is an extrapolation 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 49 of this report.

Assessment

●
Amber

We consider the estimate is unlikely to be materially misstated however management's estimation process contains source data with proven inaccuracies (noting projected unadjusted misstatement of £4.1m)

Other findings – key judgements and estimates

Key estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Valuation of council dwellings £835m at 31 March 2025</p>	<p>The Council owns 21,611 dwellings and is required to revalue these properties in accordance with DCLG’s Stock Valuation for Resource Accounting guidance.</p> <p>The guidance requires the use of beacon methodology, in which a detailed valuation of a single property is then applied to similar properties within the immediate locality of the property valued (the beacon). The Council has engaged Align Property Partners to complete the valuation of these properties with a valuation reference date of 31 March 2025.</p> <p>2024-25 is Align Property Partner’s first year as valuers to Kirklees Council but as a local authority-controlled firm of valuers, this firm has significant experience of local authority valuations employing a team of RICS registered valuers.</p> <p>The new firm of valuers has continued to adopt a four-year rolling cycle of inspections, physically inspecting around 30% of beacons across the owned dwellings (HRA1) and PFI flats – Pinnacle (HRA2) portfolios in year.</p> <p>The remainder of the dwellings portfolio has been subject to a valuation on a desktop basis, and the valuer has reported that based on the value increases observed on the beacons subject to a full valuation in 2024-25, they have opted to apply an increase of 0.68% to HRA1 dwellings (owned) and apply no adjustment to HRA2 dwellings (PFI flats).</p> <p>The valuer has also confirmed that they have used the Land Registry house price index for Kirklees to assess the appropriateness of the uplift applied on a desktop basis and was satisfied that the 0.68% was reasonable and appropriate.</p> <p>The year end valuation of Council Housing was £835m, a net increase of £10m from 2023-24 (£825m).</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 properties 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 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 0.68% uplift adjustment applied on a desktop basis to those dwellings not physically inspected and subject to a full valuation in year and concluded that this appeared to be reasonable based on the indices we reviewed. 	<p style="text-align: center;">● Green</p> <p style="text-align: center;">We consider management’s process is appropriate and key assumptions are neither optimistic or cautious.</p>

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment																								
<p>Valuation of defined benefit net pension balance (net pension asset capped at £nil and unfunded liabilities of £47m at 31 March 2025)</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>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.</p>	<p>The Council's Local Government Pension Scheme net pension surplus at 31 March 2025 is £nil (PY £144m surplus) comprising the West Yorkshire Pension Fund Local Government Pension Scheme obligations. There is a £47m defined benefit pension liability relating to LGPS unfunded and Teachers pension obligations (2024: £54m).</p> <p>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.</p> <p>A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Small changes in assumptions can result in significant valuation movements. There has been a £399m net actuarial gain for the Council's pension obligations during 2024-25.</p> <p>This improved position is largely a result of an increase in the discount rate with a decrease in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 2025 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 (£399m actuarial gain) to PwC's commentary Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension scheme disclosures in the notes to the financial statements with the IAS19 report from the actuary 	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value (Aon)</th> <th>PwC comments</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.80%</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.50%</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>3.75%</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.8/20.9</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.8/24.1</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value (Aon)	PwC comments	Assessment	Discount rate	5.80%	Assumption appears reasonable.	● Green	Pension increase rate	2.50%	Assumption appears reasonable.	● Green	Salary growth	3.75%	Assumption appears reasonable.	● Green	Life expectancy – Males currently aged 45 / 65	21.8/20.9	Assumption appears reasonable.	● Green	Life expectancy – Females currently aged 45 / 65	24.8/24.1	Assumption appears reasonable.	● Green	
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Key findings

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 IFRIC 14 pension asset ceiling calculation indicated a negative asset ceiling, to be capped at £nil as per IFRIC 14 principles, which is in line with the recognition and presentation 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. One pension disclosure adjustment was identified by the audited body post draft accounts as set out on page 51.

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of investment property</p> <p>£81.5m at 31 March 2025</p>	<p>The Council has engaged to Align Property Partners to complete the valuation of investment properties as at 31 December on an annual basis, as required by the CIPFA Code. A total of 87% of investment properties (by value) were revalued during 2024-25.</p> <p>Investment properties (including land assets) have been valued by a RICS-registered valuer as per Code requirements on the basis of their highest and best use, with reference to market comparables and capitalisation of market-based rents using an appropriate yield, in line with accepted fair value valuation practices.</p> <p>Management has opted not to value those investment properties below £250k on the basis that these are de minimis and trivial to the overall balance of investment property held by the Authority.</p> <p>The total year end valuation of investment property was £81.5m, a net decrease of £9m from 2023-24 (£91.7m).</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 land site areas per land registry records, and lease terms and passing rents per leases agreements 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. <p>Auditor's Findings</p> <p>Carrying investment properties at cost in the Council's accounts is considered non-compliant with the requirements of the Code. There are £9.3m of such investment property assets at 31 March 2025 that have not been valued. These sub-£250k investment property assets are subject to a valuation of the basis of a 3-year rolling programme.</p> <p>The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £12.8m, 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.</p> <p>This has been re-raised in several of our reports and the balance of investment properties held at cost has continued to increase over recent years. We have re-raised a management recommendation on page 59 of this report. We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.</p>	<p>Amber</p> <p>We consider the estimate is unlikely to be materially misstated but have commented on page 18 in relation to £9.3m of investment property that has not been revalued annually, contrary to the requirements of the CIPFA Code</p>

Other findings – key judgements and estimates

Key judgement/estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Recognition and presentation of grant income (note 37)</p> <p>£718m in 2024-25</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code.</p> <p>The main considerations are to determine whether the Council is acting as principal / 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.</p> <p>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.</p>	<p>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:</p> <ol style="list-style-type: none"> 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 CIES. 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. 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 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. <p>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 the application of Code guidance.</p>	<p>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.</p> <p>As part of our audit work, we have performed the following:</p> <ul style="list-style-type: none"> 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 a sample of grants recognised, whether the grant is a specific or non-specific (or whether it is a capital grant) – impacts on where the grant is presented (specific grants recognised above the line in net cost of services in the CIES 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. <p>Our work identified one non-trivial misstatement whereby the Council has overstated grant income recognised in 2024-25 by £1.075m. This is set out on page 47 of this report and management has opted not to adjust given its immaterial nature.</p>	<p>Green</p> <p>(noting immaterial unadjusted misstatement – see page 47)</p>

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Minimum revenue provision</p> <p>£13.8m in 2024-25</p> <p>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 appropriate.</p>	<p>The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>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.</p> <p>The annual MRP charge for 2024-25 was £13.8m, which represents an increase of £8.5m from 2023-24. This represents a 1.5% charge against the general fund capital financing requirement (CFR) (2024: 0.6%).</p> <p>Excluding the HRA CFR, on which the statutory charge against general fund is not applicable, the 2024-25 charge of £10m represents 1.4% of the opening GF CFR (2024: 0.41%).</p> <p>The key reason for the significant increase in 2024-25 is due to offsetting a prior year 'overprovision' against the charge in the current year. In the prior year £9m of overprovision was offset and in the current year this reduced to £4m, which explains £5m of the year-on-year increase in the MRP charge. This overprovision has now been fully utilised so this will not impact on future accounting periods.</p> <p>A one-off amount £1.1m has been charged to general fund to write off the loan to KSDL which will not be recovered following enactment of the settlement agreement. This loan balance has now been fully charged to revenue.</p> <p>IFRS 16 leases form part of the capital financing requirement. The Council has accounted for the impact of IFRS 16 in calculating its MRP charge for 2024-25 and made a charge equal to the repayment of the lease creditor post IFRS 16 remeasurement. This is consistent with the approach in the statutory guidance for charging MRP on leases.</p>	<ul style="list-style-type: none"> The Council's MRP policy and calculation is compliant with all relevant requirements of MHCLG, the statutory guidance, the Capital Financing Regulations 2008 and the Prudential Code. The Council made a change to the calculation of its MRP charge in 2023-24. An explanatory note explaining the change was presented to Corporate Governance and Audit Committee at its meeting in April 2025. The Council's minimum revenue provision policy was presented to Full Council in February 2024 as part of the annual budget setting process. We compared the MRP charge as a percentage of the CFR. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. The 2024-25 charge equated to 1.5% of the opening CFR (or a 67-year asset life) (2024: 0.6%). 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 additional capital expenditure, the charge is set to peak in 32 years at £34m. The annuity method it is a permitted option albeit it does create potentially greater budget pressures in future years. The 'amber' assessment has been brought forward from the prior year. This is based on the Council using a relatively high discount rate which has the effect of increasing the degree to which charges increase over time with the lowest in the early years. In addition, the Council has opted to use a single weighted average asset life of 34 years up to 2023-24 which means that all unfinanced capital expenditure up to 2022-23 will be fully provided for within 34 years but it does also push charges on medium life assets (around 20 years) over a longer 34 year term. The approach to providing MRP on PFI schemes and leases falls towards the middle of our expected range ('green') since the Council makes a charge exactly equal to the repayment of the lease creditor, which the guidance deems to be exactly in line with the asset life (and pattern of economic benefits). 	<p style="text-align: center;">●</p> <p style="text-align: center;">Amber</p> <p>We consider management's process contains assumptions that we consider to be optimistic.</p> <p>It is our view as auditors that the Council's application of CIPFA Code and statutory guidance could be considered towards the aggressive end of the range of accepted practice.</p>

Other findings – key judgements and estimates

Key judgement	Summary of management's approach	Auditor commentary	Assessment
<p>Long term debtors £38m in 2024-25 (stated net of impairment allowance of £9m)</p> <p>This is being highlighted as a key estimate since local authorities are increasingly making loans to the private sector and non-profit organisations, often to support regeneration projects. There are often key judgements in assessing the recoverability of such loans and local authorities determining an appropriate impairment allowance. Such loans also impact an authority's capital financing requirement (CFR) and require a minimum revenue provision charge against general fund reserves.</p>	<p>The Authority has accounted for these long-term debtors at amortised cost on the basis that it deems repayments to represent solely payments of principal and interest to the Council (there is no scope for fair value movements either favourable or adverse).</p> <p>The second element of the classification determination is that the Council's rationale for holding these loans is to collect contractual cashflows (they are not held for trading).</p> <p>The Authority has determined that an impairment provision is required, and it has calculated £9m to be appropriate which is based on historic repayment data, adjusted for current macroeconomic factors and recent credit information available on the borrowers.</p> <p>The Authority has calculated the impairment for expected credit losses on a 12-month basis in the majority of cases aside from two loans with a total gross carrying value of £4.7m where credit losses were calculated on a lifetime basis.</p> <p>Within long-term debtors, there are two loans which the Council has identified as soft loans, which carry an interest rate below that of a commercial loan. There include the loan to Kirklees College (£13.8m) and renewable energy grants to households in the borough (£1.8m). The Council has accounted for these soft loans in line with Code requirements.</p> <p>The Council has security over a number of these loans by means of a fixed charge which according to management offers the Council security of £19m.</p>	<ul style="list-style-type: none"> • We challenged as to whether the loan portfolio contains previously unidentified soft loans or loans that are 'non-recourse' that would require classification and measurement at fair value. Management responded robustly and we are satisfied with the Council's judgements around recognition, classification and measurement, including accounting for these long term debtors at amortised cost. • It is our view, having considered the legal charges held by the Council on third-party assets, that Management has recognised a reasonable and appropriate impairment allowance based on the information known at the reporting date. • From the balance of £38m, loans totalling £35m are classified as capital loans per the 2003 regulations, in that if this expenditure had been incurred directly by the Council, it would have been capital expenditure. For the £35m of capital loans, when a provision for expected credit losses is made, it is reversed through the MiRS to unusable reserves and therefore no charge being made to general fund. • The 2019 statutory guidance requires an MRP charge to be made on capital loans over the useful life of the third-party assets, which have been funded using the loan. Our review indicated that such charges have not been made. This guidance has now been superseded and our commentary below sets out the revised guidance applicable to future accounting periods which we would recommend the Council considers to ensure that appropriate minimum revenue provision is made on a prospective basis. • New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans, specifically for loans issue after 7 May 2024. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent. For loans issued prior to 7 May 2024, there still exists a requirement to make MRP with respect to any capital loan for which an Expected Credit Loss or impairment has been recognised, though the MRP charge may be spread over more than one financial year. • The revised guidance will enable LAs to reduce the MRP charge by deducting any amount of the capital receipts which are received in respect of a loan during the financial year, when they are applied to repay the same loan. For example, for the Kirklees College soft loan, the Council may choose to treat the £0.9m of repayments from the counterparty in year being as sufficient to cover the financing of the loan and abstain from charging MRP. • The Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. As such, as and when any impairment losses are realised this will give rise to an unplanned impact on general fund reserves balances. Recognising the new statutory guidance coming into Force from 1 April 2025, we have raised a recommendation for Management to confirm and report its proposed approach to charging MRP on capital loans in 25-26 and beyond. 	<p style="text-align: center;">Amber</p> <p>We consider management's approach indicates aspects of non-compliance which we consider should be amended in future accounting periods although we note these could not give rise to a material misstatement.</p>

Other findings – Information Technology

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

SAP and Active Directory were in scope for the purpose of our IT audit work. SAP is in scope as the key accounting system at the Council and Active Directory has also been scoped in since single-sign on (SSO) is in use at the Council which allows a user to log into SAP from their Windows profile without having to re-enter credentials, and as such Active Directory is indelibly linked with SAP user access rights (security management). Active Directory is a Microsoft directory service used to manage devices, users, domains, and objects within a Windows domain network.

We identified five findings from our work in respect of SAP which are detailed overleaf. We understand from our discussions with management that it is management’s view that there are proportionate and adequate controls in place, and compensatory controls/second lines of defence are embedded in the Council’s workflows and processes. Nonetheless we have opted to report these findings since the SAP accounting system underpins the preparation of the financial statements and IT findings form part of the matters arising from our audit work routinely communicated with those charged with governance.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	Detailed ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Green
Active Directory	Detailed ITGC assessment (design effectiveness only)	 Green	 Green	 Not in scope	 Not in scope

Page 04
Assessment:

-  [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

Assessment	Issue and risk	IT Audit Finding
<p>1.</p> <p></p> <p>Green (low priority)</p>	<p>Segregation of duties conflict as users have access rights to configure and delete audit logs in production</p> <p>During our review of user access in the Council’s main SAP system (the live production environment), we found 11 users who have two types of powerful permissions:</p> <ul style="list-style-type: none"> • The ability to set up or change the system’s audit logs (through a function called SM19), and • The ability to delete or reorganise those audit logs (through a function called SM18). <p>Audit logs are important because they record who did what in the system. If someone can both change how these logs are created and delete them, there is a risk that important evidence of system activity could be altered or removed.</p> <p>Although audit logging is currently enabled and reviewed periodically, this control alone does not completely prevent or detect potential misuse by users with both types of access.</p> <p>Risks</p> <p>If audit logs can be changed or deleted by the same person who manages them, the Council might not notice unauthorised or unusual system activity in time. This could make it harder to investigate errors or security incidents.</p>	<p>To address this finding, it is our recommendation that the Council:</p> <ul style="list-style-type: none"> • Removes the ability to set up audit logs and the ability to delete or reorganise them are given to different users; or • If it is not possible to fully separate these permissions (for example, for operational reasons), access should only be given temporarily and with formal approval, such as through a “Firefighter” or emergency access account that expires automatically. <p>Management response</p> <p><i>There is a limitation in SAP that prevents the Basis and HD One teams carrying out their duties if this segregation in is place.</i></p> <p><i>The Council has previously put in place has reasonable and proportionate controls to manage this risk which involves logging and regular monitoring by HD One Managers and evidence of this has been provided.</i></p>

Other findings – Information Technology - SAP

Assessment	Issue and risk	IT Audit Finding
<p>2.</p> <p></p> <p>Green (low priority)</p>	<p>Users with inappropriate access to maintain all SAP Standard or Customised tables in production</p> <p>As part of our review of system access, we identified 25 users who have the ability to change any table within the Council’s SAP system (the live production environment). These tables store the data and rules that determine how the system operates, for example, how transactions are processed, how reports are generated, and how users are authorised. Having unrestricted access to change these tables means a user could (intentionally or accidentally) alter how the system functions.</p> <p>We checked whether any of these users made such changes during the audit period and found no evidence of changes made by them.</p> <p>Risks</p> <p>When users can change all tables in the live system, there is a risk that key data or system settings could be modified without approval, whether by mistake or on purpose. This could lead to errors in financial information or weaken system controls that protect against fraud or unauthorised activity.</p>	<p>To address this finding, it is our recommendation that the Council:</p> <ul style="list-style-type: none"> limit and separate this level of access so that no user can change every table in the system. Instead, users should only have access to specific tables that are relevant to their job responsibilities. This can be done by assigning access to named tables or groups of tables (rather than giving full access to all tables). <p>Management response</p> <p><i>There are reasonable proportionate controls in place to manage this risk which is the logging of all SAP access as standard. These logs are available for review at any time by managers and the Council’s internal audit if required.</i></p>

Other findings – Information Technology - SAP

Assessment	Issue and risk	IT Audit Finding
<p>3.</p> <p></p> <p>Green (low priority)</p>	<p>Segregation of duty conflicts between change developer in production</p> <p>During our review, we looked at who can develop or build changes in the SAP system (in the “development” area) and who can move those changes into the live system where day-to-day operations take place.</p> <p>We found two users who had permission to do both. This means they could create a change and then move it directly into the live production system without anyone else checking or approving it first.</p> <p>We checked system records and confirmed that these users did not move any changes into production during the audit period.</p> <p>Risks</p> <p>Allowing one person to both develop and move changes into the live system can bypass normal checks and approvals. This increases the risk that unauthorised or incorrect changes could be made, which might affect how the system processes data or reports financial information.</p>	<p>To address this finding, it is our recommendation that the Council:</p> <ul style="list-style-type: none"> • segregate a user’s ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. • if for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. <p>Management response</p> <p><i>As mentioned in previous years, we have reasonable and proportionate controls in place to manage this risk with a process to separate development and production roles. While it is noted that the individuals have 2 accounts (one for production and one for development), our process ensures that no individual carries out both roles for the same process.</i></p>

Other findings – Information Technology - SAP

Assessment	Issue and risk	IT Audit Finding
<p>4.</p> <p> Green (low priority)</p>	<p>Inadequate control over privileged generic accounts within SAP</p> <p>During our review of powerful (“administrator”) accounts in the Council’s SAP system and its database, we found:</p> <ul style="list-style-type: none"> • Two shared accounts were being used by the Council’s external IT support provider, ABSOFT, to perform system work. • Three shared accounts had powerful access to the SAP database. Of these, one was used by ABSOFT, and two were used temporarily for system security testing. The testing accounts were disabled during the audit period. <p>While the Council has a process to approve third-party access, we found no evidence that activities carried out through these shared accounts were being actively monitored or reviewed to ensure they were only used for legitimate, approved purposes.</p> <p>This same issue was raised in last year’s audit. Management have noted that ABSOFT is a trusted vendor and believe the current controls are sufficient.</p> <p>Risks</p> <p>Shared or “generic” accounts are system logins used by more than one person. When these accounts have powerful access, there is a risk that unauthorised or inappropriate changes could be made to the system or data. Because several people can use the same account, it is impossible to trace actions back to a specific individual, making accountability and investigation difficult if something goes wrong.</p>	<p>To address this finding, it is our recommendation that the Council:</p> <ul style="list-style-type: none"> • ensure all users, including third-party vendors, have individual named accounts rather than shared ones wherever possible. • review all existing shared or powerful accounts to confirm whether they are still needed, who uses them, and what controls exist to prevent misuse. • where shared accounts must remain (for example, for vendor support), access should be time-limited, tightly controlled, and actively monitored, using tools such as password vaults and audit logs to record activity. • periodically review all system access to ensure permissions remain appropriate and that users only have the level of access needed for their role. <p>Management response</p> <p><i>As confirmed in previous years, there are reasonable controls in place to manage risks associated with this item which are:</i></p> <ul style="list-style-type: none"> • <i>All activity by these accounts is recorded in SM20 and available for auditing and review if required.</i> • <i>The accounts are locked when not in use and access only granted by arrangement with the BASIS team.</i> • <i>Access includes registration of the named consultant that will connect to the system and confirmation of that at the time the connection is authenticated by our staff member managing the support request.</i>

Assessment:

 [Green]

 [Grey]

IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope

Not in scope for assessment

Other findings – Information Technology - SAP

Assessment Issue and risk

IT Audit Finding

5.



Green
(low
priority)

Inadequate control over privileged generic accounts within the Active Directory

During our review of accounts with high-level (“administrator”) access in the Council’s main IT network, known as Active Directory - we found one shared administrator account called SureCloudDA.

This account was created for a specific purpose: to allow an external security company to carry out penetration testing (a type of authorised security test). It was properly requested and approved, and system records show that the account was last used on 5 October 2024.

However, after the testing was completed, the account remained active in the system until our audit identified it. It had not been given an automatic end date or deactivated once it was no longer needed. There was also no regular monitoring in place to confirm that such accounts are removed promptly.

This means that, even though it was not misused, the account could have been accessed without the Council’s knowledge while it remained active.

Risks

Shared or unused administrator accounts are a security risk. If such an account stays active after its purpose has ended, someone could use it to make unauthorised changes to the system or gain access to sensitive information. Because the account is shared, it would be difficult to trace who was responsible if something went wrong.

To address this finding, it is our recommendation that the Council:

- Ensure all privileged accounts (those with administrator rights) are given a clear expiry or end date when created.
- Review all shared or special-purpose accounts regularly to confirm they are still needed and deactivate them immediately once no longer required.
- Where possible, each user should have an individual account so that activity can be traced to a specific person.
- If shared accounts must exist for technical reasons, their use should be strictly controlled, logged, and reviewed after each use, with all monitoring formally recorded.

Management response

This account was created specifically for the comprehensive password audit carried out on 1 day of the pen test; the account was disabled immediately on completion and any access to the servers was removed.

Access was only available from a single jump box on the network which only pen test engineers had access to; full auditing was available through the server event logs and on Security Information and Event Management (SIEM). The jump box was deleted on completion of the pen testing activities and the SureCloudDA account disabled immediately on completion of the activity. It has now been deleted as well.

Naming convention of the account has been reviewed and a named account will be used in future for this purpose.

Assessment:

- [Green]
- [Grey]

IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
Not in scope for assessment

Other findings – Information Technology

Issue	Commentary	Auditor view
<p>Cybersecurity</p> <p>We also performed a review of the Council’s arrangements to establish controls in respect of cyber security.</p> <p>This procedure entailed making enquires of Council officers and making an overall assessment of the Council’s procedures and controls in relation to cyber security.</p>	<p>Based on national statistics released by the Department for Science, Innovation and Technology in April 2025, 43% of businesses report having experienced a cyber breach or attack in the last 12 months.</p> <p>High profile cyberattacks undermine trust in an organisation and can shatter hard won reputations. Organisations are also required under GDPR regulation to have appropriate safeguards over personal data they hold and can face large fines if an avoidable breach occurs.</p> <p>The majority of cyberattacks reported are unsophisticated and could be avoided through implementation of simple cybersecurity measures.</p>	<p>Whilst it is not within the scope of our work to give a high level of absolute assurance in respect of the cyber security control environment, our work identified that the Council generally adopts an appropriate approach to protecting itself from cyber threats and has a dedicated team of council officers in post to support this.</p> <p>Based on the review we performed, we are sufficiently satisfied that the Council’s cyber security arrangements do not give rise to material or pervasive deficiencies in its overall control environment.</p>

Work performed	Result	Related significant risks / risk / observations
Cybersecurity assessment	 Green	N/A

5 **Communication requirements and other responsibilities**

Other communication requirements

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 which have not been appropriately disclosed. Our work identified some transactions that had occurred between the Council and its PFI operators that were not disclosed. Management has updated related party disclosures to capture these. This is shown as an audit adjustment on page 51 of this report.
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. We expect to include a request for specific representations in terms of information provided by the Council in respect of equal pay claims. This recognises the increase in equal pay claims arising nationally and we are therefore obliged to obtain specific representations in this regard.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts.
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.
Disclosures	Our review found no material omissions in the financial statements. A number of presentational disclosure changes are listed on pages 51 through to 53 of this report.
Audit evidence and explanations/	All information and explanations requested from management. We note the need to enhance supporting working papers in respect of the cashflow statement and some aspects of valuation of land and buildings, following issues during the last two audit periods. We would like to thank the Council officers for their help and support during the audit process.

Other responsibilities

Issue	Commentary
Going concern	<p>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 2024). 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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified/or set out here any inconsistencies. We plan to issue an unmodified ‘clean’ opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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 significant weaknesses. <p>We have reported three significant weaknesses in arrangements that are detailed on pages 67 and 68 of this report.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>The specified group reporting threshold is £2 billion. As in prior years, only limited work is expected to be required on this, as the Council is not expected to exceed the audit threshold in 2024-25.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024-25 audit of Kirklees Council in the audit report in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the Whole of Government Accounts audit has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code. In addition, we cannot issue our audit certificate for 2024-25 or 2023-24 until we have concluded our work on the Objections raised in 2023-24 regarding the Council’s oversight of the investment strategy of the Pension Fund. We are aiming to conclude our work on the Objections in 2026.</p>

6 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.

Audit adjustments

Impact of adjusted misstatements

One adjusted misstatement has been identified and is set out in detail below, along with its impact on the primary accounting statements.

Detail

Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)

On initial recognition, the Council has uplifted (credited) lease liabilities so as to reflect the impact of indexation within the liability rather than expensing these annually as contingent rents, as per the previous accounting treatment. The other side of this entry was to increase (debit) the carrying values of the right of use assets

Following the initial accounting entries, the Council has identified that these right of use assets are delivering the same services and have not increased in value under a specialised asset valuation and so determined that they should be revaluation downwards to their specialised asset valuations provided by the valuation experts.

In accounting for these revaluation losses, a charge has been made to Other Comprehensive expenditure for the total revaluation losses of £19m with the charge flowing through as a reduction to revaluation reserve balances. A transfer of £17.8m has then been made from the revaluation reserve (unusable) to the capital adjustment account (unusable) to accurately reflect only the revaluation reserve balances that could have been consumed on the downward revaluation (a maximum of £1.2m). Without this £17.8m transfer, available revaluation reserve balances would have been understated and the capital adjustment account balances overstated.

In preparing financial statements incorporating IFRS 16 transition adjustments, the accounting treatment applied was in advance of clarification guidance issued by CIPFA in June 2025. We note that Management published the draft financial statements prior to this clarification guidance being issued so had no opportunity to consider its content when the draft accounts were being prepared. This guidance (CIPFA Bulletin 20) specified that downward movements in valuation should first be charged to the revaluation reserve and subsequently as a charge to the CIES (above net cost of services). It also clarified that these valuation movements, identified at the time of initial adoption, should be accounted for as in-year valuation movements in the same way as routine land and building revaluations.

The impact on the draft accounts arising from this finding is limited to the CIES and MiRS since we note that reserves balances have been fairly stated given the transaction present in the draft accounts totalling £17.8m, the effect of which was to accurately consume available revaluation reserve balances prior to making a charge to the CIES compliant with section 4.1 of the Code.

The adjustment required is a reclassification on the face of the CIES to reduce the IFRS 16 remeasurement charge to Other Comprehensive Income by £17.8m and increase the amount charged to services above the net cost of services line by £17.8m. Specifically, £7.4m would be required to be charged to Children & Families (£1m in relation to maintained schools and £6.4m in relation to PFI schools that have academised – to be treated as REFCUS) and £10.4m to be charged to HRA.

An adjustment will then be required in the MiRS to nullify the effect on general fund useable reserves and this will transfer the £17.8m from general fund to the capital adjustment account. As the final step, the transaction in the draft accounts transferring the £17.8m from the revaluation reserve to the capital adjustment account shall need to be reversed (this was a transaction included in the draft accounts to accurately state the reserves balances, and if not reversed this would duplicate part of the impact of the journal entries listed overleaf). The outcome of this adjustment has no impact on useable reserves or on the closing balances.

The impact of this adjustment on the Council's primary accounting statements is set out overleaf.

Audit adjustments

Impact of adjusted misstatements

One adjusted misstatement has been identified and is set out in detail below, along with its impact on the primary accounting statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)	Debit (increase) expenditure charged to net cost of services – HRA 10,400	Nil	Nil	Nil	Nil
	Debit (increase) expenditure charged to net cost of services - Children & Families 7,400				
	Credit (decrease) expenditure charged to other comprehensive income (IFRS16 remeasurement of PFI liabilities) 17,800				
	<u>Reverse effect through the MiRS:</u> Credit CIES (decrease expenditure) 17,800				
Overall impact of adjusted misstatement	Nil	Nil	Nil	Nil	Nil

There is no impact on the Authority's balance sheet or either useable or unusable reserves arising from this adjustment.

Audit adjustments

Impact of adjusted misstatements

Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)

Management response:

Management does not agree with the conclusions of the Audit Findings report.

In adjusting the Accounts in respect of PFI schemes on adoption of IFRS 16 management has followed the requirements of [4.2.2.97](#) of the Code of Practice in adjusting the opening balance of reserves, namely:

The lessee shall not restate comparative information. The lessee shall recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of reserves at the date of initial application.

The draft Accounts were prepared on this basis, which was also agreed with our external technical advisors.

Grant Thornton's technical 'Hot Review' of the Accounts in August 2025 noted that "on transition there should be no entries affecting the CIES. Only in-year remeasurements of PFI liabilities would be recognised in the CIES (but under the Surplus or Deficit on Provision of services and not in OCI) if the PFI asset is no longer in the Council's accounts", which is in-line with our treatment of these transactions.

No further requests for information were received until late October 2025 and no detailed queries until 23 December 2025.

The most recent comments where our accounting treatment on this issue were raised were not received until 15/01/2026, at which point Management were advised that that Grant Thornton had changed their opinion and that they now thought that the treatment in the Accounts was incorrect.

This timing has left management feeling they are left with little option but to accept the auditor's view due to report publication deadlines and the impending audit backstop dates. Had the detailed questions been raised on a more timely basis, then the Council, its advisors and Grant Thornton could have had opportunity to work through each other's interpretation of the code and guidance.

As it stands, the timing and the approach to what is fundamentally a difference in interpretation of a Code guidance note is in our view not helpful and leaves the Council with what Management consider as Accounts that could be interpreted as non-compliant. Furthermore, this not only impacts the current Accounts but will also affect the 2025/26 Accounts as all of the affected comparatives will look out of kilter.

In order to avoid missing the audit backstop date (with the resulting implications of a qualified audit opinion which would take numerous years to clear and likely incur additional fees from external audit) management have reluctantly agreed to restate the accounts as per Grant Thornton's opinion.

Management are hopeful that Grant Thornton's interpretation on this guidance does not change again for the 2025/26 Accounts given the impacts this would have on workloads.

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
<p>Overstatement of grant income and corresponding expenditure - Teachers' Pension Scheme Employer Contribution Grant (TPECG)</p> <p>This grant is new in 2024-25 and provides funding to the Council to support with the increase in employer contributions to the Teachers' pension scheme with contributions rising from 23.6% in 2023-24 to 28.6% in 2024-25.</p> <p>The total of this grant allocation for Kirklees totalled £10,739k, however, the Council recognised a total of £11,814k in the draft financial statements, thereby overstating grant income by £1,075k. We understand that this error arose as a result of an erroneous general ledger accounting entry processed to account for the element of the grant due to academy schools, whereby the transaction posted to the ledger as income was duplicated as was the expenditure incurred. This resulted in grant income and service expenditure both being overstated.</p> <p>Management has stated that it has communicated this error with the service accountant to prevent a similar error occurring next year. Management has also communicated that it has opted not to adjust the accounts for this error on the basis that it is immaterial to the financial statements.</p>	Debit (decrease) grant income credited to services - Children & Families 1,075	nil	Credit (decrease) total net expenditure 1,075	nil	nil
Overall impact of unadjusted misstatement	1,075	nil	1,075	nil	nil

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
<p>Cost valuation of Cultural Heart capital scheme held as an asset under construction</p> <p>Our review of the year end cost valuation of the Cultural Heart capital scheme identified that a scheme valuation dated 1 April 2025 had not been accounted for with assets under construction on the Council's balance sheet at 31 March 2025. This valuation, as certified by the Council's surveyors and cost advisors, covers the capital works completed between 1 March and 1 April and therefore we are satisfied that all of the works valued relate to the 2024-25 financial year and should be included on the Council's balance sheet at 31 March 2025. The works completed and certified relating to the March 2025 period totalled £1.2m.</p> <p>Management has opted not to adjust for this misstatement on the grounds that it is not material to the Council's financial statements and balance sheet position as at 31 March 2025.</p>	£nil	Debit (increase) assets under construction 1,200 Credit (increase) short-term creditors (capital creditors 1,200	£nil	£nil	£nil
Overall impact of unadjusted misstatement	£nil	£nil	£nil	£nil	£nil

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
<p>Variations identified in gross internal area (GIA) data used in the valuation of buildings that use the DRC basis of valuation</p> <p>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.</p> <p>This sample testing comprised testing a sample of 10 buildings, with a NBV greater than £5m (combined NBV of £152m), thereby placing a focus on testing high value buildings.</p> <p>With a total sample population value of £152m from a total of DRC land & buildings population of £371m, we have considered coverage sufficient to perform an extrapolation procedure to determine an extrapolated error value for the total population.</p> <p>An extrapolated error totalling £4.1m (increase to valuations representing an understatement) was identified, which represents a 1.4% 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.</p> <p>We note that the land element has been removed from the £371m to calculate the £4.1m extrapolated error, since GIA records are not expected to impact on the valuation of land.</p>	£nil	Debit (increase) valuation of other land & buildings £4.1m	£nil	£nil	Credit (increase) unusable reserves £4.1m either posted to the Revaluation Reserve OR via CIES, through the MiRS and, into the Capital Adjustment Account (CAA)
Overall impact of unadjusted misstatement	£nil	£4.1m	£nil	£nil	(£4.1m)

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
<p>Classification of Grants Received in Advance (Grants in Credit) on the Council's balance sheet</p> <p>The financial accounting technical 'hot review' on the Council's financial statements in 2024-25 identified that the Council's accounting for grants received in advance is not consistent with the accounting principles set out in the Code.</p> <p>Note 1.10, the accounting policy for Government Grants and Contributions states that grants for which conditions have yet to be satisfied are accounted for as creditors. There is a distinct requirement in the Code which requires grants for which the cash has been received but have not yet been recognised as grant income are to be carried on the balance sheet as 'Grants Receipts in Advance'.</p> <p>In this regard, we challenged management that the Council's accounting for these grants was non-compliant with Code requirements. Management considered the Code requirements but was not minded to adjust the financial statements on the grounds that these grants received in advance balances are cumulatively immaterial to the financial statements. This misstatement remains unadjusted.</p> <p>We note this misstatement is one of classification only and does not impact on the Council's revenue outturn or its overall balance sheet position.</p>	£nil	Debit (decrease) short term creditors £4.8m Credit (increase) grants received in advance £4.8m	£nil	£nil	£nil
Overall impact of unadjusted misstatement	£nil	£nil	£nil	£nil	£nil

Audit adjustments

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	Misclassification or disclosure change identified	Adjusted?
Note 34, Officers' Remuneration	The disclosure table which sets out the number of employees whose remuneration was £50,000 or more in the year has been updated to include overtime pay. The Code states that remuneration covers salary, allowances and bonuses paid during the financial year and as such, we challenged management that overtime pay is included within this definition. This change has not impacted on the 497 officers disclosed in the 'schools' column but the 'other' column has been adjusted from 441 officers to 466 officers (an increase of 25). The number of officers falling within each £5k band has been adjusted accordingly and checked by the auditor.	✓
Note 36, Related Party Transactions	Part ii) Companies of Note 36 references to the disclosures shown at Note 40 in respect of the PFI transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd. Our work identified that whilst the unitary payments were shown at this Note, there were further transactions comprising payments for capital works and for services of a revenue nature that totalled £17.3m in aggregate that had not been disclosed. Management recognised this and opted to add additional narrative to indicate the nature and value of these previously undisclosed transactions totalling £17.3m.	✓
Note 41, Pension Disclosures	Following discussions with West Yorkshire Pension Fund, Management identified post draft accounts that the Pension Fund's assets had increased by 0.6% for year ended 31 March 2025. Management obtained an updated IAS 19 report that indicated an increase in the LGPS funded gross pension asset of £9.5m. We have not identified any impact on the Council's balance sheet due to the application of IFRIC 14 which has resulted in the LGPS net pension surplus being capped at £nil and a nil balance position recorded on the balance sheet in respect of the funded LGPS net pension balance. Therefore, this misstatement only impacts on the disclosures at Note 41 to the accounts. Management has adjusted the accounts to reflect this change in the amounts disclosure at Note 41 to the accounts by increasing the value of the gross pension asset disclosed by £9.5m with a corresponding increase to the value of the unrecognised asset.	✓
Various notes	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

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	Misclassification or disclosure change identified	Adjusted?
Note 19, Financial Instruments - Financial Assets Fair Value	In the preparation of the Financial Assets Fair Value disclosure note one element of the bad debt provision had been double counted thereby leading to an understatement of the fair value disclosed by £3.8m. This has been adjusted for in the updated financial statements which has led to an increase in the fair value of financial assets from £31.6m to £35.4m.	✓
Note 19, Financial Instruments - Market Risk	For borrowings with a fixed rate of interest, the disclosure of how the fair value of this borrowings would be impacted by an increase in interest rates was omitted in the draft financial statements. It was identified that a 1% increase in rates on fixed rate borrowings would reduce the fair value of these loans by £45m which is material to the Authority. Given the material nature of this disclosure, Management has opted to include this disclosure in the updated financial statements.	✓
Note 41, Pension Disclosures	Note 41 has been updated to include an additional disclosure that shows a reconciliation of the effect of the asset ceiling from the opening balance to the closing balance, as required by the Code and the IAS 19 accounting standard.	✓
Note 39, Leases	An additional table has been inserted at Note 39 to disclose the present value of the future lease payments, as required by the Code and the IFRS 16 accounting standard. This additional disclosure sets out future lease payments on a discounted basis, whereas the draft accounts only disclosed the future lease payments on an undiscounted basis.	✓
Note 5, Assumptions and Major Sources of Estimation Uncertainty	<p>Several presentational and disclosure adjustments have been made to improve the clarity of this note and to ensure this note disclosures only those estimates that give rise to material estimation. Management recognises that there was some over-disclosure in the draft accounts, and the note has been simplified to ensure disclosures are proportionate and understandable for readers.</p> <ul style="list-style-type: none"> References to investment property and arrears balances have been removed from this note on the grounds of immateriality Disclosure on DRC valuation estimation has been updated to disclose the carrying value of assets valued on the DRC basis (£371.3m) Disclosure on depreciation estimation has been updated to disclose the carrying value of assets subject to depreciation (£1.466bn) Narrative disclosed in respect of Pensions Asset estimation has been updated to reflect the fact that the sensitivity analysis disclosed is based on the funded defined benefit obligation rather than the net pension asset. 	✓

Audit adjustments

Misclassification and disclosure changes (continued)

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	Misclassification or disclosure change identified	Adjusted?
Cash Flow Statement	<p>As described on page 6 of this report, we encountered a number of challenges when auditing the Cash Flow Statement, which centred around the understandability of the cash movements presented in the Council's supporting working papers.</p> <p>The audit of this statement involved a number of discussions with Management on the accuracy of the transactions presented in the statement, particularly around the appropriateness of a number of adjustments made, which in our view had not impacted on the Council's cash flows during the year so should not have been included. We have set out below what we consider to be non-trivial misstatements which impact on the face of the cash flow statement and supporting notes.</p> <p>Note 29 Cash Flows from Operating Activities presents an amount of £40m for interest paid. Included in this value is an adjustment for £1m to account for an increase in the accrued interest creditor. Increases in creditor balances indicate that the Authority has paid out less cash and therefore, we expected £1m to have been deducted to reflect the increase in the creditor. Instead, the workings presented to audit added the £1m to the £39m CIES charge for the year which was identified as an error. This has been adjusted for by reducing the value presented in Note 29 to £38m.</p> <p>On the face of the Cash Flow Statement under the heading Net Cash Flows from Financing Activities, the Authority presented £152.5m as Cash receipts of short and long-term borrowing. Our review of underlying receipts from long-term borrowings indicated that the Authority had borrowed £98m from the Public Works Loan Board in year with a further £79.5m borrowed from other local authorities. The total of these receipts sums to £177.5m which represents the total in year borrowing taken by the Council. The cash flow line item for Net Cash Flows from Financing Activities - Cash receipts of short and long-term borrowing has been updated to accurately reflect the £177.5m of new borrowing taken.</p> <p>The £25m adjustment for new borrowings taken in year has also impacted on the line item for Repayments of short and long-term borrowing under the heading Net Cash Flows from Financing Activities. The adjustment has increased Repayments of short and long-term borrowing from £84.8m to £109.8m. This has also been adjusted for in the updated financial statements.</p> <p>Recognising the material classification adjustment to the Cash Flow Statement, we consider that there is scope for simplification of the cash flow working paper in 2025-26 to aid with its understandability and scope for the Council to build in further quality assurance checks within the accounts closedown process to prevent such errors recurring in future years. We have raised an auditor recommendation in this regard on page 57 of this report.</p>	✓

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<p>● Medium</p>	<p>Costing of internal repairs & maintenance, and capital works:</p> <p>Our work identified that for housing stock repairs, an inflation factor was being applied to cover the period from 2007-08 to the 2024-25 year. The year 2007-08 was the year that these internal costings for each job type were last reviewed. This job costing from 2007-08 is being inflated by this inflation factor to calculate the job costings utilised in the current year. This was 1.27 for this financial year and affected internal capital works that were capitalised by the Council. Such internal works include costs and materials that form part of the Council's payroll bill and other services expenditure.</p> <p>An example of one of the accounting entries which uses this inflation factor is the recording of capital works on the HRA – this removes expenditure from the CIES and capitalises that spend on the Council's balance sheet. Since these are real transfers from revenue to capital it is our view that the transfers should be estimated with a reasonable degree of precision. In our view, such a significant inflation factor (27%) for an extended period of time (> 15 years) does not clearly demonstrate how the charge being made to revenue or capital expenditure is reflective of the cost of the works carried out.</p>	<p>We recommend that the Council update its costings for recharges to capital so that such general inflation factors are no longer applied in future financial years.</p> <p>Management response</p> <p><i>The majority of works carried out by Property Services are charged on new principals and rates, for instance Responsive Repairs are now charged via price per property. Unfortunately, Empty Homes is the only work stream that has not moved to a new charging model but is still based on the original tendered contract rates, which have been inflated each year. However, the service is currently implementing a new IT system, which will eradicate many of the manual processes, and automate them within the new IT system, and this will include how jobs are costed and charged.</i></p>

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<p>● Low</p>	<p>Understandability of working papers to support the Council’s bad debt provision held on the balance sheet against its short-term debtor balances</p> <p>Our work highlighted that the Council has accounted for an impairment allowance on short-term debtor balances as per the requirements of the Code. We understand that these provisions are calculated by finance officers in each of the services, grouping debtor balances of similar nature and credit risk. The Council’s Code-complaint approach has resulted in over 30 working papers being produced in relation to the provision for bad debts. Whilst each of the specific provisions is shown on the trial balance (TB) as a credit against short-term debtors, we encountered some difficulties in identifying the relevant working papers for the balances on the TB and there were a number of trivial differences where the supporting working papers did not agree through to balances on the TB.</p>	<p>We recommend the Council considers how the working papers for the bad debt provision could be summarised or indexed so it is clear in 2025-26 which working papers are relevant to each of the lines for the bad debt provision on the TB. We also recommend that the service accountants check the supporting working papers agree through to TB balances as a final step in the accounts closedown process.</p> <p>Management response</p> <p><i>The Council will review and consider producing a working paper for 25/26 that ties the overall bad debt provision to the individual working papers produced by Service Accountants and back to the trial balance.</i></p>

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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:

● Medium

Issue and risk:

The Council's proposed approach to ensure full compliance with Statutory Guidance Capital finance: guidance on minimum revenue provision (5th edition) (Effective for accounting periods starting on or after 1 April 2025)

The 2019 statutory guidance (4th edition) required an MRP charge to be made on capital loans over the useful life of the third-party assets, which have been funded using the loan. Our review indicated that such charges have not been made. This guidance has now been superseded by the 5th edition with the effective date as shown above.

New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans, specifically for loans issue after 7 May 2024. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent.

The 5th edition guidance makes a distinction between commercial and non-commercial loans with commercial loans described as those entered into primarily for financial return. Local authorities must make MRP with respect to any debt used to finance a commercial capital loan. For non-commercial loans, local authorities can elect whether to charge MRP, however, for non-commercial capital loans that have recognised losses, the option to not charge MRP is not available.

The revised guidance will enable LAs to reduce the MRP charge by deducting any amount of the capital receipts which are received in respect of a loan during the financial year, when they are applied to repay the same loan. For example, for the Kirklees College soft loan, the Council may choose to treat the £0.9m of repayments from the counterparty in year being as sufficient to cover the financing of the loan and abstain from charging MRP.

The Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. As such, as and when any impairment losses are realised this will give rise to an unplanned impact on general fund reserves balances. Whilst the Council has referred to the impact of the 5th edition guidance and the requirements to provide of MRP on capital loans in its approved budget for 2025-26, it is our view that the Council should communicate whether its lending falls within the commercial or non-commercial loans regime and how it has reached this judgement. It should also be set out how the Council intends to ensure full compliance with the new requirements on charging MRP, particularly in respect of those capital loans with existing credit losses recognised.

Recommendations:

Recognising the new statutory guidance came into Force from 1 April 2025 and that some commentary on its impact was included in the 2025-26 budget paper, it is our recommendation Management to confirm and report its proposed approach to charging MRP on capital loans in 2025-26 and beyond. All loans provided by the Council are not primarily for financial purposes and are therefore non-commercial. The Council will comply with the new guidance effective from April 2025.

Management response:

All loans provided by the Council are not primarily for financial purposes and are therefore non-commercial. The Council will comply with the new guidance effective from April 2025. Where required, the council will charge MRP in accordance with expected credit losses recognised. However, it should be noted that per paragraph 75, the requirement to charge MRP in line with the expected credit loss does not apply to capital loans made prior to the commencement of the regulation (07/05/24). Therefore, for existing loans, in line with paragraph 78, the Council will ensure, that as a minimum, MRP is charged to cover any expected shortfall over the remaining life of the assets funded by the loan.

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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

●
High

Integrity, accuracy and understandability of working papers to support the Council's cash flow statement

As noted on page 6, the Council has an internally-developed model to prepare this statement, which we understand has been the Council's long-standing adopted approach to the preparation of this statement. During the last two cycles of external audit, we have flagged concerns that the sections of the statement include non-cash-based transactions, which contrary to the principles of the cash flow statement. In addition, we have expended a great deal of time completing this work, well in excess of expectations. Across our LG client portfolio, the audit of the cashflow statement is traditionally a straightforward area of an audit taking a minimal amount of time.

The Council adopts the indirect method of preparation, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows. This is a fully permitted approach under the Code.

There are several aspects to draw out from the working papers presented to us that we think can be enhanced/reviewed in 2025-26 to support the audit process and reduce the volume of queries shared with finance officers during audit fieldwork.

- The Council currently presents transfers between short- and long-term borrowings within the cash flow statement supporting workings. Since the line item is presented on a combined basis, it is our view that these movements in the working paper adversely impact the understandability of the underlying transactions presented and removing such movements between short- and long-term would aid with understandability.
- The values presented in the statement for borrowings taken and repaid are not round numbers. We view this as an immediate red flag since the Council takes and repays borrowings to the nearest £million (aside from some small transactions with the local parish council). Any interest paid at the end of the term is not to be presented alongside principal capital repaid. It is our view that this principle around the nature of the Council's transactions should be considered during the Council's preparation of this statement in future accounting periods.
- Whilst noting the indirect method of preparation has been adopted by the Council, we consider that there is scope for the Council to also present actual cash-based transactions alongside its workings, and demonstrate how these reconcile with the workings shown in the Council's long-standing working papers. For example, it is our view that presents a list of borrowings taken and repaid alongside existing workings and showing how these reconcile to the values presented in the statement of cash flows would likely to demonstrate the validity and accuracy of the figures presented.

Recommendations

Whilst the Council adopts a Code-compliant approach to the presentation of its cash flow statement and has long-established suite of working papers to support with preparation of the statement and supporting notes, there is scope to simplify and improve the clarity of this working paper in 2025-26 to aid with its overall understandability.

This should also support with a more efficient audit process next year and reduce the audit the volume of auditor queries asked of officers during fieldwork.

Management response

The Council will seek to simplify its current Cash Flow working paper and introduce additional checks and reviews in order to improve accuracy, consistency and understandability.

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	<p>Outlier data used in the calculation of the annual leave accrual</p> <p>The calculation of the year end accrued leave creditor in 2023-24 was 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 the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.</p> <p>We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p> <p>Management update (January 2026):</p> <p><i>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 balance sits within unusable reserves. Outliers cannot be eliminated as that is part of the sample, however management note the potential impact.</i></p>
Still to be implemented	<p>Employee Handbook – Document Out of Date</p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, 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.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council's working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p> <p>Management update (January 2026):</p> <p><i>Updates on polices have taken place over the years to reflect changes to employment legislation and ensure compliance. The employment rights bill has now become law, it received Royal Assent in December 2025 and we now have the Employment Rights Bill 2025. This year is a landmark for the most significant employment law changes for 2026 and beyond. We have now completed recruitment of a HR Manager for Employee Relations and the recruitment of the other essential team members. Informal conversations have taken place with key stakeholders to understand priorities for the handbook and how this links with the new legislations and their timings. There is a paper being presented to ELT in February to present options and recommendations and the proposed approach and timescales for the Council.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	<p>Adult Social Care – Client Contributions – accurate recording in general ledger</p> <p>Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger did not agree to the individual's financial assessment used to determine the annual client contribution. Whilst the client had been correctly invoiced as per their financial assessment and this did not give rise to a material issue in the annual accounts, we noted that the Council should ensure that transactions are accurately reflected in its general ledger.</p> <p>We recommended that work continue to develop a direct interface between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring in the future. We also recommended that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced.</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p> <p>Management update (January 2026):</p> <p><i>The Interface is still planned and awaiting go-live. Work began last week on a full income reconciliation, the aim being to have it fully completed before closedown</i></p>
Still to be implemented	<p>Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class</p> <p>Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2024, there were investment properties totalling £9.2m which had not been subject to annual revaluation, which was not compliant with Code requirements. Management asserted that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. These sub-£250k investment property assets are subject to a valuation of the basis of a 3-year rolling programme.</p> <p>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. Given the continued increases, we reported that 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.</p> <p>We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p> <p>Management update (January 2026):</p> <p><i>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. This process has been agreed with the 2 previous Audit Partners.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	<p>Use of recharges in the Council's financial statements without supporting data and a reconciliation process to verify the validity of these recharges</p> <p>The Council uses a number of recharges in the financial statements to allocate costs to services in order to record the total cost of delivering each service. 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.</p> <p>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 the external auditors.</p> <p>We recommended that further work be undertaken on the Council's processes for accounting for internal income and expenditure, making any changes to processes as appropriate in order to eliminate the need for recharges to be posted in the general ledger. We noted that direct charging my be one option, alternatively the Council could opt to improve the coding and transparency within the general ledger so that recharged transactions can be eliminated at the time of preparing the financial statements.</p>	<p><i>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</i></p> <p>Management update (January 2026):</p> <p><i>Noted and the council has commenced a process to reduce the number of recharges and reduce the administration around the process.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partly implemented	<p>Maintaining up to date knowledge of the Council's buildings estate</p> <p>Our audit work 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. These cases identified that 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.</p> <p>We recommended that management build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This is to include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale.</p>	<p>External audit update 2024-25:</p> <p><i>From the detailed testing performed in 2024-25 on the closing valuation of land & buildings, we have not identified any instances of buildings being taken out of service or repurposed without management's valuer being informed. In this regard, communication with the external valuers appears to have improved since prior periods.</i></p> <p><i>However, we have continued to encounter issues with the accuracy of gross internal areas used in the valuation, so this recommendation does not appear to have been fully addressed. This recommendation will remain open and we shall comment on this further in 2025-26.</i></p> <p>Management update (January 2026)</p> <p><i>On gross internal areas (floor area data), we agree there is an issue, however there is currently a new system being provided by Estates and plans provided to the valuer in 25/26 will be checked to CAD drawings. In addition, the Assets & Estates service have confirmed that this is the final year of using the K2 system and its replacement shall be far more efficient and fit for purpose. Further, the floor areas for 2025/26 will be taken solely from the CAD plans and a separate list of floor areas will be provided to the valuer.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	<p>Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings</p> <p>Under existing arrangements, 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, the Council's valuers are able to undertake an assessment as at the valuation reference date of 31 December whether capital spend is value enhancing or non-enhancing. This judgement either supports the new carrying value or impairs the asset down to its pre-capital addition carrying value. However, for capital spend posted in quarter 4, current arrangements do not afford the expert valuer an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently.</p> <p>We reported that 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.</p>	<p><i>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</i></p> <p>Management update (January 2026):</p> <p><i>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.</i></p> <p><i>Although we do not have a formal working paper or document, we do review capital expenditure added after the valuation date and would consider the issue of impairment. In some cases, there could be some instances where there is impairment, but the amounts are not material at the level of individual assets.</i></p> <p><i>We will investigate the possibility of adding a separate note in our capital expenditure working paper.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>✓</p>	<p>Appropriate challenge by management of the external valuer on the valuation approach – Mainstream schools & Energy from Waste Facility</p> <p>Valuation of mainstream schools – in the Council's accounts, schools were 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.</p> <p>We recommended that the Council develop a clearer rationale as to whether 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.</p> <p>Valuation of the energy waste facility – in the Council's accounts, this asset was valued based on its end life being 2028 giving a 4-year remaining useful economic life. We 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 that 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.</p> <p>We recommended that Council officers 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. This included holding discussions with internal surveyors to ascertain the relevant factors around the valuations such as current usage, expected remaining service life, capital lifecycle and renewal costs expected in future accounting periods and then communicating these factors with management's external expert valuer.</p>	<p><i>Our detailed testing on the valuation of schools in 2024-25 has indicated that the Council's newly engaged valuer in 2024-25, Align Property Partners, has adopted the MEA approach to the valuation of schools using the Building Bulletin 103 guidelines, using the number of pupils on roll at the school around the time of the valuation. It is our view that adopting this methodology means that Kirklees Council is now falls in line with our expectations with regards the approach used for the valuation of schools. We consider the auditor recommendation around the valuation of mainstream schools to have been addressed and closed.</i></p> <p><i>On the second aspect of the prior year recommendation, the newly engaged valuer, Align Property Partners, has valued the waste facility during the 2024-25 year and from the correspondence we have inspected, the valuers appear to have considered the points of challenge raised in the prior year and their valuations include a good level of documentation with including rationale to support their judgements and the assumptions used. Having also communicated with our internal auditor's expert on these valuations, we are materially satisfied that an appropriate valuation approach has been adopted for the valuation of the energy from waste facility. We consider this auditor recommendation to have been addressed and it is now closed.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>IFRS 16 'Leases' implementation from 1 April 2024</p> <p>IFRS 16 is required to be implemented by local authorities from 1 April 2024. This process is a time and resource consuming exercise, to identify such lease contracts and ensure they are complete and accurate. The Council has reported on this Standard in its 2023-24 financial statements, indicating that work on the implementation of the above Code change was ongoing and the full impact on the Council's single entity accounts has not been fully assessed yet.</p> <p>A Council of Kirklees' size (large metropolitan Council) would potentially have many such contracts to be considered/identified, to identify those that are within the scope of the IFRS16 standard. 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 recommended the Council to accelerate the implementation and identification process of assets within the scope of IFRS16 to ensure such assets are completely and accurately captured before 2024-25 accounts closedown.</p>	<p><i>The Council has now adopted IFRS 16 on 1 April 2024 with the only material impact observed on the initial recognition of the Council's PFI liabilities. Our audit work on leases did not identify any material issues with the Authority's accounting for such leases. In addition, the audit team reviewed the procedures carried out by the Authority to identify all relevant leases within scope of IFRS 16 – no such material misstatements to right of use assets or lease liabilities have been identified. We consider this auditor recommendation to have been addressed and it is now closed.</i></p>
Still to be implemented	<p>Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice</p> <p>Our review of the prior year Narrative Report 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.</p> <p>As per the Code, 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 s. It was our view that additional detail would be beneficial in the report to properly address these requirements.</p> <p>We recommended that the Council refresh its Narrative Report checklist to ensure all Code requirements are captured in this financial year (2024-25).</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p> <p>Management update (January 2026):</p> <p><i>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.</i></p>

7 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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.

Value for Money: 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 2026, 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.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
<p>Financial Sustainability – sufficiency and resilience of the general fund reserves position, management of budgetary pressures & weaknesses in the Council's overall financial standing</p>	<p>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.</p> <p>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.</p> <p>We benchmarked the Council's position against other Local Authorities in similar positions.</p>	<p>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.</p> <p>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 were still significant budget pressures arising in year with a £5.6m overspend at outturn.</p> <p>Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council, like many others, continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the MTFP, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels.</p> <p>There is further work required to:</p> <ul style="list-style-type: none"> • 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 MTFP which should offer a more realistic baseline budget. • identifying transformation targets against which performance can be assessed and monitored, reporting these clearly within financial monitoring reports and feeding outcomes into MTFP plans • determine the target level of reserves it wishes to achieve in future years of the MTFP. 	<p>We raised a Key Recommendation as required by the Code of Audit Practice.</p> <p>Full details will be provided in the separate Auditor's Annual Report, which is to be presented to CGAC in January 2026.</p>

Value for Money: our procedures and conclusions (continued)

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
<p>Financial Sustainability – Management of the DSG deficit position</p>	<p>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.</p> <p>We reviewed relevant reports and detailed recovery plans and challenged management on the appropriateness of the assumptions used.</p> <p>We assessed the Council’s current position against the revised plan and noted that the Council is once again ‘off-track’ with its delivery.</p>	<p>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.</p> <p>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’s cumulative DSG deficit stood at £63.8m at outturn compared with the Safety Valve agreement plan of £63.3m. The gap between the Safety Valve agreement plan and actual outturn is set to rise in future years and the Council is forecasting a cumulative deficit at March 2030 of £56.3m against the Safety Valve plan of £33m. At the time of reporting, the Council is forecasting significant under-delivery of the revised Safety Valve agreement targets.</p>	<p>We made a Key Recommendation as required by the Code of Audit Practice.</p> <p>Full details will be provided in the separate Auditor’s Annual Report, which is to be presented to CGAC in January 2026.</p>
<p>Improving economy, efficiency and effectiveness – compliance with the Social Housing Regulator standards</p>	<p>We reviewed the Regulatory Notice published by the Social Housing Regulator following a self-referral from the Council after failing to meet statutory health and safety requirements in some council homes.</p> <p>The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements.</p>	<p>Consistent with the reporting from the Social Housing Regulator, our work identified that the Council has outstanding actions in relation to:</p> <ul style="list-style-type: none"> • fire remedial actions resulting from fire assessments • repairs required to address damp and mould • water quality testing. <p>The Council has continued to progress improvement, and has actions in place to fully address the issues identified. The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024. This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and completing water quality testing within all properties.</p>	<p>We made a Key Recommendation as required by the Code of Audit Practice.</p> <p>Full details will be provided in the separate Auditor’s Annual Report, which is to be presented to CGAC in January 2026.</p>

8 Independence considerations

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 and the Ethical Standard (December 2019) issued by the UK Financial Reporting Council (the “FRC Ethical Standard” or “The Standard”).

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 report.

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 Authority, its directors and senior management that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. The Financial Reporting Council 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.

We confirm that we have implemented policies and procedures to meet the requirement 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. There are no independence matters that we would like to report to you.

- All members of the engagement team and all covered persons within Grant Thornton UK LLP have confirmed their independence from Kirklees Council.
- No gifts and hospitality from Kirklees Council and its officers or members have been accepted by members of the engagement team or covered persons.
- 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, the GT UK Valuations Team, 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 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).

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed on page 73.

Independence considerations

Non-audit fees

A schedule of our fees and non-audit services is set out further in this report, including an assessment of any perceived or actual threats to our independence and, where relevant, safeguards applied.

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.

No contingent fee arrangements are in place for non-audit services provided.

All of the non-audit fees charged are for audit-related services and these are limited to the certification of grant claims to central government and its departments. This work is permitted by AGN 01 issued in February 2025 and represents routine additional work undertaken on an annual basis by external audit suppliers to local government.

Within the NAO's AGN 01 guidance note, this audit-related assurance work is permitted under the heading '*other assurance (such as work on the quality accounts of local health bodies or work on grant claims and returns at local authorities) where such assurance is mandated by legislation or by a relevant national body or regulator*'.

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 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 Authority. As a unitary council in the public sector, whilst the Ethical Standard instructs us to mitigate the risk to independence from investments held by individuals, we note the Council is publicly owned by the taxpayer and as such this risk of investments held by individuals cannot arise.
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 Authority 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 Authority.
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 Authority, 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.

Fees and non-audit services

The following tables below and on the following page set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with Public Sector Audit Appointments' policy on the allotment of non-audit work to the external auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to Kirklees Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived threats from these fees. We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee.

Audit fees	£
Audit of Financial Statements – Kirklees Council – PSAA scale fee	473,400
IFRS 16 implementation review (first year adoption of the new accounting standard)	5,000
Total audit fees	478,400
Non-audit fees (audit related) – Certification of Housing Benefits claim 2024-25	35,038
Non-audit fees (audit related) – Certification of Initial Teacher Training grant 2024-25	3,500
Non-audit fees (audit related) – Certification of Teachers' Pensions return 2024-25	12,500
Non-audit fees (audit related) – Certification of the Pooling of Housing Capital receipts 2024-25	10,000
Total fees (audit and non-audit fees)	£542,438

The above fees are exclusive of VAT.
The core fee above agrees to the financial statements – Note 32 – External Audit Costs.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim 2024-25	£34,253	£35,058 (estimated)	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 £35,058 in comparison to the total fee for the audit of £478,400 and in particular relative to Grant Thornton UK 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.
(fees disclosed represent baseline fee – where additional testing is required this will be chargeable at £1,500 daily rate.			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 (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.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Initial Teacher Training grant	£3,172	£3,500	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 £3,500 in comparison to the total fee for the audit of £478,400 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 DWP)	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.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Teachers' Pensions return	£12,500	£12,500	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 £478,400 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 DWP)	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.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of the Pooling of Housing Capital receipts	£10,000	£10,000	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 £478,400 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 DWP)	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).

9 Appendices

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 and senior engagement team members	●	●
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	●	●
Key audit partners involved in the audit		●
Views about the qualitative aspects of the Council'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 considered in its determination		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●

A. Communication of audit matters with those charged with governance

Our communication plan

	Audit Plan	Audit Findings
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		●
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		●

A. Communication of audit matters with those charged with governance

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 on the previous two pages.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. Our team and communications

Grant Thornton core team

Gareth Mills

Engagement Lead
& Key Audit Partner

- Key contact for senior management and Corporate Governance and Audit Committee
- Overall quality assurance supported by EQCR Partner

Greg Charnley

Audit Senior
Manager

- Audit planning
- Main contact for the finance team
- Project and resource management of the delivery of the audit
- Reporting of audit findings

Aanchal Singla

Audit Assistant
Manager

- Audit team management
- Day-to-day point of contact
- Audit fieldwork lead contact

Ginette Beal and Andy Nichols

Value for Money Leads

- Value for Money planning and risk assessment
- Main contact for review of VFM arrangements
- Preparation of the VFM commentary in the Auditor's Annual Report

Pool of specialists and other technical specialists including: Internal IT audit team, Public sector financial reporting technical team and Internal property valuations team.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings (ISA260) Report • Auditor's Annual Report on VFM arrangements 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log • Quarterly liaison meetings with the three statutory officers 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of upcoming issues

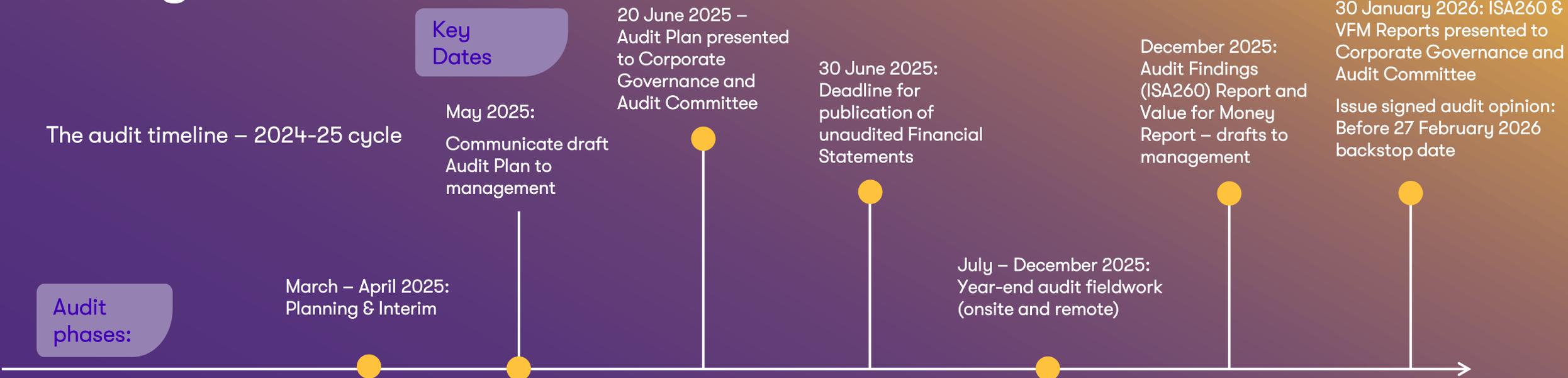
As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline – 2024-25 cycle

Audit phases:

Key Dates



Key elements

- Planning undertaken including meetings with management
- Audit scoping and risk assessment to be completed
- Completion of system walkthroughs and document relevant controls
- Review of key judgements and estimates
- Commence VFM inquiries
- Discuss timetable and deliverables with management

Key elements

- Audit teams to complete fieldwork and detailed testing using a hybrid approach (on-site and remote)
- Weekly update meetings with management to help ensure progress and identify issues as they arise.

Key elements

- Audit Findings (ISA260) Report shared and agreed with management
- Audit Findings (ISA260) Report issued to Corporate Governance and Audit Committee
- Audit Findings (ISA260) Report presentation to Corporate Governance and Audit Committee
- Auditor’s Annual Report draft issued to management (December) and reported to Corporate Governance and Audit Committee in January 2026
- Finalise and sign financial statements and audit report before the backstop date of 27 February 2026.

D. Management letter of representation

****Prepare on client letterhead****

Grant Thornton UK LLP
City Square House
11 Wellington Street
Leeds
LS1 4DL

XX January 2026

Dear Grant Thornton UK LLP

Kirklees Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council ("the Council") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Council's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 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 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 International Accounting Standard 19 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 financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - 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 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.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the 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 Council means that, notwithstanding any intention to cease its 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 Council to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the 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 Council's ability to continue as a going concern need to be made in the financial statements

D. Management letter of representation

- xiv. 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.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council’s financial statements in the event of non-compliance.
- xvi. We confirm that it is appropriate to account for the Local Government Pension Scheme pension asset ceiling at £nil in line with IFRIC 14 accounting principles.

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 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 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 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 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. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised.

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 Council’s financial and operating performance over the period covered by the Council’s 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 30 January 2026.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

E. Audit opinion

[DRAFT] Independent auditor's report to the members of Kirklees Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the notes to these financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Authority as at 31 March 2025 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 2024/25; 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 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 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 to cease to continue as a going concern.

Our evaluation of the Service Director Finance's assessment of the Authority'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 2024/25 that the Authority'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 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 2024) 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 Authority and the 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 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.

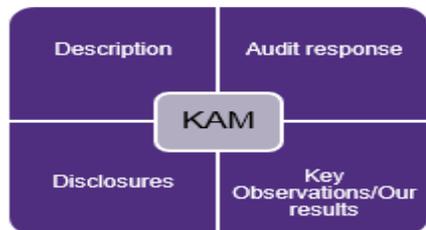
Our approach to the audit

 	<p>Overview of our audit approach</p> <p>Financial statements audit</p> <p>Overall materiality: £18,400,000, which represents 1.46% of the Authority's gross expenditure on cost of services.</p> <p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> o closing valuation of other land and buildings, and council dwellings o closing valuation of investment property; and o valuation of the defined benefit pension scheme net balance. <p>There were no key audit matters reported in our auditor's report for the year ended 31 March 2024 that have not been reported in our current year's report.</p> <p>There were no key changes in the scope of the audit from the prior year.</p> <p>Value for money arrangements</p> <p>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 2025. 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.</p>
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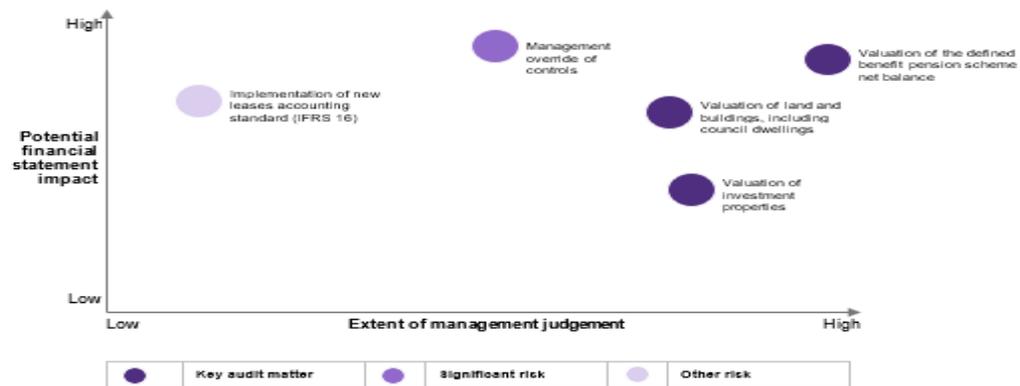
E. Audit opinion

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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

Closing valuation of Other Land & Buildings, including Council Dwellings

We identified the valuation of Other 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 £473m and Council dwellings £835m as at 31 March 2025, totalling some £1.3bn which is many times our audit materiality of £18.4m.

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 & office buildings), 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 £90m is a low multiple of our £18.4m audit materiality that would require a high error rate to give rise to any material misstatement.

Since management uses a 31 January valuation reference date for other land and buildings, 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

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

- o evaluated the design effectiveness of controls in place around the valuation process
- o 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
- o evaluated the competence, capabilities and objectivity of management's valuation expert
- o 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
- o 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
- o 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
- o performed analytical procedures on properties not revalued in the year and also those valued as at 31 January 2025 to establish that there was no risk of material movement up to the year end
- o 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
- o agreed, on a sample basis, the internal floor areas (GIAs) to the Authority's K2 property asset management software and AutoCAD building measurement software
- o for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables on a sample basis, to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations
- o for the Authority's dwellings, valued using the beacon methodology, we obtained sales data from external sources 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 sold.

E. Audit opinion

Key Audit Matter

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2025

Accounting Policies, Note 1.21, Property, Plant and Equipment (PPE – Excluding Highways Network Infrastructure Assets)

Note 15, Property, Plant & Equipment

The Narrative Report

How our scope addressed the matter

Key observations

Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. 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:

- o the basis of the valuation of land & buildings and Council dwellings was acceptable; and
- o 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

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 sub-£250k properties are valued as part of a 3-year rolling programme. The total of all investment properties individually valued below £250k was £9.3m, 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 £81.5m) 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.

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

- o evaluated the design effectiveness of controls in place around the valuation process
- o 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
- o discussed with the valuer and evaluated the appropriateness of the basis of the valuation
- o evaluated the competence, capabilities and objectivity of management's valuation expert
- o 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
- o 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
- o 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
- o 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
- o for investment properties valued on a fair value (FV) basis, obtained market comparables on a sample basis 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:

- o the basis of the valuation of investment property was acceptable;
- o the assumptions and processes used by management in determining the estimate of valuation of investment property were balanced and reasonable; and
- o 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.

E. Audit opinion

Valuation of the defined benefit pension scheme net balance

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 balance is considered a significant estimate due to the size of the numbers involved to arrive at that net balance (asset of £2.5bn and liability of £1.9bn in 2025) and the sensitivity of the estimate to changes in key assumptions.

At 31 March 2025, the Council reported a net pension surplus in its financial statements that was subsequently capped at £nil applying the principles of IFRIC 14. Gross assets were reduced by just over £0.6bn to reach the £nil balance sheet asset position. A £47m pension liability reflected the Council's obligations in respect of unfunded liabilities (teachers and LGPS), for which there are no pension assets.

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.

2024-25 is the third year that the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on recognition of 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.

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

- o 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
- o evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- o engaged a consulting actuary (auditor's expert) to assess the assumptions applied by management's actuary
- o assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- o assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- o 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
- o 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
- o 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
- o confirmed that pension fund asset valuations were based on a 31 March 2025 valuation date.
- o obtained and reviewed the IFRIC 14 calculation document directly from the Council's actuary, including considering whether the Council's future pension funding assumptions would give rise to no economic benefit that would support the capping the net pension asset at £nil on its balance sheet.

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 £nil balance for the funded pension scheme presented in the draft accounts to be an appropriate management estimate. This judgement has been reached having considered the following points:

- o 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.
- o 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.
- o Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 21-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 the external auditor's expert.

Detailed audit procedures and challenge of management with regards the IFRIC 14 pension asset ceiling calculation indicated a negative asset ceiling, to be capped at £nil as per IFRIC 14 principles, which is in line with the recognition and presentation in the draft accounts.

Our work also confirmed that an unfunded defined benefit liability of £47m, relating to termination benefits made on a discretionary basis, continues to exist that is recognised as a liability under IAS 19 in the accounts.

E. Audit opinion

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.

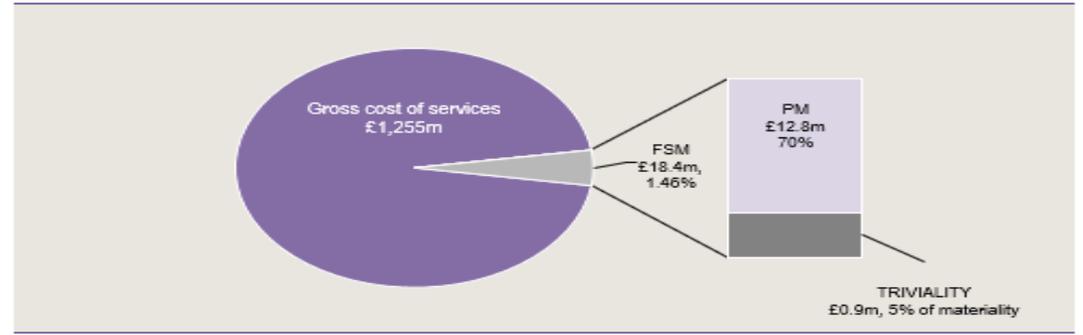
Materiality was determined as follows:

Materiality measure	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 £18.4 million , which represents 1.46% of the Authority's gross expenditure on cost of services. 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 1.50% 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 1.46% in the final determination to achieve a rounded value of materiality. o Materiality for the current year is higher than the level that we determined for the year ended 31 March 2024 since we opted to increase the percentage applied to the benchmark from 1.35% to 1.50%. This change recognised that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves were identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to some improvements in the Council's overall financial standing.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	Performance materiality for the year has been set at £12.8 million , which is 70% of the Authority financial statement materiality. 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 Authority we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the

Materiality measure	Authority
	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 relevant to the 2024-25 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 £20,000.
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	£900,000 (which represents 5% of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality - Authority



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

E. Audit opinion

An overview of the scope of our audit

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

Understanding the Authority, its environment, including controls

The engagement team obtained an understanding of the Authority and its environment, including controls, and assessed the risks of material misstatement. We also performed an evaluation of the internal control environment, including evaluations controls in relation to the Authority's accounting system.

Work to be performed on financial information of the Authority (including how it addressed the key audit matters)

Our work comprised an audit of the Authority's single-entity financial statements. We identified the valuation of land and buildings including council dwellings, the valuation of investment property and the valuation of the defined benefit pension scheme net balance obligations to be key audit matters in respect of the Authority's financial statements. A summary of the procedures to address these are included below in addition to the information provided in the key audit matters section above.

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

- o 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;
- o 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 (£835m 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;
- o 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;
- o 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 (£258m out of £473m at the reporting date), this left a balance of £215m 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;
- o The Authority's choice of valuation date of 31 January 2025 for other land and buildings and 31 March 2025 for council dwellings meant that specific audit procedures were necessary to evaluate whether the stated valuations were reasonable as at 31 March 2025. Given the level of materiality at £18.4m, against the value of assets subject to revaluation at the reporting date of £1.3bn, auditor challenge was required to gain assurance that the valuations were reasonably stated.

Evaluating the reasonableness of the valuation of Investment Property

- o 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.
- o 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 (£81.5m at the reporting date) (with the exception of investment properties below £250k as mentioned above).
- o 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

- o 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 defined benefit net pension balance at the reporting date.
- o 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.
- o An assessment on the Authority's accounting for the funded LGPS defined benefit pension net balance was performed as part of the detailed audit work, including application of an appropriate asset ceiling in line with IFRIC 14 principles which resulted in the funded net balance being recognised at £nil on the Authority's balance sheet.

Performance of our audit

We evaluated certain relevant management controls over the financial processes linked to the significant audit risks. We evaluated general IT controls, the accounts production process and controls over critical accounting matters. We have performed a consideration of core processes such as general ledger system controls, journal entry controls, and cash. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was dependent on various factors including our assessment of the effectiveness of the control environment, the assessed inherent risk, and the design effectiveness of controls over individual processes and systems.

Other information

The other information comprises the information included in the 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 2024/25, 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.

E. Audit opinion

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, 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 2024/25, 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 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 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 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 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'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 late in the year and during the financial statement preparation process which were crediting (reducing) non-pay expenditure and had an impact on the Comprehensive Income and Expenditure Statement (manipulation of deficit outturn); and
 - material journals across the year that are unusual in nature and outside our expectations.
- 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 scheme net balance. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority'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.

E. Audit opinion

- the Authority's control environment, including the policies and procedures implemented by the Authority 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 Council'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 seven years, covering the years ending 31 March 2019 to 31 March 2025.

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

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 2025.

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 2024-25 remain with the Authority incurring expenditure above the budgeted level. The Council reported a net £5.6m revenue overspend for 2024-25, funded from earmarked reserves. Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the Medium Term Financial Plan, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels.

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

- o taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- o reviewing pressures, assumptions and future savings levels in the MTFS
- o 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 Council is taking action to reduce spend and to implement mitigations, the DSG cumulative deficit is forecast to peak at £73.2m in 2025-26 and is projected to still be £56.3m at the end of the Council's Safety Valve Agreement in 2029-30. The Council is not on track with the target to eliminate the in-year deficit by this time, and is also off-track with the annual targets identified for each year within the Agreement.

Since the Council is off track in delivering a balanced position by the end of 2029-30, this potentially leaves the Authority exposed to having to accommodate ongoing costs in the budget in the future, or having to meet the

cumulative deficit in future years if the statutory override is removed. Since the Authority is off track against delivering its Safety Valve commitments, there exists a risk that Safety Valve funding could be paused or withdrawn giving rise to an adverse financial impact.

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 Department for Education.

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.

The Council has continued to progress improvement against the Notice, and has actions in place to close down issues identified (fire remedial actions, damp and mould case backlog, water quality testing). Regular reporting on progress has been considered by Cabinet in 2024-25, alongside regular communication with the Regulator. Although the Council can evidence improvement like water quality testing and assurance being 99.8% compliant and damp, mould and condensation reaching the 'Business as Usual' position by June 2025 and being maintained since, this continued to be a significant weakness in arrangements in 2024-25 as the Council's performance was not yet at a level where the Regulatory Notice could be removed.

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

- o completing fire remedial actions resulting from fire assessments
- o closing down the backlog of damp and mould cases
- o completing water quality testing within all properties.

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 have undertaken 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.

E. Audit opinion

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

We cannot formally conclude the audit and issue an audit certificate for Kirklees Council for the year ended 31 March 2025 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 the Authority's consolidation returns including Whole of Government Accounts (WGA), and we have received confirmation from the National Audit Office that the audit of Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 can 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 2025.

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

XX February 2026



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Kirklees Council

Annual Governance Statement 2024/25

January 2026

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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 Corporate 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)

Summary

All local authorities are required to produce an Annual Governance Statement. This shows how the Council is governed to achieve compliant, effective and efficient service delivery. Details of Kirklees governance controls are included in the report. The Annual Governance Statement also identifies areas of governance that require attention.

The new item identified in 2024/25 was

Action required	Status (at January 2026)
Need to improve contract and project management	In progress

We also continued to progress actions identified in the 2023/24 Annual Governance statement, during 2024/25, and 2025/26

Actions required	Status
Need for review of the Local Code of Corporate Governance	Completed
Compliant accident reporting	Completed
Ensuring a sustainable medium term financial plan and annual budget	Completed
Housing property issues not compliant with requirements, with regulatory intervention	In progress
Implementation of a programme to address financial challenges caused by special education needs and disability (Department for Education "Safety Valve")	In progress
Better governance, management and use of data to enhance services	In progress

Introduction

All local authorities must produce an Annual Governance Statement to demonstrate how the Council ensures effective, efficient, and compliant service delivery. This Statement outlines the Council's responsibilities, the governance framework, key components, a review of effectiveness for 2024/25, criteria for identifying significant governance issues, and an assessment of progress on previously identified issues as well as any new concerns arising during the year.

Statement Scope

Kirklees Council ensures its operations comply with legal and ethical standards, safeguarding public funds and promoting efficient, effective, and economical use of resources. In line with the Local Government Act 1999, the Council is committed to continuous improvement in service delivery. The Council's Local Code of Corporate Governance aligns with the CIPFA/SOLACE framework, Delivering Good Governance in Local Government (2016). The Code was reviewed and updated in 2024/25, with approval at the Annual Council in May 2025. The current version is available on the Council's website: <https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

This Statement demonstrates the Council's adherence to its Code of Corporate Governance throughout 2024/25, confirming compliance with the Accounts and Audit Regulations 2015 and subsequent amendments. It provides assurance that robust governance arrangements are in place to oversee financial management and asset protection. Key ongoing and planned improvements are highlighted, ensuring transparency regarding areas of progress and continuing action in 2025/26.

The purpose of the governance framework

Corporate governance refers to the systems, processes, and values by which organisations are directed and controlled. For local authorities, it also encompasses how the Council engages with and is accountable to its communities. The governance framework enables the Council to monitor progress toward key objectives and evaluate the effectiveness and value for money of its services. Internal control is a core component of this framework, designed to manage risk to an acceptable level and provide reasonable assurance of effectiveness, though it cannot eliminate all risks.

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 help prepare this Statement.
- A Council Constitution.
- A Corporate Plan, *Our Council Plan 2025/26*, 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 Plan, 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 Global 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).

2024/25 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 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

The Corporate Governance and Audit Committee, in compliance with the Accounts and Audit Regulations 2015 and Global Internal Audit Standards, approved the annual review of internal control and audit effectiveness in June 2025. The Head of Audit confirmed that audit practices remain fully aligned with current professional standards and ethical codes.

2. Risk Management

The Council's governance framework remains effective and is continually strengthened across all departments. Significant or emerging risks are promptly identified and escalated to the Executive Leadership Team and Cabinet. Key areas addressed this year include financial stability, special educational needs and disabilities (SEND), public housing and property conditions, as well as workforce challenges - particularly in recruiting for hard-to-fill positions, which can affect operational performance.

3. Head of Audit's Annual Assurance Opinion

The incidence of control issues was similar to the previous year, though below historical assurance levels. The Head of Audit has obtained sufficient assurance that the Council's governance, risk management, and internal control systems are robust and consistently applied across services. Notable concerns persist in contract and project management, as well as information management.

4. External Auditor's Review

The audit of the Council's 2024/25 financial statements and Annual Report (VFM Review) is scheduled for approval by the Corporate Governance and Audit Committee (CGAC) in January 2026. The 2023/24 financial statements, approved on 31 January 2025, received an unqualified opinion, and the Annual Report was presented at the same meeting. Key recommendations focused on enhancing financial sustainability, aligning Dedicated School Grant expenditure with the revised Safety Valve management plan, and improving governance in areas such as budgetary control, district heating cost recovery, KSDL shareholder restructuring, Minimum Revenue Reserve charges, and contract management.

The external auditor continued to identify the issues of financial sustainability, SEND and Housing regulatory compliance as valid at the end of 2024/25.

Measures have been implemented to strengthen corporate oversight of these recommendations.

5. Cabinet

No new significant governance issues arose from the Cabinet's work this year.

6. Corporate Governance & Audit Committee

In 2024/25, the Corporate Governance & Audit Committee (CGAC) reviewed the Council's Constitution and governance arrangements, making recommendations to Council or approving revisions as necessary. The Committee received assurance from annual reports covering key areas such as health and safety, emergency planning, business continuity, information governance, complaint handling, and whistleblowing. To ensure Members are equipped to fulfil their responsibilities, regular training - including treasury management - was provided. No new significant governance issues arose from the Committee's activities this year.

7 Overview & Scrutiny Management Committee

In 2024/25, the Overview & Scrutiny Management Committee and its four Panels underwent an internal review as part of the Council's ongoing assessment of governance arrangements and key challenges. The Overview & Scrutiny process identified no new significant governance issues during the year.

8. Standards Committee

Throughout the year, the Committee reviewed a higher volume of Member conduct complaints; however, none were deemed significant enough to report in this Statement. The Government's consultation on Standards concluded in February 2025 and has indicated it is planning to legislate for a whole system reform of the current regime. We await further details and intend to update Standards Committee at the next meeting in March 2026. The proposed legislation intends to feature a number of new measures. The legislation is intended as soon as parliamentary time allows. No dates have been provided.

9. Role of the Chief Financial Officer

The Service Director of Finance assumed the role in May 2024 and continues to adhere to the governance standards established in the CIPFA Statement, ensuring effective performance of statutory duties in accordance with the Council's Constitution. The Council's financial management practices remain fully aligned with these standards.

10. Role of the Monitoring Officer / Senior Information Risk Owner (SIRO)

The Service Director for Legal, Governance & Commissioning, acting as SIRO, has overseen information governance and security as Chair of the Information Governance Board, with a growing emphasis on enabling support and ensuring compliance with the Constitution. The Council maintains close collaboration with the Information Commissioner to address and reduce the backlog of subject access requests related to personal data.

11. Officer Governance

Officer Boards, as outlined in the Constitution, have advanced the Transformation Programme under the strategic direction of the Executive Leadership Team, with effective escalation of key issues. Notable progress has been achieved in revenue budget management, and improvements in capital expenditure governance are underway. These processes are overseen by both Cabinet and Scrutiny and are reflected in the Council's financial position. No significant officer-related governance issues were identified this year.

12. Significant Partnerships

The Council's partnerships—including joint ventures, thematic collaborations, and major contractual agreements—are subject to robust governance oversight. Each partnership's designated contact officer is responsible for evaluating governance arrangements and reporting any significant changes. Senior officers review this information to assess risks to the Council's reputation and financial position. Biannual reports to the Executive Leadership Team provide updates on key issues and risks across all major partnerships. While the enhanced governance framework is now established, the Council continues to identify and address areas for further improvement.

13. Corporate Financial Management and Corporate Performance Reports

Quarterly Corporate Performance reports were produced throughout 2024/25, aligned with Council Plan priorities and Administration expectations. The introduction of updated key performance indicators enhanced transparency and enabled more effective assessment of organisational performance and service delivery.

14. External Inspections, Regulatory Interventions, Judicial Rulings and Peer Reviews

A Peer Review conducted by the Local Government Association in 2024/25 confirmed that Kirklees Council's governance and operational arrangements are fit for purpose. The review identified several areas for improvement, which were addressed through an agreed Action Plan and next steps, noted by Council on 23 April 2025. A follow-up assessment was completed in autumn 2025.

The Corporate Planning and Co-ordination Team maintains a central repository for all external inspections, audits, accreditations, and reviews, enabling prompt identification and implementation of improvement actions and recommendations. This process will be further integrated into the Team's operations to ensure comprehensive oversight. No significant governance issues were identified from external inspections during 2024/25. All Executive Directors are required to participate annually in LGA Peer Reviews to promote organisational learning and best practice. The Council responds to judicial rulings and looks to address any concerns or learning need identified.

What would be a Significant Governance Issue?

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2023/24 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.

New Issues

The annual review of the effectiveness of our governance arrangements in 2025 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In respect of the year 2024/25 one new issue was identified which requires action.

No	Governance Issue / Theme	Reason for Inclusion	Action Taken to January 2026 and planned beyond
1	<p>Ensuring that the Council effectively manages contracts and projects.</p> <p>A, C, D, F</p>	<p>Both external and internal auditor's reports have highlighted concerns about the effectiveness of contract management arrangements in some areas. This relates to ongoing management of long-term contracts, and the effective commissioning and delivery of (typically) construction projects.</p>	<p>A project group was been established including key stakeholders to review and update arrangements in contract management to ensure best practice All senior leadership teams were attended to ascertain their views and steer around the project. The Contract Assurance Board have agreed the refreshed strategic governance framework. The work was concluded in October 2025, Contract Management Arrangements Update report.pdf</p> <p>A second phase will embed the contract management framework and learning, complete the data workstream and add a new workstream of resources to review. CGAC will continue to be updated.</p> <p><u>Responsible:</u> Director of Legal, Governance & Commissioning</p>

Progress with the Significant Governance Issues in last year's (2023/24) Statement

Previous Statements have acknowledged that many governance issues are complex and may extend beyond the Council's direct control, often requiring more than a year to resolve. As circumstances evolve, some issues may be retained in a revised form in subsequent Statements. Since the 2023/24 Statement, two such issues have been sufficiently addressed and are now considered part of routine operations and therefore are no longer included in this Statement.

Issues from the 2023/24 Statement which are completed.

<u>2023/24</u>	<u>Action Taken</u>
Need for review of the Local Code of Corporate Governance	The Code was reviewed earlier in 2025 and the CGAC approved the updated version in February 2025 which included adding further clarity as to how Kirklees measures its performance and demonstrates compliance with the Code. The revised Code was approved at the AGM on 21 st May 2025.
Need for more prompt accident reporting internally by management and to the Health & Safety Executive where necessary by the corporate Health & Safety team.	Monitoring of the revised arrangements has confirmed this had been the case during 2024/25 and no concerns have been identified.
Robust governance oversight and management of progress in implementing the significant changes that underpinned the 2024/25 budget that is of key importance to ensuring the financial stability of the Council.	MTFS A review of the MTFS was undertaken in 2024/25 (for the period to 2029/30), with a further review in September 2025 to ensure that the MTFS fully reflects both the anticipated income and expenditure, based on sound assumptions, for the period 2026/27 to 2030/31 to achieve a more robust base budget going forward. Revenue Budget The approved budget for 2024/25 included savings of £42m and these were tracked each month as part of the suite of corporate reports.

Quarterly reports to Members continued to highlight the in-year financial position and the need to further use short term reserves to balance the budget. The projected overspend of £9.9m was managed down to an Outturn position of £5.6m overspend, with 75% of the planned savings being achieved in year.

A balanced budget for 2025/26 was approved by Council at the start of March 2025 with £50m to address budget pressures (to reduce the number and scale of budget variations in year.), and £29m of budgeted savings, £11m of which are new.

Capital investment.

Ongoing review of capital programme to ensure it remains affordable, with over £70m slipped into future years during 2024/25. The 2024/25 capital plan involved expenditure of £340m but this fell to £150m of actual expenditure. The capital slippage resulted in a £2.5m saving in the revenue budget in 2024/25. The Capital Plan was reviewed again in 2025/26 where over £50m of borrowing was removed. The Capital Plan is subject to continuous review.

Report to CGAC on Minimum Reserve Provision policy April 2025.

Regular monitoring of revenue and capital budgets with monthly updates to Executive Leadership, quarterly to Cabinet and annually to Council. Reports continue to highlight the 2025/26 in-year financial position and the need to further use short term reserves to balance the budget. The projected overspend is £5.1m at Quarter 2, with 78 % of the planned savings being achieved in year. SEND Finances (see also 2023/24 (3) below)

The Statutory override (which permits overspending on SEND) has been extended to March 2028 and allows deficit to be classed as Unusable Deficit reserve, The deficit was c£78m at year end 2025/26. The estimated cost to the General Fund is £3.5m pa in interest charges.

Issues from the 2023/24 Statement where further work or time to embed improvements is still required.

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
1	<p>A need to 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.</p>	<p>The Regulator of Social Housing 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.</p> <p>Since then, the Council has met with the Regulator each month and provides bi-weekly performance reports to provide assurance on progress against an agreed Action Plan. The Regulator has worked with the Council to secure delivery, rather than apply a statutory sanction.</p> <p>Work relating to damp, mould, and condensation is well progressed with the introduction of a multi-disciplinary team from March 2025 which has enabled a tenant-centred approach to both gaining access to properties and dealing with damp, mould, and condensation. The number of open cases reduced from 1,200 in March 2025 to 244 at the end of November 2025. The Council delivered its commitment to a business-as-usual position of 480 cases in June 2025 ahead of the August deadline.</p> <p>In relation to fire safety, the Council initiated a fire risk assessment programme across all blocks which concluded in November 2025 ahead of the target date</p>	<p>Continue to deliver the Action Plan agreed with the Regulator within the timescales specified (continuous).</p> <p>Assurance is provided to the Building Safety Assurance Board, Homes and Neighbourhood's</p> <p>The Regulator currently receives monthly performance reports, having stood down the need for bi-monthly reporting. A further progress report re Regulator matters is scheduled prior to the end of financial year 2025/26.</p> <p>The service is currently preparing for Phase 2 of Awaab's Law - anticipated in the autumn 2026.</p> <p>At the end of November 2025, there were 3,656 actions outstanding (37.6%). There is a programme of action to deliver all actions within a 5-year period and working with the Regulator will seek to accelerate delivery wherever possible.</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		<p>of January 2026, with 837 separate FRAs requiring 9,732 actions to be complete All actions arising from the FRAs are either dealt with by the Council’s building safety team, or programmed for delivery through the subsequent fire work-programme. This work is governed by a core group comprising of H&N leadership, representatives from external contractors and the building safety team.</p>	<p>The Council is upgrading its repairs and assets information systems to enable improved reporting, data management, and agile working.</p>
	A, C, E		<p>Responsible: Director of Homes & Neighbourhoods</p>
	A, C, E, F	<p>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 implemented the correct testing from October 2024), with properties prioritised according to a risk assessment, this work being completed in September 2025</p> <p>The Council has delivered required preparation for Awaab’s Law meeting legislative requirements consistently from September 2025</p> <p>The new housing management system, Cx was delivered at the end of September 2025. This will enable both modernisation of delivery and enhanced information gathering to enable improved services to our tenants.</p>	

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		<p>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 Regulator.</p> <p>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.</p> <p>A report, setting out progress against the Regulator's concerns, reported to the Cabinet committee twice annually (July 2025).</p> <p>The Service has confirmed the necessary financial and operational resources are in place to deliver programme sustainability for a minimum period of 3 years.</p>	
2	The management, governance and use of data is not always effective, meaning that decisions are not necessarily informed by robust evidence, as well as creating unintended financial and operational risks.	<p>The draft Data and Insight Strategy is under ongoing review, with priority activities being implemented alongside Technology and Information Governance Strategies.</p> <p>Performance dashboards and robust quarterly reporting on key indicators have been introduced.</p> <p>In early 2025/26, the Council committed to developing a comprehensive Digital Strategy, replacing the previous plan to embed the Data and Insight Strategy.</p>	Finalise and approve the Digital Strategy in Quarter 4 of 2025/26, leading to a transformation programme from 2026/27

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
	A, F	This Strategy will guide digital transformation from 2026/27 onwards.	Responsible: Director of Strategy & Innovation
3	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).	<p>There is an agreed plan with the Department for Education (DfE) 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.</p> <p>Council Services will continue to work collaboratively with schools and other partners to effectively manage the High Needs Block expenditure.</p> <p>Woodley Moor, a Satellite to Woodley School and College opened on 1 October 2024 enabling an increased number of children to be placed in state funded provision (ahead of the new larger school being built). A similar plan is in train for Joseph Norton Academy to enable more places to be made available locally ahead of the new, larger school being built.</p>	<p>The Safety Valve Plan includes.</p> <ul style="list-style-type: none"> - New special school buildings (one to be completed by early 2027) with larger capacity to meet sufficiency pressures. - Further Additionally Resourced Provisions and Special School Satellite Provision. - More effective processing and resource allocation as a part of the initial EHC needs assessment. (first phase completed by 31/03/2025). - Additional Alternative Provision capacity by way of a DfE approved Free School. Alongside reviewing commissioned Alternative Provision, particularly for primary age children.
	A, E, F	<p>However, increased demand for Education, Health & Care Plans, as well as complexity of need resulting in higher demand for specialist places alongside other difficulties means that achievement of the goals</p>	Responsible: Executive Director of Children’s Services

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		<p>requires, and is being given, substantial continued attention.</p> <p>Changes made to processes for EHC needs assessments have meant there is an improvement to timeliness, although issues of volumes, staff turnover and skill shortages across the partnership continue to impact on a full resolution of issues. This also includes Annual Reviews.</p> <p>The government has indicated sound progress under the Safety Valve arrangement but recognising a national issue in the cost of SEND provision, government has indicated that beyond 2027/28 it will look to resolve issues about the impact of this cost on all local authority budgets and additionally work to support Council's with historic deficits.</p>	

The Executive Leadership Team and the Corporate Governance & Audit Committee will monitor progress of all significant governance issues during 2025/26 and beyond.

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Report title: Approval of the Council’s final accounts for 2024/25

Meeting:	Corporate Governance and Audit Committee
Date:	30 January 2026
Cabinet Member (if applicable)	Cllr Graham Turner
Key Decision Eligible for Call In	No
<p>Purpose of Report The report updates Members on the final accounts and audit processes for 2024/25 and asks Members of this Committee to approve the Council’s Statement of Accounts for 2024/25 including the final version of the Annual Governance Statement.</p>	
<p>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 2024 which require the audited Statement of Accounts to be published by 27 February 2026.</p> <p>Corporate Governance and Audit Committee are recommended to approve:</p> <ul style="list-style-type: none"> (i) The Statement of Accounts 2024/25 (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 21 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. 	
<p>Reasons for Recommendations</p> <ul style="list-style-type: none"> • To approve the 2024/25 Audited Statement of Accounts. 	
<p>Resource Implications: N/A</p>	
<p>Date signed off by <u>Executive Director</u> & name</p> <p>Is it also signed off by the Service Director for Finance?</p> <p>Is it also signed off by the Service Director for Legal Governance and Commissioning?</p>	<p>Kevin Mulvaney – 19 January 2026</p> <p>Sam Lawton – 19 January 2026</p>

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

1 Summary

The report updates Members on the final accounts and audit processes for 2024/25 and asks Members of this Committee to approve the Council's Statement of Accounts for 2024/25 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 30 June. The Accounts and Audit (amendment) Regulations 2024 which came into force on 30th September 2024 extended the deadline for the publication of final audited accounts to 27th February for 2024/25 accounts, 31st January for 2025/26 accounts and then 30th November for 2026/27 and 2027/28 accounts. The deadline extension has been introduced to address the national backlog of local authority audits.

- 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 27 June 2025. The six week public inspection period for the draft accounts ran from 27 June to 8 August 2025. There were no queries or objections raised in the six week public inspection period.
- 1.3 The audit of the 2024/25 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 27 June 2025 by the Service Director- Finance. This is before the statutory sign off deadline of 30 June 2025. 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 27 June and finished on 8 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 during the Public Inspection period for the 2023/24 accounts. It was formally accepted by the Council's auditors, Grant Thornton and work is on-going. However it has not impacted on their audit work in connection with the Statement of Accounts for 2024/25 and has not affected the audit opinion in 2023/24 and likewise will not affect their opinion on the 2024/25 Statement of Accounts.
- 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 2024/25. 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

3.1 Council Plan

N/A

3.2 Financial Implications

N/A

3.3 Legal Implications

N/A

3.4 Climate Change & Air Quality

N/A

3.5 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 2024/25
Appendix B Annual Governance Statement
Appendix C Draft Letter of Representation

10 Service Director Responsible

Kevin Mulvaney Service Director – Finance

Kirklees Council Final Statement of Accounts

2024/2025

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

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Section 1: Narrative report

Foreword

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2025.

The preparation of the Statement of Accounts is a statutory requirement, and for 2024/25 (to 2026/27) local authorities are required to have them signed by the Section 151 Officer by 30 June, following the end of the financial year. The audited accounts should then be published by 30 November that year. However, given the ongoing sectoral issues and the backlog of outstanding audit opinions across the sector there is now a backstop date in operation. For the 2024/25 Accounts this date is 27 February 2026. The intention is that the Audited Accounts will be published in advance of this.

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 2024/25 financial performance should be assessed in the context of the continued challenging economic backdrop, with underlying demand, demographic and inflationary pressures on service budgets and persistent inflation and high interest rates. The organisation delivered £33.7m of savings, equating to 79% of the target of £42.6m, and the overall outturn position was an overspend of £5.6m on the general fund revenue budget.

The Council's budget plans for 2025/26 reflect the Administration's financial strategy and provide an extra £50m of budgetary provision to fund demand and inflationary pressures.

The General Reserves balance at 31st March 2025 was £25.0m; equivalent to 6.5% of the 2025/26 net revenue budget. Usable general fund balances (excluding Statutory Reserves) at 31st March 2025 are £61.1m (31st March 2024 £61.2m).

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 27 June 2025. 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 27 June 2025.

Kevin Mulvaney

Service Director – Finance and S151 Officer



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 **442,000 residents**. The Kirklees population is projected to increase by 2% overall to 454,400 by 2032; this includes a 17% projected increase in ages 65 and over to 96,600; included within this is a 34% 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 fourteenth out of 318 districts** in terms of population in England and Wales (2023).
- **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 late summer 2025.
- **158,950 employees in Kirklees**, of which 16% 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 full and part-time in 2024 is £554.60**; lower than the Great Britain average of £615.40.
- **Unemployment rates* at March 2025 are 5.1%**; in comparison to the Great Britain average of 4.2% (*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. In May 2024, the Department for Work and Pensions increased the administrative earnings threshold for full work search conditionality. This change affected around 180,000 claimants, increasing the Claimant Count at the time of the change.
- **69 Local Councillors serve 23 wards**; following the May 2024 election Labour remained the majority party with 31 seats, though no longer has overall control. Currently 16 Councillors do not align to the four main parties (8 Community Alliance, 5 Independent, 3 Kirklees Community Independents Group), and Labour now hold 23 seats.
- **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

What does the council do with its money? 2024/25

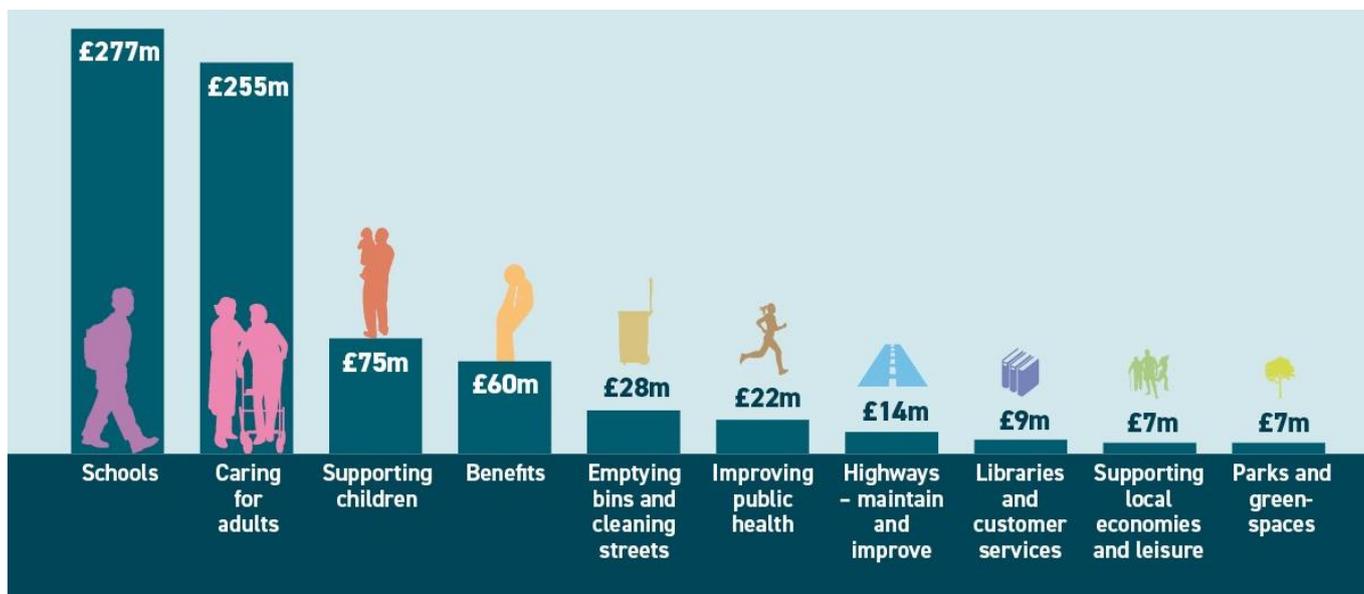


Table 1 Breakdown of council spend by department

Department	Amount £m
Schools	£277m
Caring for adults	£255m
Supporting children	£75m
Benefits	£60m
Emptying bins and cleaning streets	£28m
Improving public health	£22m
Highways maintenance and improvements	£14m
Libraries and customer services	£9m
Supporting local economies and leisure	£7m
Parks and greenspaces	£7m

The Workforce

Below is a snapshot of total staff employed across non-schools and schools, as at 31 August 2024 (source Kirklees People Services):

Table 2 Snapshot of total staff employed

Staff employed	Full-time	Part-time	Total	Full time equivalent
Non-schools	4,652	3,406	8,058	6,612
Schools	1,570	3,686	5,256	3,715
Total	6,222	7,092	13,314	10,327

To put the above into perspective, the full-time equivalent figure in 2010 was 14,003; this represents an overall reduction of 3,676, approximately 26%, over the period.

Financial Performance

Revenue – General Fund

The Council's net revenue expenditure totalled £368.1m in 2024/25 compared to the revised budget of £362.5m. The overall outturn position was an overspend of £5.6m (compared to an overspend of £7.3m in 2023/24) and summarised below.

The actual spend to budget is summarised by directorate below:

Table 3 Actual spend to budget

Department	Revised Budget £000	Outturn £000	Variance £000
Children and Families	105,910	111,649	5,739
Adults and Health	112,624	113,927	1,303
Place	56,672	62,996	6,324
Public Health and Corporate Resources	56,576	56,725	149
Central Budgets	30,793	22,834	(7,959)
General Fund	362,575	368,131	5,556

Children and Families

The outturn position for Children's Services was an overspend of £5.7m. The main reasons for the overspend in this service arose from increasing costs of External Residential Placements, due to increased demand, increased placement costs due to complexity and lower than anticipated savings from the use of internal capacity.

In the Learning & Early Support area of the service, there are continued pressures of £0.3m relating to the necessary use of Educational Psychology Locums to support service delivery, this is also linked to increased demand and complexity.

Adults & Health

The overall position for the Adults & Health Directorate was an overspend of £1.3m.

Within the Adult Social Care related portfolio, variances were seen across key demand-led headings, on Independent Sector Home Care (+£3.4m, with all client groups showing higher weekly unit costs), on Self-Directed Support (+£1.7m, with overspends on commissioned services and Direct Payments, predominantly on Learning Disability). These were offset by an underspend on external care home placements (£1m under, mainly on Older People volumes, and on Physical Disability unit weekly costs) and on Shared Lives (£0.6m under, due to lower activity levels). There is also a variance in relation to the savings target around income/debt (£2.1m not achieved) within the Adults Transformation programme. An underspend was seen across employee budgets (£1.6m) due to vacant posts.

Within the Directorate, the Communities and Access portfolio has an underspend of £1.8m, with £1.3m of this being in relation to underspend on staffing.

Place

The outturn position for the Place directorate was an overspend of £6.3m with the key variations summarised below.

Highways and Streetscene overspent by £6.4m, including £1.2m on Waste with pressures from fleet costs, regulatory changes related to Persistent Organic Pollutants and Inflation on chemicals. There was also a £0.6m overspend on Transport relating to increased cost of parts, the cost of fuel and external hire charges linked to an ageing fleet. Adverse Weather overspent by £1.5m due to significant weather events throughout the year. Parking also saw an overspend of £2.3m due to delays in implementation of new tariffs, permits and charges in new car parks, lower than expected income across car parks and a reduction in income from penalty charges as more customers choose to pay using apps. In addition, there was a deficit within Highways of £0.9m mainly relating to £0.3m street lighting, £0.2m horticultural maintenance.

There was an overall underspend of £0.2m across Development. This included an underspend of £0.8m on Housing Services staff charges to capital and grants, and underspends of £0.2m within Housing Growth linked to vacancies and Town Centres £0.1m due to recharges to capital schemes.

There was a net overspend of £0.9m in Property, this included overspends in Corporate Landlord maintenance £1m, Assets and Estates also overspent by £0.3m which included the cost of holding assets for major capital schemes such as the Piazza. These were offset with surpluses from Capital Delivery, Technical Advice and Asset Maintenance (£0.5m) from charges to capital and other external funding.

Environmental Strategy & Climate Change overspent by £1m. This included a £1.4m pressure on Home to School Transport linked to increased demand and cost inflation. This was offset by a (£0.4m) underspend in the Directorate Programme Office linked to holding of vacancies.

Skills and Regeneration underspent by £1m. Various underspends were seen across the portfolio including within Major Projects (£0.3m), Employment & Skills (£0.3m), Business & Economy (£0.1m), Planning and Building control (£0.2m) and Flood Management (£0.1m).

Public Health and Corporate Resources

There was a small overspend of £0.1m, but with significant variances across the directorate. There was an overspend of £4.98m on Housing Benefit subsidy loss due to rising numbers of people in bed and breakfast and other temporary accommodation for which 100% subsidy is not payable by the DWP.

Strategy and Innovation underspent by £1.36m, and Peoples Service underspent by £0.76m due to vacancy management, and a continuation of IT savings.

Culture and Visitor Economy underspent by £2.86m. due to catering, and caretaking and cleaning underspending by £1m each. An underspend on Sports and Physical Activity Energy costs created an underspend of £0.3m.

Central

Central budgets underspent by £8m. Within this position is the release of £3.8m of inflation budgets no longer required following the 2024/25 pay agreement and reconciliation of final energy costs. There are also savings in contingencies of £2.5m identified across Central Budgets. A further £0.7m underspend relates to the redistribution of business rates levy surplus from Government which was announced in the Provisional Finance Settlement in December 2024. Treasury Management budgets underspent by £0.8m; due to a reduction in capital plan spend and interest rates on borrowing being lower than budgeted.

Further details of the outturn variations at service level can be found in the Council's outturn report which will be published in early July 2025.

Reserves

Total General Fund reserves have decreased through 2024/25 by £0.8m; from £73.9m at the start of the year to £73.1m as at 31 March 2025.

Dedicated Schools Grant (DSG) Balances

The 23/24 in-year deficit was £15m taking the total DSG Deficit to £43.7m at 31st March 2024. The increase in costs was mainly due to rising complexity and demand in mainstream schools and inflationary increases from external providers. These pressures have continued into 2024/25 and the outturn position is an in year overspend of £20.1m on High Needs expenditure. The cumulative deficit in this area has now increased to £63.8m.

The DSG is currently subject to a Statutory Override meaning that the deficit is excluded from the Council's balance sheet. The statutory override has recently been extended by a further two years and now ends in March 2028. As referenced in the 2025/26 budget report, should the statutory override end at that date without additional funding then the Council (in common with many across the country) will need address the deficit and ongoing budget pressures. The Council awaits further updates from Government in the Autumn around the treatment of historic and ongoing deficits.

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 21,000 tenancies.

The HRA outturn is an operational underspend of £1.3m. However, an additional revenue contribution to capital of £4.6m was made. To ensure the HRA is balanced this has necessitated a use of reserves of £3.3m. Pressures relate to additional investment for building safety, maintenance of housing stock, costs associated with disrepair and rent loss from void turnaround times.

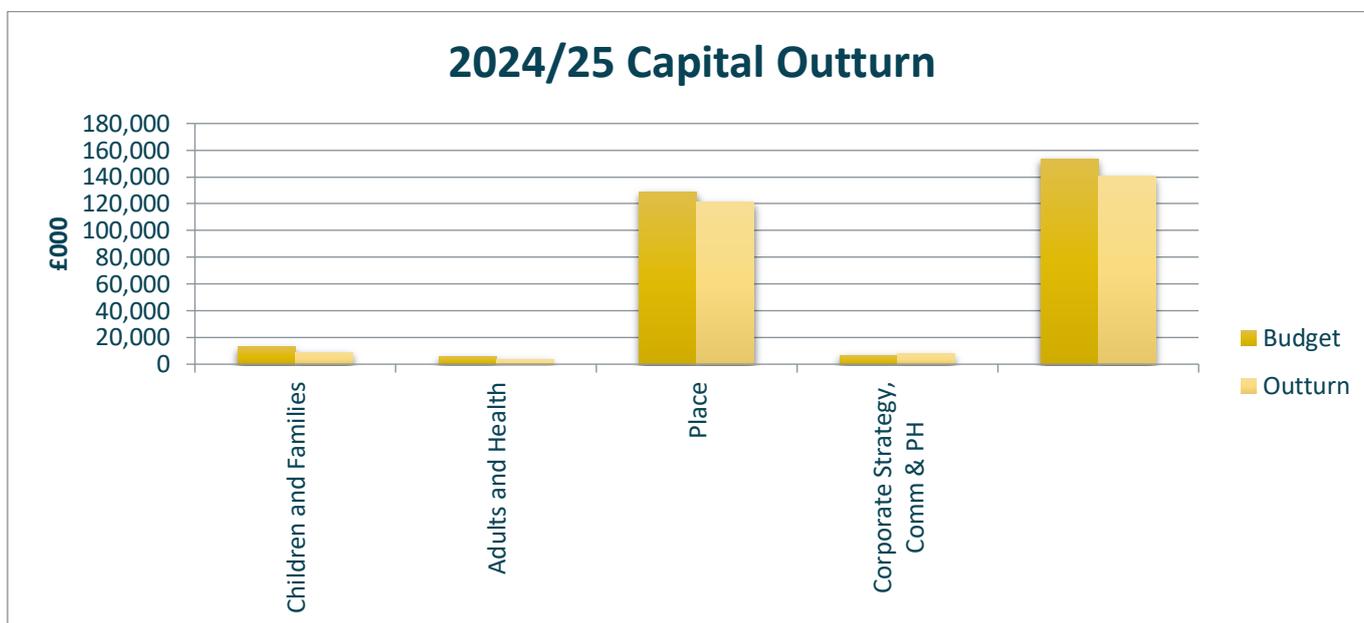
Capital expenditure

The Council's revised capital plan budget was £153.2m in 2024/25.

Capital expenditure in 2024/25 totalled £140.6m; equivalent to 91% 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 General Fund strategic priority capital schemes, including £2.3m on SEND District Sufficiency, £1.1m on the Cultural Heart and £1.2m on Highways Baseline. The Housing Revenue Account slipped by £2.2m.

Capital budget and expenditure in 2024/25, is summarised by outcome below:



Capital expenditure in 2024/25 was funded by the following sources of finance; borrowing £31.5m, grants and contributions £66.1m, capital receipts at £14.4m Major Repairs Reserve (HRA) at £24.0m, Reserves/Revenue contributions to capital at £4.6m.

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 (Council Share) was a £1.8m deficit (0.8% of budgeted income). This position was largely due to higher than budgeted income of £0.6m, offset by an increased bad debt provision requirement of £2.8m, resulting from slower than anticipated debt repayments.

The in-year Business Rates performance (Council Share) was a net £3.3m deficit (6.7% of budgeted income). This position was largely due to reduced income due to prior year reductions in excess of the appeals provision. This was partially offset by a decreased bad debt provision requirement.

The percentage of Council Tax collected in year was 94.1% (2023/24 95.2%). The Council's share of the arrears outstanding as at 31 March 2025 was £29.1m (31 March 2024 £23.6m).

The percentage of Business Rates collected in the year was 96.2% (2023/24 96.2%). The Council's share of the arrears outstanding at 31 March 2025 was £4.5m (31 March 2024 £4.6m). In addition, there is a provision for Business Rates appeals outstanding. The Council's share of this provision at 31 March 2025 is £2.0m (31 March 2024 £1.9m).

The Council's share of overall Collection Fund financial performance in 2024/25 is summarised below.

Table 4 Collection Fund Summary

Collection Fund (Council Share)	Council Tax £000	Business Rates £000	Total £000
(Surplus)/Deficit at 1 April 2024	5,361	2,636	7,997
Re-payments to/(from) General Fund 2024/25	(2,340)	(660)	(3,000)
In year Financial Performance	1,827	3,331	5,158
(Surplus)/Deficit at 31 March 2025	4,848	5,307	10,155
Planned Repayments to General Fund 2025-27	(3,021)	(2,765)	(5,786)
Residual (Surplus)/Deficit	1,827	2,542	4,369

The approved 2025-28 Medium Term Financial Plan (MTFP) included a repayment of £5.8m from the General Fund to the Collection Fund, based on the estimated Collection Fund performance in 2024/25. The net effect of this still leaves a residual Collection Fund deficit of £4.4m which will require funding as a matter of priority over the next 3 years.

The Council is also part of a regional business rates pooling arrangement – Leeds City Region Business Rates Pool, for 2024/25.

Balance Sheet

The table below summarises the Balance Sheet movements during 2024/25 and indicates that the Council maintains an overall positive Balance Sheet in terms of net assets and usable reserves.

Table 5: Balance Sheet movements during 2024/25

Net assets and usable reserves	At March 2024 £m	At March 2025 £m	Movements in-year £m
Long Term Assets	2,031.9	1,858.4	-173.5
Net Current Assets	-49.4	-34.0	15.4
Long Term Liabilities	-776.0	-837.1	-61.1
Net assets	1,206.5	987.3	-219.2
<i>Represented by:</i>			
Usable Reserves	-203.7	-204.9	-1.2
Unusable Reserves	-1,002.8	-782.4	220.4

Assets

The value of Property, Plant and Equipment has decreased during the year by £22.6m to £1,667.6m. The movement includes additions of £108.8m, net revaluation losses on Plant, Property and Equipment of £30.4m, offset by assets being reclassified as Held for Sale £16.2m, the disposals of assets £13.8m (including schools transferring to academy status), and depreciation £70.1m. In addition, the Council has Heritage Assets and Investment Property valued at £55.8m and £81.5m respectively as at 31 March 2025 (31 March 2024: £55.6m and £90.8m). Current assets increased by £35.7m to £169.7m, the majority increase being cash and cash equivalents £20.3m.

The Council's policy towards cash flow management is prudent and all deposits/investments in 2024/25 have been placed short-term with a view towards security and liquidity. As at 31 March 2025, the Council held investments of £49.6m within "cash equivalents", that is highly liquid deposits with an insignificant risk of change in value (31 March 2024 £29.4m).

Liabilities

Current liabilities increased by £20.2m to £203.7m and long-term liabilities increased by £61.2m to £837.2m. As at 31 March 2025, the Council had total provisions (long term and short term) of £15.3m (31 March 2024 £12.5m).

Total external borrowing during the year increased from £714.4m to £782.2m. £98.0m of new long-term borrowing was taken from the Public Works Loan Board (PWLB) in the year.

The average interest rate for long-term PWLB borrowing in 2024/25 was 4.26% (2023/24 4.21%)

The amount of the LGPS funded pension asset reduced by £144.4m to zero at 31 March 2025 (at 31 March 2024 £144.4m). The Council has a net pensions asset at the accounting date, however the actuary has calculated the maximum economic benefit the Council could recognise in the accounts (referred to as the asset ceiling) calculated in accordance with accounting standards IFRIC 14. This figure is zero, thus reducing and restricting the surplus on the balance sheet.

Whilst the net pensions figure has moved substantially 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.

Reserves

General Fund Reserves at 31 March 2025 were £73.1m (31 March 2024 £73.9m); a net in-year decrease of £0.8m. This movement was broken down as follows:

- Net contributions of £2.3m approved in the 2024/25 Annual Budget Report.
- Planned drawdowns in-year of £3.2m (net). This included:
 - Drawdown of £8.7m from the Voluntary Revenue Provision Reserve to part offset in-year pressures;
 - Transfer of £3.1m into the Strategic Budget Contingency Reserve to fund budget pressures that may arise due to delays in implementing savings plans and/or issues that have arisen post agreement of the 2025/26 budget.

Council reserves also include an amount of £11.1m (31 March 2024 £11.6m) relating to schools' balances.

Total usable reserves (excluding ring-fenced Schools and Public Health Reserves) at 31 March 2025 are £61.1m, equivalent to 16% of the 2025/26 £386.9m (net) revenue budget (31 March 2024; 17% of £363.4m).

For comparison purposes, the median percentage across the 36 Metropolitan Councils on this particular indicator was 20% as at 31 March 2024.

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 2024/25 indicator is expected to be released towards the end of 2025 by CIPFA.

HRA Balances at 31 March 2025 were £30.6m 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 2025 (31 March 2024 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 £101.2m at 31 March 2025 (31 March 2024 £95.8m).

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 has assessed the need to produce Group Accounts as part of the normal annual closedown procedures and has determined that Group Accounts are not required for 2024/25. Previously the Council has produced Group Accounts which included Kirklees Stadium Development Limited (KSDL) a joint venture. In accordance with Section 4.7 of the Code, the Council believes that an impairment has occurred and the likely carrying amount in the Group accounts will be materially greater than the recoverable value. A reliable estimate on the recoverable amount is based on fair value less costs of disposal. The Council has calculated the recoverable amount and has accounted for the resulting impairment loss in 2024/25.

Council finances – prospects

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 2025/26 budget includes significant levels of investment in services of £50.3m along with sustainable savings of £26.8m over the period. The Council must ensure that it delivers the £26.8m savings proposals in 2025/26, 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.

The Council's budget plans for 2025/26 reflect the Administration's financial strategy. The overarching principles are:

- The Council will become more sustainable by reducing the reliance on one-off funding sources, such as reserves, to fund recurring expenditure and it must continue to make an appropriate provision to top up its unallocated (general) reserve to ensure that on a risk-based approach this reserve is always above a minimum level.
- The strategy will also provide specific funding earmarked reserves to continue to fund transformation costs that will be required to deliver service change across the Council. This change can help deliver its ambition of being a modern efficient Council.
- The strategy also recognises the need to provide the Council's agreed contribution to the SEND Safety Valve plan at c.£10m by 2029/30.
- This financial plan aims to provide funding to address known pressures in the base budget and will make appropriate provision for inflation (pay and prices) and a reasonable assessment of demand pressures based upon the latest available information.
- In general, fees and charges to the public are assumed to be increased annually by 3%. Where costs rise beyond this, services will continue to seek to recover full costs in line with the Council policy on fees and charges - so as to not to create additional burdens on the general fund. Charges for users of Adult Social Care services will continue to be based on assessment of a clients' ability to pay.
- The Capital plan, currently £1.4bn, will continue to be subject to review and presently no new general fund schemes that require council borrowing have been added to those already in the plan. It is likely that as part of the ongoing review, some schemes will need to be slipped or removed from the Capital Plan.
- New capital schemes will be considered for inclusion in the Capital plan as part of the Council's investment and modernisation programme if they deliver ongoing revenue savings against the base budget; or are required to meet health and safety priorities or on the basis that new bids are assessed as a greater priority than existing Council funded schemes which would subsequently be removed. To this end, £50m is available over the life of the plan to support proposals that deliver a net revenue saving after

capital financing costs are taken into account.

- Collectively, these principles are designed to create a more stable base budget from which Members can make decisions on savings proposals.
- By recognising the ongoing pressures within the base budget, the S151 Officer is content that this ensures a more robust budget for the Council.

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 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.

Budget plans for 2025-27 were approved at budget Council on 5 March 2025. These are summarised below.

Overall budget position:

The table below summarises the updated balanced budget position for 2025/26 from the 2024/25 base.

Table 6: Balanced budget 2025/26

	2025/26 £m
Opening Position Balanced 2024/25 Budget	0.0
Additional Funding	(28.5)
Use of Reserves Changes	5.0
Directorate Spend Changes (net)	50.3
Savings Proposals (total inc previously approved)	(26.8)
Balanced Budget	0.0

The Council set its budget for 2025/26 in the context of the continued challenging economic backdrop. There has been significant levels of investment in base budgets to address ongoing issues of demand, demographic and inflationary pressures on service budgets. In Kirklees, these pressures amount to around £47m in the coming financial year. This includes: £20m additional demand for older and disabled people, who need social care, £3.6m in extra funding required for homelessness and £9.5m to provide support for children.

In light of this investment and the limitations on the Council's income, the revenue budget includes £11.0m of new savings in 2025/26 and £15.8m of savings set out in the 2024/25 budget in order to achieve a balanced budget. Achieving these savings requires difficult decisions and not every Council will be able to meet the same obligation. In fact an LGA survey conducted in Autumn 2024 estimated nearly half of Councils with social care responsibilities forecast that they will require emergency budget intervention in the next two years.

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 2025/26 plus a further 2.00% Adult Social Care precept uplift; 4.99% in total, and equivalent to £12m 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 £62.24; from £1,247.36 in 2024/25 to £1,309.60 in 2025/26 (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 2025/26.

As a result of the choices set out in the budget, the Council will achieve financial stability for the financial year 2025/26. 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 2024. The plan's principles and priorities 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 2025/26 and beyond.

Dedicated Schools Grant (DSG) - 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 in agreement with the DfE. The plan is intended to bring the in-year High Needs spend position into 'balance' within available in-year DSG funding, by 2029/30.

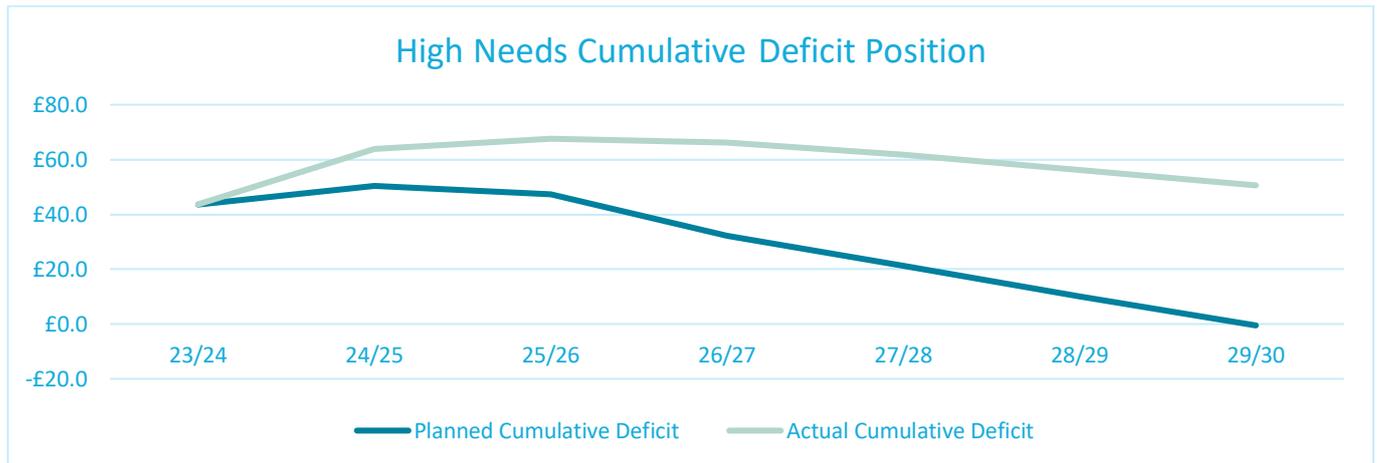
The Council has also prioritised significant resources of its own, including Capital Plan to increase High Needs sufficiency across the district, to be funded through a mix of borrowing and grant funding and a commitment to contribute more than £10m of its own revenue resource, the first £2.15m of this is to be provided as part of the 2025/26 budget.

There has also been significant broader schools' system support through schools block funding transfers to the High Needs Block; £1.6m in 2022/23, £2.1m in 2023/24, £2.6m for 2024/25 and £3.6m recently agreed for 2025/26.

The service is working collaboratively with schools to change the way in which funding is allocated to mainstream schools for children with SEND through the introduction of "Cluster Working" and it is anticipated that over time this will lead to stabilisation of costs and reductions. A more robust approach to contract management has also been introduced and this is helping to mitigate the impact of provider increases.

However, in common with many Councils across the country there are significant demand and inflationary pressures with SEND which continue to drive costs above the available funding. As referred to earlier, the deficit on the DSG is now £63.8m. The graph below illustrates the current cumulative deficit position against the planned trajectory in the Safety Valve plan. Quarterly submissions are made to the DfE in respect of performance against the Safety Valve plan. Meetings are also held with DfE Advisors to provide assurance that monitoring processes are robust and the Local Authority is doing all it can to mitigate the deficit position.

The Government intend to consult with Councils on the best way to manage the SEND system over the summer of 2025.



Council Plan 2025/26

To support our ongoing day-to-day services, the council will focus on four key priorities for the next three years. Our 2025/26 deliverables set out how we will make progress on these this year.

This doesn't aim to summarise everything we do as a council; it sets out the key actions we will take to deliver on these four priorities. Our four council priorities are:

1. Getting the basics right – a balanced budget and a modern organisation
2. Protecting the vulnerable and achieving inclusion
3. Thriving people and communities – now and over the longer-term.
4. Local economic growth, working with regional and national partners

Key Risks

The corporate risk register summarises the key strategic risks or barriers to achieving the organisation objectives, including meeting challenging savings targets and successfully completing transformation projects along with the continued financial challenges. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the Council's budget. The areas identified are summarised below:

- Risk that additional funding announced comes with new burdens
- Failure to maintain sufficient level of priority and focus leading to required savings initiatives not being delivered, resulting in budget overspend.
- Risk of increased costs due to inflation, in particular the pay award and NLW increases being above those assumed in the budget.
- 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.

- 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.
- Risks associated with the availability and provision of Temporary Accommodation for persons accepted as homeless and the resulting cost implications.
- Demand pressures, generally, and particularly within Adults Social Care result in unbudgeted additional costs.

Corporate Risk is reviewed and reported to Cabinet on a quarterly basis throughout the year.

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 2025
- 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.

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. Both of these supplementary statements are 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.

Section 2: Statement of responsibilities and certificate

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 Finance's 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 Narrative Statement includes a fair review of the development and performance of the business and the position of the Council, 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 2025.

Kevin Mulvaney

Service Director Finance

xxxxxx 2025

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on xxxxxxx.

Cllr Taylor

Chair, Corporate Governance and Audit Committee

Section 3: Main financial statements

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.

Table 7: Comprehensive Income and Expenditure Statement (CIES)

Department	2024/25 Gross Exp £000	2024/25 Gross Income £000	2024/25 Net Exp £000	2023/24 Gross Exp £000	2023/24 Gross Income £000	2023/24 Net Exp £000	Note
Children & Families	474,974	-347,476	127,498	447,487	-322,862	124,625	
Adults & Health	287,061	-165,027	122,034	274,224	-146,527	127,697	
Place	171,675	-69,603	102,072	175,843	-53,346	122,497	
Corporate Strategy, Commissioning & Public Health	198,037	-134,489	63,548	211,610	-133,426	78,184	
Central Budgets	31,711	-7,600	24,111	24,939	-11,279	13,660	
HRA	92,034	-109,263	-17,229	93,846	-100,654	-6,808	
Cost of services	1,255,492	-833,458	422,034	1,227,949	-768,094	459,855	
Other operating expenditure			14,504			4,062	12
Financing and investment income & expenditure			35,335			33,817	13
Taxation and non-specific grant income			-427,560			-415,909	14
Deficit on Provision of Services			44,313			81,825	
Surplus (-)/ Deficit on revaluation of property, Plant and Equipment (PPE) and Heritage assets			14,053			-24,082	15&16
Surplus (-)/ Deficit from investments in equity instruments designated at fair value through other comprehensive income			57			-37	

Department	2024/25 Gross Exp £000	2024/25 Gross Income £000	2024/25 Net Exp £000	2023/24 Gross Exp £000	2023/24 Gross Income £000	2023/24 Net Exp £000	Note
Remeasurements of the net defined benefit asset/liability			141,791			-63,699	41
Total Other Comprehensive Income and Expenditure			155,901			-87,818	
Total Comprehensive Income and Expenditure			200,214			-5,993	

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.

Table 8: Statement of movement in reserves 2024/25

2024/25	General Fund Balances £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2024	-73,954	-33,942	-21,088	0	-74,701	-203,685	-1,002,860	-1,206,545
Adjustment at 1 April 2024 on transition to IFRS16							19,036	19,036
Restated Balance at 1 April 2024	-73,954	-33,942	-21,088	0	-74,701	-203,685	-983,824	-1,187,509
Movement in reserves during 2024/25								
Total Comprehensive Income and Expenditure	55,866	-11,553	0	0	0	44,313	155,901	200,214
Adjustments between accounting & funding basis under regulations (Note 10)	-54,978	14,848	-630	0	-4,758	-45,518	45,518	0

2024/25	General Fund Balances £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Net Increase (-)/ Decrease	888	3,296	-630	0	-4,758	-1,205	201,419	200,214
Balance at 31/03/2025 carried forward	-73,066	-30,646	-21,718	0	-79,459	-204,890	-782,405	-987,295

Table 9 Statement of movement in reserves 2023/24

2023/24	General Fund Balances £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2023	-96,621	-44,416	-22,802	0	-60,687	-224,526	-976,026	-1,200,552
<i>Movement in reserves during 2023/24</i>								
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

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”.

Table 10: Balance sheet

Description	31/03/2025 £000	31/03/2024 £000	Note
Property, Plant & Equipment (PPE)	1,667,617	1,690,186	15
Heritage Assets	55,812	55,607	16
Investment Property	81,514	90,762	17
Intangible Assets	2,380	2,256	18
Long Term Investments	12,835	12,728	19
Long Term Debtors	38,203	35,970	19&20
Pension Asset	0	144,419	41
Long Term Assets	1,858,361	2,031,928	
Inventories	6,802	4,596	21
Short Term Debtors	103,777	96,187	19&22
Assets Held for Sale	9,501	3,899	
Cash and Cash Equivalents	49,646	29,367	19&23
Current Assets	169,726	134,049	
Bank Overdraft	0	-2,984	23
Short Term Borrowing	-83,319	-73,305	19
Short Term Creditors	-105,731	-97,970	19&24
Other Short-Term Liabilities	-8,203	-5,455	19
Provisions	-6,400	-3,739	25
Current Liabilities	-203,653	-183,453	
Long Term Borrowing	-698,851	-641,063	19

Description	31/03/2025 £000	31/03/2024 £000	Note
Other Long-Term Liabilities	-138,288	-134,916	26
Long Term Liabilities	-837,139	-775,979	
Net Assets	987,295	1,206,545	
Usable Reserves	-204,890	-203,685	27
Unusable Reserves	-782,405	-1,002,860	28
Total Reserves	-987,295	-1,206,545	

Cash flow statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Table 11: Cash flow statement

Cash flow statement		2024/25 £000		2023/24 £000	Note
Net surplus (-)/ deficit on the provision of services		44,313		81,825	
Adjustments to net surplus/deficit on the provision of services for non-cash movements		-126,360		-107,732	30
Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities		66,916		71,771	31
Net cash flows from Operating Activities		-15,131		45,864	
Net cash flows from Investing Activities					
Purchase of property, plant and equipment, investment property and intangible assets	113,350		118,282		
Purchase of short-term and long-term investments	2,892		6,464		

Cash flow statement		2024/25 £000		2023/24 £000	Note
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-15,489		-10,135		
Proceeds from short-term and long-term investments	-1,023		-845		
Other receipts from investing activities – capital grants	-51,101	48,629	-71,848	41,918	
Net cash flows from Financing Activities					
Cash receipts of short and long-term borrowing	-177,553		-275,521		
Other receipts from financing activities	0		0		
Cash payments for the reduction for the outstanding liabilities relating to finance leases and PFI contracts	8,085		4,025		
Repayments of short and long-term borrowing	109,747		179,810		
Other payments for financing activities	2,961	-56,760	4,387	-87,299	
Net increase (-)/ decrease in cash and cash equivalents		-23,262		483	
Cash and cash equivalents at the beginning of the reporting period		26,383		26,866	
Cash and cash equivalents at the end of the reporting period		49,645		26,383	23

Section 4: Notes to the main financial statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. 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 2024/25 (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 these Financial Statements is to round the amounts to the nearest thousand pounds. Totals in supporting tables are rounded additions of unrounded figures and therefore may from time to time, not be the strict sums of the figures presented in the text or tables, or match core statements 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. This is termed Minimum Revenue Provision. 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 three 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 external valuers and are reported in the Balance Sheet at depreciated replacement cost. They will be revalued at least every five years, but current policy is to revalue every three 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

Where the Council exercises control, shares control or exerts a significant influence in another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. In the 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

Transition to IFRS 16

The Council adopted IFRS 16 on 1 April 2024, using the adaptations and interpretations set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. Previously, lease contracts were recognised under IAS 17 and IFRIC 4 as either finance leases or operating leases, with the accounting treatment dependent on the lease category.

The Council as lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Council is reasonably certain to exercise
- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases

- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases are valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges 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.

The Council as lessor

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.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), 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 Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement 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.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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.

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. DRC is a method of valuation that provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

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 Up to 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; this has been frozen on a temporary basis. 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 2024/25 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 2025/26:

- **IAS16 Property, Plant and Equipment & IAS 38 Intangible Assets**

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment in standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8.

- **IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023**

The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

- **IFRS17 Insurance Contracts issued in May 2017**

IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

These changes are not expected to have a material impact on the Council's 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.

Table 12: Types of schools and total numbers

Type of school	Nursery schools	Primary schools	Secondary schools	Special schools	Other schools	Total
Community	1	50	2	3	0	56
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	87	6	4	0	98
Academies	0	50	19	2	4	75
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 2024/25 and has determined that Group Accounts are not required. In accordance with Section 4.7 of the Code, the Council believes that an impairment has occurred in the joint venture investment of Kirklees Stadium Development Ltd (KSDL), and the likely carrying amount in the Group accounts of £14.3 million, will be materially greater than the recoverable value. A reliable estimate on the recoverable amount is based on fair value less costs of disposal.

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 2025 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 £266.6 million of assets were valued at current value in 2024/25. 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 of £371.3 million would change the reported value of PPE by £37.1 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 £11.9 million for every year that the useful lives had reduced on the carrying value of £1,466 million on all depreciated assets.

Pensions Asset/Liability (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 2024/25 the Council's actuaries advised that the funded net pension asset had increased by £386.9 million to £636.1 million. In line with IFRIC 14 where there is a surplus position, the Council requested an Asset Ceiling calculation from the actuary. Due to the minimum funding requirement exceeding the expected IAS 19 service cost in all future periods, the asset ceiling was calculated to be nil and therefore the funded net pension asset has been reduced to this.

As the Council retains an unfunded obligation element to its Pension Fund, this must remain as a net liability in the accounts, resulting in an overall net pension liability being recognised in the balance sheet.

Variations in key assumptions would have the following impact:

- A 0.1% increase in the discount rate would change the funded defined benefit obligation by £30.7 million
- A 0.1% increase in the assumed level of pension increases will increase the funded defined benefit obligation by £26.9 million
- An increase in one year of longevity would increase the funded defined benefit obligation by £42.2 million

6. Exceptional Items and Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) the Council must set these out in a note.

There were no exceptional items during 2024/25.

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 2025, 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 (i.e. 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.

Table 13: Expenditure and Funding Analysis 2024/25

2024/25	Outturn reported to Council £000	Adjustments between net cost of services and other income and expenditure £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Children & Families	111,649	4,778	116,427	11,071	127,498
Adults & Health	113,927	-432	113,495	8,539	122,034
Place	62,996	878	63,874	38,198	102,072
Corporate Strategy, Commissioning & Public Health	56,725	-70	56,655	6,893	63,548
Central Budgets	22,835	-18,242	4,593	19,518	24,111
HRA	3,296	-9,457	-6,161	-11,068	-17,229
Net Cost of Services	371,428	-22,545	348,883	73,151	422,034
Other operating expenditure	992	522	1,514	12,990	14,504
Financing and investment income and expenditure	0	32,279	32,279	3,056	35,335
Taxation and non-specific grant income	-368,237	-10,256	-378,493	-49,067	-427,560
Net Surplus (-)/ Deficit	4,183	0	4,183	40,130	44,313
Opening Balances 01 April 2024:					
General Fund			-73,954		
HRA			-33,942		
Total			-107,896		
Add net deficit in Year			4,183		
Closing General Fund & HRA Balance 31 March 2025			-103,713		

2024/25	Outturn reported to Council £000	Adjustments between net cost of services and other income and expenditure £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
General Fund			-73,067		
HRA			-30,646		

Table 14 Expenditure and Funding Analysis 2023/24

2023/24	Outturn reported to Council £000	Adjustments between net cost of services and other income and expenditure £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Children & Families	106,128	5,661	111,789	12,836	124,625
Adults & Health	124,808	0	124,808	2,889	127,697
Place	72,328	1,139	73,467	49,030	122,497
Corporate Strategy, Commissioning & Public Health	58,806	0	58,806	19,378	78,184
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 1 April 2023:					
General Fund			-96,621		

2023/24	Outturn reported to Council £000	Adjustments between net cost of services and other income and expenditure £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
HRA			-44,416		
			-141,037		
Add net deficit in Year			33,141		
Closing General Fund and HRA Balance at 31 March 2024			-107,896		
General Fund			-73,954		
HRA			-33,942		

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.

Table 15: Detailed breakdown of adjustments between funding and accounting basis 2024/25

2024/25	Adjustments for Capital Purposes (a) £000	Net change for the Pensions Adjustments (b) £000	Other Differences (c) £000	Total Adjustments £000
Children & Families	12,534	-1,460	-3	11,071
Adults & Health	7,311	1,232	-4	8,539
Place	36,868	1,336	-6	38,198
Corporate Strategy, Commissioning & Public Health	5,452	1,446	-5	6,893
Central Budgets	698	-1,170	19,990	19,518
HRA	-11,103	0	35	-11,068
Net Cost of Services	51,760	1,384	20,007	73,151
Other operating expenditure	12,990	0	0	12,990

2024/25	Adjustments for Capital Purposes (a) £000	Net change for the Pensions Adjustments (b) £000	Other Differences (c) £000	Total Adjustments £000
Financing and investment income and expenditure	8,734	-5,513	-165	3,056
Taxation and non-specific grant income	-51,828	0	2,761	-49,067
Difference between General Fund and HRA Surplus/Deficit and CIES Surplus/Deficit on the Provision of Services	21,656	-4,129	22,603	40,130

Table 16 Detailed breakdown of adjustments between funding and accounting basis 2023/24

2023/24	Adjustments for Capital Purposes (a) £000	Net change for the Pensions Adjustments (b) £000	Other Differences (c) £000	Total Adjustments £000
Children & Families	12,981	-250	105	12,836
Adults & Health	802	1,926	161	2,889
Place	46,769	2,074	187	49,030
Corporate Strategy, Commissioning & Public Health	16,974	2,219	185	19,378
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

(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.

Table 17: Income received on a segmental basis 2024/2025

2024/25	Grants and Contributions £000	Fees and Charges £000	Capital charge and pension credits £000	Total £000
Children & Families	-326,425	-19,794	-1,257	-347,476
Adults & Health	-129,706	-35,185	-136	-165,027
Place	-27,936	-37,441	-4,226	-69,603
Corporate Strategy, Commissioning & Public Health	-104,032	-23,174	-7,283	-134,489
Central Budgets	-7,124	-32	-444	-7,600
HRA	-7,912	-98,553	-2,798	-109,263
Total Income analysed on a segmental basis	-603,135	-214,179	-16,144	-833,458

Table 18 Income received on a segmental basis 2023/2024

2023/24	Grants and Contributions £000	Fees and Charges £000	Capital charge and pension credits £000	Total £000
Children & Families	-301,485	-19,013	-2,364	-322,862
Adults & Health	-112,445	-33,644	-438	-146,527
Place	-20,710	-31,740	-896	-53,346
Corporate Strategy, Commissioning & Public Health	-110,040	-21,395	-1,991	-133,426
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

9. Expenditure and Income analysed by nature (Subjective Analysis)

Table 19: Expenditure analysed by nature (Subjective Analysis)

Expenditure	2024/25 £000	2023/24 £000
Employee Expenses*	486,946	493,307
Premises and Transport	131,658	138,582
Supplies and Services	154,803	152,648
Other Service Expenses	484,208	443,471
Support Charges	20,362	17,738
Capital Charges	127,452	118,005
Precepts and Levies	1,228	1,071
Losses on the Disposal of PPE and Investment Assets	6,538	2,841
Interest Payable and Similar Charges	38,963	31,315
Net interest on the defined benefit obligation	0	0
Central Items	245	171
Total Expenditure	1,452,403	1,399,149

Table 20: Income analysed by nature (Subjective Analysis)

Income	2024/25 £000	2023/24 £000
Fees, Charges and Other Service Income	-216,849	-199,017
Grants, Reimbursements and Contributions	-747,671	-714,708
Capital Charges Credits	-22,899	-9,281
Internal Recharges	-124,395	-120,483
Interest and Investment Income	-6,769	-5,497
Gains on the Disposal of PPE and Investment Assets	-970	-1,160

Income	2024/25 £000	2023/24 £000
Net interest on the defined benefit obligation	-5,513	-2,529
Income from Council Tax and Business Rates	-283,024	-264,649
Total Income	-1,408,090	-1,317,324
Surplus (-)/ Deficit on Provision of Services	44,313	81,825

*This includes £39.8 million in 2024/25 (£39.1 million in 2023/24) 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.

2024/25 Adjustments

Table 21: Adjustments involving the Capital Adjustment Account (CAA):

Adjustments 2024/25 Capital Adjustment Account (CAA)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation and impairment of non-current assets	-46,109	0	0	-23,976	0	70,085
Amortisation of Intangible Assets	-765	0	0	0	0	765
Revaluation losses on PPE	-38,773	-95	0	0	0	38,868
Revaluation gains on PPE	13,345	2,798	0	0	0	-16,143
Movements in the market value of Investment Properties	-11,153	0	0	0	0	11,153
Revenue expenditure funded from capital under statute (REFCUS)	-29,024	0	0	0	0	29,024
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-12,997	-6,304	0	0	0	19,301

Adjustments 2024/25 Capital Adjustment Account (CAA)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions applied	23,384	2,024	0	0	0	-25,408
Capital grants and contributions applied (REFCUS)	18,554	0	0	0	0	-18,554
Provision for the financing of capital expenditure	10,077	3,762	0	0	0	-13,839
Capital expenditure charged against balances	2,979	4,637	0	0	0	-7,616
Financial instruments impairment charges	229	0	0	0	0	-229

Table 22: Adjustments involving the Capital Grants Unapplied Account

Adjustments 2024/25 Capital Grants Unapplied Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions unapplied and credited to the CIES	26,821	0	0	0	-26,821	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	22,063	-22,063

Table 23: Adjustments involving the Capital Receipts Reserve:

Adjustments 2024/25 Capital Receipts Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	7,126	8,266	-15,392	0	0	0
Financing new capital expenditure	0	0	14,375	0	0	-14,375
Contribution towards administrative costs of asset disposals	-230	-205	435	0	0	0
Cash receipts from the repayment of capital loans given	0	0	-969	0	0	969
Used to repay debt (transfer to CAA)	0	0	921	0	0	-921

Table 24: Adjustment involving the Deferred Capital Receipts Reserve:

Adjustments 2024/25 Deferred Capital Receipts Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 25: Adjustment involving the Major Repairs Reserve:

Adjustments 2024/25 Major Repairs Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Financing of new capital expenditure (transfer to CAA)	0	0	0	23,976	0	-23,976
Used to repay debt (transfer to CAA)	0	0	0	0	0	0

Table 26: Adjustment involving the Financial Instruments Adjustment Account:

Adjustments 2024/25 Financial Instruments Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	270	-35	0	0	0	-235

Table 27: Adjustments involving the Pensions Reserve:

Adjustments 2024/25 Pensions Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items relating to retirement benefits debited or credited to the CIES	-45,350	0	0	0	0	45,350
Employer's pensions contributions and direct payments	49,479	0	0	0	0	-49,479

Table 28: Adjustments involving the Collection Fund Adjustment Account:

Adjustments 2024/25 Collection Fund Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount by which Council Tax and Non-Domestic Rating income credited to the CIES is different from that required by statutory regulations	-2,760	0	0	0	0	2,760

Table 29: Adjustment involving the Accumulated Absences Account:

Adjustments 2024/25 Accumulated Absences Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from that required by statutory regulations	18	0	0	0	0	-18

Table 30: Adjustment involving the Dedicated Schools Grant Adjustment Account:

Adjustments 2024/25 Dedicated Schools Grant Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount of schools budget deficit to DSG adjustment accounts	-20,260	0	0	0	0	20,260

Table 31: Adjustment involving the Pooled Fund Adjustment Account:

Adjustments 2024/25 Pooled Fund Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for fair value movements on the CCLA Property Fund	164	0	0	0	0	-164
Total Adjustments 2024/25	-54,978	14,848	-630	0	-4,758	45,518

2023/24 Adjustments

Table 32: Adjustments involving the Capital Adjustment Account (CAA):

Adjustments 2023/24 Capital Adjustment Account (CAA)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 33: Adjustments involving the Capital Grants Unapplied Account

Adjustments 2023/24 Capital Grants Unapplied Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions unapplied and credited to the CIES	38,184	0	0	0	-38,184	0

Adjustments 2023/24 Capital Grants Unapplied Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Application of grants to capital financing transferred to the CAA	0	0	0	0	24,170	-24,170

Table 34: Adjustments involving the Capital Receipts Reserve:

Adjustments 2023/24 Capital Receipts Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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
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

Table 35: Adjustment involving the Deferred Capital Receipts Reserve:

Adjustments 2023/24 Deferred Capital Receipts Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 36: Adjustment involving the Major Repairs:

Adjustments 2023/24 Major Repairs	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 37: Adjustment involving the Financial Instruments Adjustment Account:

Adjustments 2023/24 Financial Instruments Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount by which finance costs charged to the CIES are different from those required by statutory regulations	274	-36	0	0	0	-238

Table 38: Adjustments involving the Pensions Reserve:

Adjustments 2023/24 Pensions Reserve	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 39: Adjustments involving the Collection Fund Adjustment Account:

Adjustments 2023/24 Collection Fund Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 40: Adjustment involving the Accumulated Absences Account:

Adjustments 2023/24 Accumulated Absences Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

Table 41: Adjustment involving the Dedicated Schools Grant Adjustment Account:

Adjustments 2023/24 Dedicated Schools Grant Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount of schools budget deficit to DSG adjustment accounts	-14,820	0	0	0	0	14,820

Table 42: Adjustment involving the Pooled Fund Adjustment Account:

Adjustments 2023/24 Pooled Fund Adjustment Account	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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

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.

Table 43: Transfers to/from Earmarked Reserves

Earmarked reserves	Balance at 31/03/23 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31/03/24 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31/03/25 £000
Statutory	-12,571	519	-663	-12,715	1,024	-324	-12,015
Member Led	-2,462	1,224	-11	-1,249	284	-14	-979
Apprenticeship Levy	-3,131	0	-443	-3,574	1,309	0	-2,265

Earmarked reserves	Balance at 31/03/23 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31/03/24 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31/03/25 £000
Transformation	-3,839	1,635	-863	-3,067	1,587	0	-1,480
Demand	-10,750	10,750	-3,000	-3,000	3,000	0	0
Development Funding	-848	930	-703	-621	210	-503	-914
Revenue Grants	-9,336	9,993	-9,677	-9,020	3,576	-12,554	-17,998
Stronger Families Grant	-1,140	1,140	-784	-784	396	-300	-688
Specific Risk	0	2,500	-6,000	-3,500	3,500	0	0
Covid-19	-3,740	3,740	0	0	0	0	0
WYCA Returned Levy	0	0	-9,424	-9,424	9,424	0	0
Voluntary Revenue Provision	0	0	0	0	8,691	-15,195	-6,504
Strategic Budget Contingency	0	0	0	0	0	-3,500	-3,500
Other	-1,695	799	-1,058	-1,954	610	-332	-1,677
Total Earmarked Reserves	-49,512	33,230	-32,626	-48,908	33,610	-32,722	-48,020
<i>Unallocated Balances</i>	-47,109			-25,046			-25,046
General Fund Balances	-96,621			-73,954			-73,066

- 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 2025 represents 85 Schools with cumulative balances of £12.2 million (77 schools and £12.4 million at 31 March 2024) and 13 schools with cumulative deficits amounting to £1.0 million (26 schools and £0.8 million at 31 March 2024) and Public Health grant spend commitments of £0.9 million (£1.1 million at 31 March 2024).
- 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 payment to the Council used to support the MTFP in 2024/25.
- Voluntary Revenue Provision relates to funds put aside for voluntary overpayments of Minimum Revenue Provision (MRP).
- Strategic budget Contingency is to fund budget pressures that may arise due to delays in implementing savings plans and/or issues that have arisen post the agreement of the budget.

Notes referring to specific items in the CIES

12. Other Operating Expenditure

Table 44: Other Operating Expenditure

Other operating expenditure	2024/25 £000	2023/24 £000
Parish council precepts	993	848
Levies	235	224
Gains(-)/losses on the disposal of non-current assets	6,441	2,724
Revaluation loss on assets held for sale	6,549	0
De-recognition of Academies' Balances	286	266
Total	14,504	4,062

Net loss on the disposal of non-current assets includes academy transfers. These totalled £9.0 million in 2024/25 as part of five academy conversions (2023/24 £4.2 million as part of four schools' academy conversions).

13. Financing and Investment Income and Expenditure

Table 45: Financing and investment income and expenditure

Financing and investment income and expenditure	2024/25 £000	2023/24 £000
Interest payable and similar charges	39,027	31,315
Net interest on the net defined benefit obligation	-5,513	-2,529
Interest receivable and similar income	-5,113	-4,984
Income and expenditure in relation to investment property and changes in fair value (Note 17)	9,318	8,487
Dividend Income	-670	-787
Income from sale of shares	-1,321	0
Other – movements on financial instruments	-393	2,315
Total	35,335	33,817

Notes referring to specific items in the balance sheet

14. Taxation and Non-Specific Grant Income

Table 46: Taxation and Non-Specific Grant Income

Taxation and Non-specific Grant Income	2024/25 £000	2023/24 £000
Council Tax income	-235,556	-216,800
Non-Domestic Rates	-47,468	-47,848
Non-ring-fenced government grants	-92,708	-89,625
Capital grants and contributions	-51,828	-61,636
Total	-427,560	-415,909

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)

Table 47: Property, Plant and Equipment (PPE) 2024/2025

Movement in 2024/2025	Council Dwellings £000	Other land & buildings £000	Vehicles, Plant Furniture & equipment £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total plant & equipment £000	PFI Assets Included in PPE £000
Cost or Valuation								
At 1 April 2024	824,731	521,445	45,915	13,500	37,282	41,959	1,484,832	80,695
Adjustment on adoption of IFRS 16	0	516	1,335	0	0	0	1,851	0
Revised Cost or Valuation	824,731	521,961	47,250	13,500	37,282	41,959	1,486,683	80,695
Additions	26,596	11,105	3,308	904	825	29,763	72,501	3,317
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	-25,452	-17,288	0	0	-2,276	0	-45,017	-3,325
Revaluation increases/ decreases (-) recognised in the Provision of Services	2,276	-16,424	0	0	-6,117	0	-20,266	-3,640
De-recognition – disposals	-2,196	-10,315	-4,833	-35	-1,366	0	-18,744	0
Assets reclassified to Held for Sale	-6,364	-8,673	0	0	-1,166	0	-16,203	0
Other movements in cost or valuation	15,136	-287	0	0	-2,205	-15,910	-3,266	0
At 31/03/2025	834,727	480,079	45,724	14,369	24,977	55,812	1,455,689	77,048
Accumulated Depreciation & Impairment								
At 1 April 2024	0	-7,114	-23,077	-11,160	-737	0	-42,088	-313
Depreciation charge	-23,819	-11,913	-5,880	-410	-245	0	-42,267	-4,978
Depreciation written out to the Revaluation Reserve	23,392	7,229	0	0	132	0	30,753	3,404

Movement in 2024/2025	Council Dwellings £000	Other land & buildings £000	Vehicles, Plant Furniture & equipment £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total plant & equipment £000	PFI Assets Included in PPE £000
Depreciation written out to the Deficit on the Provision of Services	427	3,364	0	0	299	0	4,090	1,652
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	447	4,488	35	9	0	4,979	0
Other movements in depreciation and impairment	0	460	0	0	-24	0	436	0
At 31/03/2025	0	-7,529	-24,470	-11,535	-566	0	-44,100	-236
Net Book Value								
at 31/03/2025	834,727	472,550	21,254	2,834	24,411	55,812	1,411,587	76,812
at 31/03/2024	824,731	514,330	22,837	2,340	36,545	41,959	1,442,742	80,382

Table 48 Property, Plant and Equipment (PPE) 2023/2024

Movement in 2023/2024	Council Dwellings £000	Other land & buildings £000	Vehicles, Plant Furniture & equipment £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total plant & 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 (-)								

Movement in 2023/2024	Council Dwellings £000	Other land & buildings £000	Vehicles, Plant Furniture & equipment £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total plant & equipment £000	PFI Assets Included in PPE £000
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 31/03/2024	824,731	521,444	45,914	13,500	37,282	41,959	1,484,830	80,695
Accumulated Depreciation & 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 31/03/2024	0	-7,114	-23,077	-11,160	-737	0	-42,088	-313

Movement in 2023/2024	Council Dwellings £000	Other land & buildings £000	Vehicles, Plant Furniture & equipment £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total plant & equipment £000	PFI Assets Included in PPE £000
Net Book Value								
at 31/03/2024	824,731	514,330	22,837	2,340	36,545	41,959	1,442,742	80,382
at 31/03/2023	812,046	534,252	20,610	2,075	32,855	25,082	1,426,920	97,423

Highways Infrastructure Assets

Movements on balances

Table 49: Highways Infrastructure Assets Movement on balances

Highways Infrastructure assets	2024/25 £000	2023/24 £000
Net Book Value (Modified Historical Cost)		
At 1 April	247,444	230,680
Additions	36,337	42,858
De-recognition – disposals	0	0
Depreciation charge	-27,809	-26,094
Impairment	0	0
Other movements in cost	56	0
Net Book Value 31 March	256,028	247,444

Reconciling note with the Balance Sheet

Table 50: Highways Infrastructure Assets Movement Reconciling not with the Balance Sheet

Highways Infrastructure assets	2024/25 £000	2023/24 £000
Infrastructure Assets	256,028	247,444
Other PPE Assets	1,411,587	1,442,742
Total PPE Assets	1,667,615	1,690,186

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 – Align Property Partners. The valuer holds the appropriate qualification required and belong to the Royal Institution of Chartered Surveyors (RICS). The valuation dates were 31 January 2025 and 28 February 2025 for the General Fund and HRA assets respectively. These were done in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

There was a net loss in the PPE values of £30.4 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 2025. Specialised operational assets valued at Depreciated Replacement Cost have been assessed by using BCIS indices as a reference for construction costs. Assets valued at Existing 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.

Current values of assets

Table 51: Current values of assets by year last revalued

Assets	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	0	7,658	21,254	256,028	2,834	742	55,812	344,328
Carried at current value as at:								
2024/25	834,727	257,810	0	0	0	8,796	0	1,101,333
2023/24	0	96,213	0	0	0	5,009	0	101,222
2022/23	0	110,869	0	0	0	9,864	0	120,733
Total	834,727	472,550	21,254	256,028	2,834	24,411	55,812	1,667,616

Capital Commitments

In March 2025, the Council approved a capital programme of £362 million for 2025/26. A further £833 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 £86 million at 31 March 2025 (£35.6 million at 31 March 2024) for schemes under progress.

16. Heritage Assets

Movements on balances

Table 52: Heritage assets movements on balances

Movement in 2024/2025	Fine Art Collection £000	Museums & Galleries Exhibits £000	Other £000	Total assets £000
Cost or Valuation				
At 1 April 2024	49,566	3,302	2,743	55,611
Additions	0	0	2	2
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	0	212	0	212
Revaluations recognised in the Provision of Services	0	0	0	0

Movement in 2024/2025	Fine Art Collection £000	Museums & Galleries Exhibits £000	Other £000	Total assets £000
At 31/03/2025	49,566	3,514	2,745	55,825
Accumulated Depreciation				
At 1 April 2024	0	0	-4	-4
Depreciation charge	0	0	-9	-9
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Provision of Services	0	0	0	0
At 31 March 2025	0	0	-13	-13

Table 53 Heritage assets movements on balances 2023/2024

Movement in 2023/24	Fine Art Collection £000	Museums & Galleries Exhibits £000	Other £000	Total assets £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 2023/24	Fine Art Collection £000	Museums & Galleries Exhibits £000	Other £000	Total assets £000
Net Book Value				
at 31 March 2025	49,566	3,514	2,732	55,812
at 31 March 2024	49,566	3,302	2,739	55,607

Fine Art and Museum Exhibits Collections

Kirklees Museums and Galleries Service manages the collections of fine art and museum exhibits. Although many early additions to the collections were acquired by purchase, more recent additions are likely to be by donation or, occasionally, by bequests.

Some items have been purchased through the national purchase grant fund administered by the Victoria and Albert Museum and the Museums, Libraries and Archives Council. The collection has also benefited from continued membership of the Contemporary Art Society. The majority of items acquired in this way have covenants covering terms of use and restrictions on sale.

Like most museums and galleries services, much of the collection is in store. The Council showcases the best of the collections and includes wide ranging collections from the dawn of time to present day of local, regional, national and international significance. The Council has a "Collections Development Policy" which gives details on how the collections are managed through review, rationalisation, acquisition, disposal, care, conservation and documentation. The Policy is approved by Council and is reviewed at least once every five years.

There have been no significant purchases, disposals or impairments of items over the last five years.

Fine Art Collection

The collection comprises 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 2024) 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 2024) and the "Falling Warrior" sculpture by Henry Moore valued at £6.0 million (£6.0 million 31 March 2024). The total value of donated artwork items as at 31 March 2025 is £26.6 million (£26.6 million 31 March 2024).

Museum Exhibits

The collection consists of around 750,000 items relating to archaeology, arts and crafts (ceramics, furniture etc), industry, natural sciences, social history and world cultures which have been collected during the nineteenth and twentieth centuries. At any time 4% of the collection is on display across the museum sites. Some of the more significant items include the Skelmanthorpe Flag; the Porritt Collection (British butterflies

and moths); a collection linked to Bamforth and Company (publishers of comic postcards); a collection of Mesolithic material; and a photographic archive of over 250,000 images on glass plate and celluloid negatives, lantern slides and original prints.

Other Heritage Assets

This category includes the Civic Silver Collection, structural heritage assets, statues and books of remembrance. In terms of monetary value, the first two are the most significant. There have been no significant purchases, disposals or impairments under this category over the last five years.

The Civic Silver Collection consists of 387 items, mainly comprising of chains and pendants of office, maces and silverware. Its value as at 31 March 2025 is £1.6 million (£1.6 million 31 March 2024). 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 2024).

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 2025 is £0.4 million (£0.4 million 31 March 2024).

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:

Income and expenditure

Table 54: Income and expenditure

Income and expenditure	2024/25 £000	2023/24 £000
Rental income from Investment Property	-2,398	-2,399

Income and expenditure	2024/25 £000	2023/24 £000
Direct operating expenses arising from Investment Property	1,436	1,258
Net gain	-962	-1,141
Net gains (-)/ loss from fair value adjustments	11,152	10,670
Net gains (-)/ loss on disposals of assets	-873	-1,042
Net income (-)/ expenditure in relation to investment property and changes in fair value	9,317	8,487

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.

Movement in the fair value of Investment Property over the years

The movement in the fair value of Investment Property over the year is as follows:

Table 55: Movement in the fair value of Investment Property over the years

Movement in fair value	2024/25 £000	2023/24 £000
Balance at 1 April	90,762	97,535
Additions	615	5,229
Disposals	-1,637	-1,332
Net gains/loss (-) from fair value adjustments	-11,152	-10,670
Transfers from Property, Plant and Equipment	2,927	0
Balance at 31 March	81,515	90,762

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 – Align Property Partners – 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 £0.8 million was charged to CIES in 2024/25 (£0.5 million in 2023/24).

Table 56: Intangible assets

Intangible assets	2024/25 £000	2023/24 £000
Balance at 1 April		
Gross carrying amounts	8,747	7,816
Accumulated amortisation	-6,491	-6,037
Net carrying amount at 1 April	2,256	1,779
Additions – Purchases	890	931
Amortisation for the period	-765	-454
Net carrying amount at 31 March	2,380	2,256
Comprising:		
Gross carrying amounts	9,637	8,747
Accumulated amortisation	-7,257	-6,491

Intangible assets	2024/25 £000	2023/24 £000
Total	2,380	2,256

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

Amortised cost

Table 57: Financial assets Amortised cost 31 March 2025 and 2024

Financial Assets Amortised costs	2025 Non-Current Investments £000	2024 Non-Current Investments £000	2025 Non-Current Debtor £000	2024 Non-Current Debtor £000	2025 Current Invest £000	2024 Current Invest £000	2025 Current Debtors £000	2024 Current Debtors £000
Investment principal	60	60	18,541	15,796	0	0	64,416	60,468
Investment accrued interest	0	0	0	0	82	0	0	0
Soft loans principal	0	0	13,334	13,843	0	0	0	0
Soft loans accrued interest	0	0	0	0	6	6	0	0
Finance Leases	0	0	3,391	3,395	0	0	0	0
Cash and cash equivalents	0	0	0	0	19,484	41	0	0
Cash and cash equivalents accrued interest	0	0	0	0	3	0	0	0
Total Amortised cost	60	60	35,266	33,034	19,575	47	64,416	60,468
Fair value through profit and loss	8,694	8,530	0	0	30,071	29,320	0	0
Fair value through other comprehensive	4,081	4,138	0	0	0	0	0	0

Financial Assets Amortised costs	2025 Non-Current Investments £000	2024 Non-Current Investments £000	2025 Non-Current Debtor £000	2024 Non-Current Debtor £000	2025 Current Invest £000	2024 Current Invest £000	2025 Current Debtors £000	2024 Current Debtors £000
income designated equity instruments								
Total Financial Assets	12,835	12,728	35,266	33,034	49,646	29,367	64,416	60,468
Non-Financial Assets	0	0	2,937	2,936	0	0	39,361	35,719
Total	12,835	12,728	38,203	35,970	49,646	29,367	103,777	96,187

Financial Liabilities

Amortised cost

Table 58: Financial Liabilities Amortised cost 31 March 2025 and 2024

Financial Liabilities Amortised costs	2025 Non-Current Borrowings £000	2024 Non-Current Borrowings £000	2025 Non-Current Creditors £000	2024 Non-Creditors £000	2025 Current Borrowings £000	2024 Current Borrowings £000	2025 Current Creditors £000	2024 Current Creditors £000
Principal	-698,037	-640,226	0	0	-75,190	-66,210	-57,088	-53,242
Loans accrued interest	0	0	0	0	-8,129	-7,095	0	0
Market loans EIR adjustment	-814	-837	0	0	0	0	0	0
PFI, finance lease and transferred debt	-82,835	-72,180	0	0	-8,203	-5,455	0	0
Bank Overdraft	0	0	0	0	0	-2,984	0	0
Total Financial Liabilities	-781,686	-713,243	0	0	-91,522	-81,744	-57,088	-53,242
Non-Financial Liabilities	0	0	0	0	0	0	-48,643	-44,728
Total	-781,686	-713,243	0	0	-91,522	-81,744	-105,731	-97,970

Borrowings

Financial Borrowings

Table 59: Financial Borrowings 31 March 2025 and 2024

Borrowings	2025 non-current £000	2025 Current £000	2024 non-current £000	2024 Current £000
PWLB	-590,514	-38,344	-526,812	-28,551
LOBOs	-30,814	-271	-30,837	-268
Other market debt	-70,540	-44,434	-76,431	-44,216
Stock	-6,983	-270	-6,983	-270
Total	-698,851	-83,319	-641,063	-73,305

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:

Table 60: Movements on material soft loans

Movements on material soft loans	College £000	Renewable Energy £000	Total £000
Balance at 1 April 2023	13,294	1,785	15,079
Loans repaid 2023/24	-875	-62	-937
Change in impairment loss allowance 2023/24	35	3	38
Unwinding of discount 2023/24	172	0	172
Balance at 31 March 2024	12,626	1,726	14,352

Movements on material soft loans	College £000	Renewable Energy £000	Total £000
Loans repaid 2024/25	-921	-38	-958
Change in impairment loss allowance 2024/25	337	0	336
Unwinding of discount 2024/25	169	0	169
Balance at 31 March 2025	12,211	1,688	13,899
Nominal value at 31 March 2024	14,776	1,817	16,593
Nominal value at 31 March 2025	13,856	1,779	15,635

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.

Table 61: Equity Instruments Designated at Fair Value Through Other Comprehensive Income

Equity Instruments	31/03/2025 Fair Value £000	31/03/2024 Fair Value £000
LCR Revolving Investment Fund	3,154	3,048
Kirklees Schools Services Ltd	807	946
QED (KMC) Holdings Ltd	121	144
Total	4,082	4,138

Offsetting Financial Assets and Liabilities

The Council has legal right of offset on its current account banking arrangements and as at 31 March 2025 had a credit balance of £1.1 million at the bank (£1.6 million 31 March 2024) offset by a debit balance of £1.1 million (£1.6 million 31 March 2024).

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:

Table 62: Financial Instruments Income, Expense, Gains and Losses

Income, Expense, Gains and Losses	Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Financial Assets Fair Value through OCI £000	Financial Assets Fair Value through Profit and Loss £000	2024/25 Total £000	2023/24 Total £000
Interest expense	38,985	0	0	0	38,985	31,943
Losses on de-recognition	26	0	0	0	26	33
Impairment losses	0	1,718	0	0	1,718	3,590
Interest payable and similar charges	39,011	1,718	0	0	40,729	35,566
Interest income	0	-3,316	0	-1,407	-4,723	-4,562
Dividend income	0	0	0	-428	-428	-440
Gains on de-recognition	-30	0	0	0	-30	-635
Interest and investment income	-30	-3,316	0	-1,835	-5,181	-5,637
Net impact on Surplus/Deficit on the Provision of Service	38,981	-1,598	0	-1,835	35,548	29,929
Gains on revaluation	0	0	0	0	0	-37
Losses on revaluation	0	0	57	0	57	0
Impact on other comprehensive income	0	0	57	0	57	-37
Net gain (-) / loss for the year	38,981	-1,598	57	-1,835	35,605	29,892

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.

Table 63: Financial Assets Recurring Fair Value Measurements

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2025 Fair Value £000	31/03/2024 Fair Value £000
Fair Value through Profit and Loss				

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2025 Fair Value £000	31/03/2024 Fair Value £000
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	29,971	29,210
CCLA Property Fund	Level 2	Inputs that are observable for the asset, other than quoted prices	8,794	8,640
Fair Value through Other Comprehensive Income				
LCR Revolving Investment Fund	Level 3	Discounted cash flow techniques	3,154	3,048
Kirklees Schools Services Ltd QED (KMC) Holdings Ltd	Level 3	Discounted cash flow techniques	928	1,090

In addition, the fair value of short-term instruments, including investments, borrowing, cash, trade payables and receivables, is assumed to approximate to the carrying amount. However, there are a number of financial assets and liabilities which are carried in the Balance Sheet at amortised cost. Their fair values are shown in the tables below:

Financial Assets Fair Value

Table 64: Fair Value of Financial Assets held at amortised cost

Financial Assets	Fair Value level	31/03/2025 Carrying Amount £000	31/03/2025 Fair Value £000	31/03/2024 Carrying Amount £000	31/03/2024 Fair Value £000
Long-term debtors	2	35,266	35,402	33,034	34,590
Short-term debtors		64,416	64,416	60,468	60,468
Cash and cash equivalents		19,575	19,575	47	47
Total Amortised Cost		119,257	115,571	93,549	95,105
Cash and cash equivalents - Fair value through profit and loss		30,071	30,071	29,320	29,320

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. The fair values of long-term debtors have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

Financial Liabilities Fair Value

Table 65: Fair Value of Financial Liabilities held at amortised cost

Financial Liabilities	Fair Value level	31/03/2025 Carrying Amount £000	31/03/2025 Fair Value £000	31/03/2024 Carrying Amount £000	31/03/2024 Fair Value £000
PWLB	2	-628,859	-563,035	-555,364	-521,161
LOBOs	2	-31,085	-33,351	-31,105	-34,215
Other market debt	2	-114,974	-102,241	-120,646	-112,458
Loan stock	2	-7,253	-9,790	-7,253	-10,339
Transferred Debt	2	-2,263	-2,297	-2,358	-2,676
Short-term creditors		-57,088	-57,088	-53,242	-53,242
Bank Overdraft		-0	0	-2,984	-2,984
Subtotal		-841,522	-767,802	-772,952	-737,075
PFI & lease liabilities		-88,174		-75,276	
Total		-929,696		-848,228	

The fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025, 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 2025.
- No early repayment or impairment is recognised for any financial instrument.
- Note that, following the implementation of IFRS 16, disclosure of fair values are no longer required for finance lease or PFI scheme liabilities.

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 2025) 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 Statutory 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 2024/25 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 2024/25 was approved by the Council on 6 March 2024 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:

Table 66: Credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity

Credit rating	31/03/2025 Short-term £000	31/03/2024 Short-term £000
AAA	29,900	29,095
AA-	17,950	0
A+	753	0
Total	48,603	29,095

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 2024/25.

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 2025, the Council had a balance owing from its customers (mainly services and rent) of £69.8 million (£64.5 million 31 March 2024). This is the short term debtor total of £139.1m (2023/24 £126.4m) less non-financial instrument and non-customer debtors totalling £69.3m (2023/24 £61.9m). The exposure to default has been assessed and is reflected in a bad debt provision of £6.7 million (£5.5 million 31 March 2024). Of the trade debtors outstanding as at 31 March 2025 of £11.2 million (£28.2m sundry debtor total less £17.0m relating to residential care), 74% (2023/24 79%) relate to outstanding debt due within 3 months of the Balance Sheet date, 8% (2023/24 6%) within 3 to 6 months, 5% (2023/24 4%) within 6 to 12 months and 13% (2023/24 11%) more than 12 months. The Council's credit risk on its lending arrangements for long term debtors is assessed and is reflected in an impairment provision of £9.2 million (2023/24 £9.2 million) against long term debtors of £38.2m (2023/24 £35.6m).

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 no more than 20% of loans due to mature within one year.

The Council holds £48.6 million (£29.1 million 31 March 2024) 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:

Table 67: Maturity analysis of financial instruments

Time to maturity (years)	Liabilities 31/03/25 £000	Assets 31/03/25 £000	Net 31/03/25 £000	Liabilities 31/03/24 £000	Assets 31/03/24 £000	Net 31/03/24 £000
Less than one year	-148,044	114,062	-33,982	-131,549	86,852	-44,697
Between 1 and 2 years	-58,692	10,737	-47,955	-61,915	11,989	-49,926
Between 2 and 5 years	-163,108	13,175	-149,933	-81,301	8,869	-72,432
Between 5 and 10 years	-186,181	16,000	-170,181	-179,292	15,455	-163,837
Between 10 and 20 years	-122,433	1,740	-120,693	-125,007	3,087	-121,920
More than 20 years	-251,238	6,450	-244,788	-266,181	6,362	-259,819
Total	-929,696	162,164	-767,532	-845,245	132,614	-712,631

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 2025, investments held by the Council for cash flow purposes were entirely at variable rates for instant access. In terms of borrowing, the Council held £30.8 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. All LOBO debt is exposed to variable rates through lender options. A 1% rise in interest rates with all other variables held constant would increase interest costs by £0.7 million over the next 12 months, while it would reduce the fair value of fixed rate loans by £45.1m (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure).

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £0.9 million in a number of joint ventures. Similarly, the Council holds an investment in the LCR Revolving Investment Fund currently valued at £3.2m. The Council is consequently exposed to losses arising from movements in the values of the shares and its investment. 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 and the investment 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. The override has been extended to March 2029.

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.

Table 68: Long Term Debtors

Long term debtors	31/03/2025 £000	31/03/2024 £000
Kirklees College	11,583	12,382
PFI Prepayments (i)	2,937	2,936
Finance Leases (ii)	3,391	3,395
Charges on Property for Residential Care	2,913	1,818
Renewable Energy	1,779	1,817
103 New Street	12,247	12,247
Kirklees Stadium Development Ltd	4,321	4,321
Kingsgate Phase 2	7,500	5,494
Other	704	739
Total	47,375	45,149
Impairment Provision	-9,172	-9,179
Net Long-Term Debtors	38,203	35,970

(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

Table 69: Inventories

Inventories	Consumable Stores and Maintenance Materials £000	Construction Costs £000	Rechargeable Work in Progress £000	Total £000
Balance as at 1 April 2024	3,246	1,056	294	4,596
Purchases	8,064	2,681	0	10,745
Recognised as an expense in the year	-8,434	0	0	-8,434
Adjustments	53	0	0	53
Movement in Work in Progress	0	0	-157	-157
Balance as at 31 March 2025	2,929	3,737	137	6,803

22. Short Term Debtors

Table 70: Short Term Debtors

Short term debtors	31/03/2025 £000	31/03/2024 £000
Central government bodies	16,660	17,700
Other local authorities	5,123	5,319
NHS bodies	5,523	584
Public corporations & trading funds	0	0
Capital debtors	19,368	19,043
Payments in advance	13,400	13,819
Other entities and individuals	79,011	69,897
Total:	139,085	126,362
Bad debt provision – Other entities and individuals	-35,308	-30,175
Net Short-Term Debtors	103,777	96,187

The Capital debtors' figure of £19.4 million includes a grant owed at 31 March 2025 of £3.8 million West Yorkshire Combined Authority (WYCA) City Region Transport (£5.6 million in 2023/24) and £8.2 million WYCA Transport Fund (£9.1 million in 2023/24).

23. Cash and Cash Equivalents

Table 71: Cash and Cash Equivalents

Cash and cash equivalents	31/03/2025 £000	31/03/2024 £000
Cash held by the Council	40	41
Bank Current Accounts	741	0
Instant access deposit accounts/investments that mature within 90 days or less	48,865	29,326
Cash and Cash Equivalents	49,646	29,367
Bank overdraft considered to be an integral part of cash management	0	-2,984

24. Short Term Creditors

Table 72: Short Term Creditors

Short term creditors	31/03/2025 £000	31/03/2024 £000
Central government bodies	-17,028	-11,208
Other local authorities	-2,518	-3,212
NHS bodies	-86	-209
Capital creditors	-294	-3,300
Accumulated absences	-12,868	-12,886
Receipts in advance	-16,681	-15,332
Other entities and individuals	-56,257	-51,823
Total	-105,732	-97,970

The Central government bodies movement above is due to grants received in advance £4.8 million, being mainly DWP Rent Allowance of £2.0 million.

25. Provisions

Table 73: Provisions

Provisions	Insurance £000	Business Rate Appeals £000	Housing Disrepair Claims £000	Total £000
Balance at 1 April 2024	-10,607	-1,886	0	-12,493
Additional provision made in 2024/25	-4,727	-1,510	-2,233	-8,470
Amounts used in 2024/25	4,206	1,383	0	5,589
Amounts reversed in 2024/25	146	0	0	146
Balance at 31 March 2025	-10,982	-2,013	-2,233	-15,228

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 (2024/25). 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.

The Housing Disrepair Claims provision covers claims from tenants against the HRA for failing to repair properties to the correct standard.

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:

Table 74: long term and short-term provisions

Long-term and Short-term provisions	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 31 March 2025	-6,400	-8,828	-15,228

Long-term and Short-term provisions	Short Term Provisions £000	Long Term Provisions £000	Total Provisions £000
Balance at 1 April 2024	-3,739	-8,754	-12,493

26. Other Long-Term Liabilities

Table 75: Other Long-Term Liabilities

Other Long-Term Liabilities	31/03/2025 £000	31/03/2024 £000
Deferred Liabilities (mainly outstanding PFI finance lease obligations)	-82,235	-72,180
Net Liability Related to Defined Benefit Pension Scheme	-47,225	-53,982
Long Term Provisions	-8,828	-8,754
Total	-138,288	-134,916

The Net Liability Related to Defined Benefit Pension Scheme only includes the LGPS Unfunded and Teachers pensions schemes in 2024/25 as the LGPS Funded pension scheme was a net Pension Asset as at 31 March 2025, restricted to zero per IFRIC14. 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:

Table 76: Unusable reserves

Unusable reserves	31/03/2025 £000	31/03/2024 £000
Capital Adjustment Account	-637,434	-673,668
Revaluation Reserve	-277,810	-301,706
Pensions Reserve	47,225	-90,437

Unusable reserves	31/03/2025 £000	31/03/2024 £000
Financial Instruments Revaluation Reserve	-1,126	-1,183
Financial Instruments Adjustment Account	1,873	2,108
Pooled Fund Adjustment Account	1,306	1,471
Deferred Capital Receipts Reserve	-3,395	-3,398
Collection Fund Adjustment Account	10,142	7,381
Accumulated Absences Account	12,868	12,886
Dedicated Schools Grant Adjustment Account	63,946	43,686
Total Unusable Reserves	-782,405	-1,002,860

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 £63.9 million as at 31 March 2025 includes a £64.1 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 £0.2 million includes net savings on Early Years and Central School Services budgets in 2024/25.

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.

Table 77: Capital Adjustment Account

Capital Adjustment Account	2024/25 £000	2023/24 £000
Balance at 1 April	-673,668	-702,869
Adjustment on adoption of IFRS16 lease	17,827	
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	-14,375	-11,509
Use of Capital Receipts Reserve to repay debt	-921	-875
Use of the Major Repairs Reserve to finance new capital expenditure	-23,976	-20,640
Capital grants and contributions credited to the CIES that have been applied to capital financing	-43,963	-39,851
Application of grants to capital financing from the Capital Grants Unapplied Account	-22,063	-24,170
Statutory provision (MRP) for the financing of capital investment charged against the General Fund, HRA Balances and Major Repairs Reserve	-13,839	-9,616
Capital expenditure charged against the General Fund and HRA Balances	-7,616	-5,635
Sub-total	-782,594	-815,165
Charges for depreciation and impairment of non-current assets	70,085	68,400
Amortisation of intangible assets	765	454
Revaluation losses on PPE	38,868	35,040
Revaluation gains on PPE	-16,143	-8,303
Movements in the market value of Investment Property	11,153	10,670
Revenue expenditure funded from capital under statute (REFCUS)	29,024	24,174
Amounts of non-current assets written off on disposal or sale	19,301	11,512
Adjusting amounts written out of the Revaluation Reserve	-8,633	-6,075
Long-term debtors written down	969	957
Financial Instruments impairment charge	-229	4,668
Balance at 31 March	-637,434	-673,668

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.

Table 78: Revaluation Reserve

Revaluation Reserve	2024/25 £000	2023/24 £000
Balance at 1 April	-301,706	-283,699
Adjustment on adoption of IFRS 16	1,209	0
Revised balance at 1 April	-300,497	-283,699
Upward revaluation of assets	-28,898	-51,238
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	42,951	27,156
Total:	-286,444	-307,781
Difference between fair value depreciation and historical cost depreciation	4,870	4,559
Accumulated gains on assets sold or scrapped	3,764	1,516
Balance at 31 March	-277,810	-301,706

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.

Table 79: Pensions Reserve

Pensions Reserve	2024/25 LGPS £000	2024/25 Teachers £000	2024/25 Total £000	2023/24 LGPS £000	2023/24 Teachers £000	2023/24 Total £000
Balance at 1 April	-127,276	36,839	-90,437	-69,357	40,023	-29,334
Pension cost payable to Pension Fund	-45,779	-3,700	-49,479	-45,747	-3,752	-49,499
Remeasurement of net pension position	144,161	-2,370	141,791	-62,473	-1,226	-63,699
Reversal of IAS19 entries	43,669	1,681	45,350	50,301	1,794	52,095
Balance at 31 March	14,775	32,450	47,225	-127,276	36,839	-90,437

29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

Table 80: Cash Flow - Operating Activities

Operating Activities	2024/25 £000	2023/24 £000
Interest received	-4,835	-4,829
Interest paid	37,997	33,561
Dividend received	-597	-977
Sale of Looking Local shares	-1,321	0

30. Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements

Table 81: Cash Flow - Adjustments to net surplus or deficit on the provision of services for non-cash movements

Adjustments to net surplus or deficit on the provision of services for non-cash movements	2024/25 £000	2023/24 £000
Pension adjustments	4,129	-2,596
Depreciation, impairment and amortisation	-70,448	-67,465
Revaluation gains/losses	-33,878	-37,408
Carrying amount of non-current assets sold or de-recognised	-19,301	-11,512

Adjustments to net surplus or deficit on the provision of services for non-cash movements	2024/25 £000	2023/24 £000
Movements on -		
Provisions	-2,735	1,062
Inventories	2,207	1,233
Revenue debtors (including bad debt provision)	7,228	3,249
Revenue creditors	-14,130	6,737
Other non-cash items	568	-1,032
Total non-cash movements	-126,360	-107,732

31. Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

Table 82: Cash Flow - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2024/25 £000	2023/24 £000
Capital grants	51,427	61,636
Proceeds from the sale of Property, Plant and Equipment (PPE), Investment Property and Intangible Assets	15,489	10,135
Total	66,916	71,771

Table 83: Cash Flow - Reconciliation of Liabilities arising from Financing Activities

Cash flow	2024/25 At 1 April £000	2024/25 Financing cashflows £000	2024/25 Noncash changes £000	2024/25 At 31 March £000	2023/24 At 1 April £000	2023/24 Financing cashflows £000	2023/24 Noncash changes £000	2023/24 At 31 March £000
Long term borrowing	641,063	57,792	-4	698,851	512,785	128,877	-599	641,063
Short term borrowing	73,305	10,014	0	83,319	106,475	-33,167	-3	73,305
PFI & finance lease liabilities	77,635	-8,085	20,887	90,437	81,660	-4,025	0	77,635
Total liabilities from financing activities	792,003	59,721	20,883	872,607	700,920	91,685	-602	792,003

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:

Table 84: External Audit Costs

External Audit Costs	2024/25 £000	2023/24 £000
External audit services – scale fee	473	425
External audit services – additional charges	0	27
Fees payable to Grant Thornton with regard to external audit services	473	452
Certification of grant claims and returns services	102	100
Total payable to Grant Thornton	575	552

The 2023/24 amounts have been restated due to changed fee awards in relation to the 2023/24 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 Children's contributions to the pool.

Table 85: Integrated Community Equipment Service Pooled Funds

Integrated Community Equipment Service	2024/25 £000	2023/24 £000
Funding provided to the pooled budget		
Kirklees Council – Adults	-1,913	-2,034
Kirklees Council – Children	-500	-505

Integrated Community Equipment Service	2024/25 £000	2023/24 £000
West Yorkshire Integrated Care Board (WYICB)	-1,804	-1,879
Total Funding	-4,217	-4,418
Expenditure met from the pooled budget		
Kirklees Council – Adults	1,327	1,384
Kirklees Council – Children	466	272
West Yorkshire Integrated Care Board (WYICB)	1,793	1,657
Total Expenditure	3,856	3,313
Net surplus arising on pooled budget during the year	-631	-1,105
Council share of the net surplus arising on the pooled budget	-620	-882

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.

Table 86: Better Care Fund Pooled Funds

Better Care Fund	2024/25 £000	2023/24 £000
Funding provided to the pooled budget		
Kirklees Council	-31,918	-29,923
West Yorkshire Integrated Care Board (WYICB)	-41,269	-37,966
Total Funding	-73,187	-67,889
Expenditure met from the pooled budget		
Kirklees Council	56,297	52,346
West Yorkshire Integrated Care Board schemes (WYICB)	16,890	15,543

Better Care Fund	2024/25 £000	2023/24 £000
Total Expenditure	73,187	67,889
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:

Table 87: Officers' Remuneration

Remuneration Band (£)	2024/25 Schools	2024/25 Other	2023/24 Schools	2023/24 Other
50,000 - 54,999	184	209	136	231
55,000 - 59,999	108	117	80	101
60,000 - 64,999	57	46	52	29
65,000 - 69,999	37	8	35	26
70,000 - 74,999	26	20	26	7
75,000 - 79,999	29	5	15	3
80,000 - 84,999	21	5	25	9
85,000 - 89,999	14	9	3	8
90,000 - 94,999	9	4	3	2
95,000 - 99,999	1	1	6	0
100,000 - 104,999	1	3	2	0
105,000 - 109,999	4	0	1	1
110,000 - 114,999	2	8	1	11
115,000 - 119,999	1	0	0	1
120,000 - 124,999	1	1	0	1

Remuneration Band (£)	2024/25 Schools	2024/25 Other	2023/24 Schools	2023/24 Other
125,000 - 129,999	0	1	0	1
130,000 - 134,999	0	0	1	0
135,000 - 139,999	0	1	0	0
140,000 - 144,999	0	0	1	1
145,000 - 149,999	1	2	0	2
150,000 - 154,999	1	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	1	0	0
180,000 - 189,999	0	0	0	0
190,000 - 194,999	0	0	0	0
Total	497	441	387	434

The remuneration figures include employee pension contributions and any severance costs but exclude employer's pension contributions. It should be noted that 3 employees received redundancy payments in 2024/25 (2023/24 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

Table 88: Senior Officers' emoluments 2024/2025

Post holder information (Post title) 2024/25	Salary including fees & allowances £000	Compensation for loss of office £000	Total Remuneration Excluding pension contributions £000	Employers pension contributions (1) £000	Total Remuneration including pension contributions £000
Chief Executive - Steve Mawson	173,855	0	173,855	27,469	201,324
Executive Director Adults & Health (2)	86,602	0	86,602	12,650	99,252
Executive Director Adults & Health (3)	38,994	0	38,994	7,277	46,271
Strategic Director, Children & Families	138,278	0	138,278	21,848	160,126
Deputy Chief Executive Officer, Executive Director, Public Health & Corporate Resources	148,919	0	148,919	23,529	172,448
Executive Director, Place	147,385	0	147,385	23,280	170,665
Service Director - Governance & Commissioning (Monitoring Officer) (4)	45,671	0	45,671	5,859	51,530
Service Director - Governance & Commissioning (Monitoring Officer) (5)	84,146	0	84,146	13,295	97,441
Service Director - Finance, Transactional Services (s151 Officer) - Isabel Brittain (6)	38,114	0	38,114	0	38,114
Service Director - Finance, Transactional Services (s151 Officer) (7)	89,755	0	89,755	14,181	103,936

Table 89 Senior Officers' emoluments 2023/24

Post holder information (Post title) 2023/24	Salary including fees & allowances £000	Compensation for loss of office £000	Total Remuneration Excluding pension contributions £000	Employers pension contributions (1) £000	Total Remuneration including pension contributions £000
Chief Executive - Steve Mawson (8)	83,433	0	83,433	13,182	96,615
Strategic Director, Adults & Health	145,287	0	145,287	22,955	168,242
Strategic Director, Children & Families (9)	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, Growth & Regeneration	142,193	0	142,193	22,466	164,659

Post holder information (Post title) 2023/24	Salary including fees & allowances £000	Compensation for loss of office £000	Total Remuneration Excluding pension contributions £000	Employers pension contributions (1) £000	Total Remuneration including pension contributions £000
Service Director, Governance & Commissioning (Monitoring Officer)	111,242	0	111,242	17,576	128,818
Service Director, Finance, Transactional Services (s151 Officer) - Isabel Brittain (6)	118,266	0	118,266	0	118,266

- (1) No added years pensions were provided for Senior Officers.
- (2) The Executive Director, Adults & Health left on the 29th of January 2025.
- (3) The Executive Director, Adults & Health commenced on the 18th of December 2024.
- (4) The Monitoring Officer, left on the 25th of August 2024.
- (5) The Monitoring Officer, commenced on the 27th of May 2024
- (6) Isabel Brittain interim Service Director – Finance, Transactional Services (s151 Officer) commenced on 2nd of August 2023 and left on the 16th of May 2024, these payments are not made through the payroll.
- (7) Service Director – Finance, Transactional Services (s151 Officer), commenced on the 6th of May 2024.
- (8) Steve Mawson commenced employment on the 1st of October 2023.
- (9) The Strategic Director, Children & Families commenced on the 25th of May 2023.

It should be noted that the 2023/24 figures for senior officer's emoluments only relate to individuals who continued to be employed in 2024/25 and will exclude those who left the Council in 2023/24. 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.

Table 90: Exit Packages and Termination Benefits 2024/2025

Exit package cost band 2024/2025	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 £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £000
£0 - £20,000	0	22	22	195	150	45
£20,001 - £40,000	0	12	12	331	276	55

Exit package cost band 2024/2025	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 £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £000
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	6	6	419	148	271
£80,001 - £100,000	0	1	1	92	29	63
£100,001 - £150,000	0	1	1	127	33	94
Total	0	42	42	1164	636	528

Table 91 Exit Packages and Termination Benefits 2023/2024

Exit package cost band 2023/2024	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 £000	Split of exit packages (Termination Benefit) £000	Split of exit packages (Pension Strain) £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

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.

Table 92: Deployment of Dedicated Schools Grant

Deployment of Dedicated Schools Grant receivable	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2024/25 before recoupment			-491,278
Academy and High Needs figure recouped for 2024/25			216,083
Total DSG after recoupment for 2024/25			-275,195
Plus brought forward from 2023/24			0
Less carry forward to 2025/26 agreed in advance			0
Agreed initial budgeted distribution for 2024/25	-80,523	-194,671	-275,195
In year adjustments	-1,320	-385	-1,705
Final budget distribution for 2024/25	-81,843	-195,057	-276,900
Less actual central expenditure	102,104		102,104
Less actual ISB deployed to schools		195,057	195,057
Plus Local authority contribution for 2024/25	0	0	0
In Year Carry-forward to 2025/26	20,260	0	20,260
Plus Carry-forward to 2025/26 agreed in advance			0
Carry-forward to 2025/26			0
DSG unusable reserve at the end of 2023/24			43,686
Addition to DSG unusable reserve at the end of 2024/25			20,260
Total of DSG unusable reserve at the end of 2024/25			63,946
Net DSG position at the end of 2024/25			63,946

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 2024/25.

i) Elected Members and Chief Officers

There were 4 material disclosures to declare for 2024/25, 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 2025, £0.153 million was outstanding (£0.163 million as at 31 March 2024).

Two Councillors were Directors of Kirklees Community Association (KCA). In 2024/25, the Council received £0.235 million from KCA.

Three Councillors were Directors of C & K Careers Ltd (previously known as Calderdale & Kirklees Careers Ltd). In 2024/25, the Council made payments of £1.766 million to the company and received £0.002 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 2024/25 the Council made payments of £0.698 million to the enterprise.

There were 12 additional companies where Councillors had control however there were no material transactions between the Council during 2024/25.

ii) Companies

The Council has a number of interests in companies. The main transactions were as follows (payments and receipts shown gross):

Table 93: Related party transactions - companies

Companies	2024/25 Receipts from the companies £000	2023/24 Receipts from the companies £000	2024/25 Payments to the companies £000	2023/24 Payments to the companies £000	31/03/2025 Net amounts owed to/by (-) the Council £000	31/03/2024 Net amounts owed to/by (-) the Council £000
C & Kirklees Careers Ltd	-2	-3	1,766	2,925	-101	0
Kirklees Active Leisure	-1,091	-1,223	2,766	3,433	82	9
Kirklees Community Association	-235	-199	0	0	51	24
Kirklees Theatre Trust	-15	-12	215	228	-4	1

Companies	2024/25 Receipts from the companies £000	2023/24 Receipts from the companies £000	2024/25 Payments to the companies £000	2023/24 Payments to the companies £000	31/03/2025 Net amounts owed to/by (-) the Council £000	31/03/2024 Net amounts owed to/by (-) the Council £000
North Huddersfield Trust	-522	-148	11	20	-2	28
Kirklees School Services Ltd	0	0	31,256	28,742	-50	-3
QED (KMC) Holdings Ltd	0	0	4,241	0	3	0
Suez Recycling & Recovery Kirklees Ltd	6	4	24,910	23,873	-5	1

The following related party transactions are disclosed elsewhere in the accounts:

- The UK Central Government exerts significant influence through legislation and grant funding (see [Note 37](#)).
- NHS Bodies (see Notes [33](#) and [37](#)).
- Precepting authorities (see the CIES and the Collection Fund Income and Expenditure Statement). The Council also pays Joint Committees for providing services such as Trading Standards and West Yorkshire Combined Authority. Payments in 2024/25 amounted to £19.4 million (2023/24 £19.6 million) and income of £6.4 million (£10.3 million in 2023/24), this being gainshare funding and levy repayments.
- A Parish Council has also invested funds with the Council. As at 31 March 2025, £0.189 million (£0.227 million at 31 March 2024) was invested.
- Pension Fund (see [Note 41](#)).
- 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:

Table 94: Grant Income

Grant Income	2024/25 £000	2023/24 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant (RSG)	-16,517	-15,491

Grant Income	2024/25 £000	2023/24 £000
NNDR Top up Grant	-31,670	-30,570
PFI Grants	-8,139	-8,127
Business Rates Relief	-32,447	-28,874
Services Grant	-577	-3,344
Other Non-Specific Grants (under £2 million)	-3,358	-3,219
Total	-92,708	-89,625
Grants and Contributions related to capital financing which cannot be identified to particular services or assets		
Standards Fund	-2,698	-17,606
MHCLG – Towns Fund	-1,717	-4,531
DfT – Transforming Cities Fund	-4,736	-3,922
Trees for Climate	-3,716	-3,099
Levelling Up Fund	-2,633	-1,377
Green Heat Network	-3,600	-400
West Yorkshire Combined Authority	-2,218	-479
City Region Sustainable Transport Settlement	-12,778	-12,761
West Yorkshire Transport Fund	-5,271	-6,333
Other Capital Grants and Contributions (under £2 million)	-12,461	-11,127
Total	-144,536	-151,260
Credited to Services		
Revenue		
Dedicated Schools Grant	-274,519	-251,037
DWP – Rent Allowance	-30,302	-30,885
DWP – Rent Rebate	-29,524	-31,968

Grant Income	2024/25 £000	2023/24 £000
Department of Health Grant (Public Health)	-30,081	-28,149
Integrated Care Boards (ICBs) – Better Care Fund	-24,591	-22,398
Integrated Care Boards (ICBs) – Other	-4,267	-8,756
Improved Better Care Fund (IBCF)	-17,822	-17,822
Social Care Support Grant	-39,140	-29,810
Adult Social Care Discharge Fund	-4,164	-2,499
Market Sustainability and Fair Cost of Care	-8,137	-7,184
Pupil Premium Grant	-12,094	-12,383
Teachers Pay/Pension Grants	-11,814	-17
Universal Infant Free School Meals Grant	-3,130	-3,347
Contribution to School Budget	-3,872	-1,836
Schools Grants - Other	-4,831	-14,122
PFI Grant (ring fenced to HRA)	-7,912	-7,912
DWP Household Support Fund	-7,658	-8,341
Homes for Ukraine Grant		
Asylum Seekers	-3,168	-3,042
West Yorkshire Combined Authority	-9,921	-15,013
Home Office	-2,799	-1,990
Substance Misuse Treatment/Recovery Grant	-2,200	-1,654
Troubled Families	-2,271	-1,746
Other Revenue Grants and Contributions (under £2 million)	-20,616	-21,120
Capital (REFCUS)		
Standards Fund	-3,516	-5,678

Grant Income	2024/25 £000	2023/24 £000
Disabled Facilities Grant	-4,497	-3,940
Trees for Climate	-7,332	-3,692
Various Capital Grants and Contributions (under £2 million)	-3,610	-3,089
Total	-573,788	-539,430
Total Grants in CIES	-718,324	-690,690

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.

Table 95: Capital Expenditure and Capital Financing

Capital Expenditure and Capital Financing	2024/25 £000	2023/24 £000
<i>Opening Capital Financing Requirement</i>	901,096	863,145
Adjustment to opening balances on adoption of IFRS16	20,887	
Capital Investment		
Property, Plant and Equipment	108,837	113,209
Investment Property	615	5,229
Heritage Assets	2	39
Intangible Assets	890	931
Revenue Expenditure Funded from Capital under Statute	29,024	24,174
Loans and Investments	2,006	5,610
Inventories	2,681	1,056
Sources of Finance		

Capital Expenditure and Capital Financing	2024/25 £000	2023/24 £000
Capital Receipts	-14,375	-11,509
Government Grants and Other Contributions	-66,025	-64,021
Major Repairs Reserve	-23,976	-20,640
Direct Revenue Contributions	-7,616	-5,635
To repay debt:		
Minimum Revenue Provision	-13,780	-5,319
Major Repairs Reserve	0	-4,297
Capital Receipts	-920	-876
<i>Closing Capital Financing Requirement</i>	939,346	901,096
Explanation of movements in year		
Increase in underlying need to borrow:		
PFI Finance Lease Liability	566	540
Other – unsupported borrowing	31,497	47,903
Provision for Repayment of Debt	-14,701	-10,492
<i>Increase in Capital Financing Requirement</i>	17,362	37,951

39. Leases

Council as Lessee

The Council adopted IFRS 16 from 1 April 2024. The main impact of the new requirements is that for lease agreements previously accounted for as operating leases, a right-of-use asset and corresponding lease liability are to be brought onto the Balance Sheet at 1 April 2024. Leases for items of low value and short-term leases (that expire on or before 31 March 2025) are exempt from the new accounting requirements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as though IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

A number of practical expedients have been applied as per the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate.

- The weighted average of the incremental borrowing rates at 1 April 2024 used to discount liabilities was 4.99%.
- For certain lease agreements relating to vehicles, hindsight has been used when determining the lease term where the option to extend a contract exists.

The newly recognised lease liabilities of £1.851m compare with the operating lease commitments of £3.363m at 31 March 2024 disclosed in the notes to the 2023/24 financial statements. A reconciliation of these figures is below.

Table 96: Reconciliation

Reconciliation	2024/25 £000
Operating lease commitments 31 March 2024	3,363
Contracts not in the scope of IFRS 16	-1,253
Lease extension options	418
Short term and low value leases	-344
Effect of discounting	-333
Lease liabilities recognised on adoption of IFRS 16	1,851

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. The most significant of which are:

- Civic Centre 1 and Wellhouse J & I School.
- Dewsbury Sports Centre (dry side) held on a peppercorn lease.
- Approximately 200 vehicles.

Right-of-use assets

This table shows the change in the value of right-of-use assets held under leases by the Council:

Table 97: Right-of-use assets

Right-of-use assets	Land and buildings £000	Vehicles, plant and equipment £000	Total Right-of-use assets £000
At 1 April 2024	10,353	0	10,353
1 April 2024 initial recognition	516	1,335	1,851
Additions	143	0	143
Revaluations	-6,053	0	-6,053
Depreciation and amortisation	-189	-868	-1,057

Right-of-use assets	Land and buildings £000	Vehicles, plant and equipment £000	Total Right-of-use assets £000
Balance at 31 March 2025	4,771	467	5,238

The respective lease liability for the Right of Use assets noted above are as follows:

Lease liability	Land and buildings £000	Vehicles, plant and equipment £000	Total Right-of-use assets £000
Balance at 31 March 2025	1,549	475	2,024

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

Table 98: Transactions under leases

Transactions under leases	2024/25 £000
Comprehensive income and expenditure statement	
Interest expense of lease liabilities	383
Expense relating to short-term leases	297
Cash flow statement	
Minimum lease payments	1,260

The Council adopted IFRS 16 (Right-of-Use Assets) from 1 April 2024 so there are no prior period comparatives available.

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time periods (measured at the undiscounted amounts of expected cash payments):

Table 99: Maturity of lease liabilities

Maturity analysis of lease liabilities	31 March 2025 £000
Less than one year	568
One to five years	569
More than five years	6,947

Maturity analysis of lease liabilities	31 March 2025 £000
Total	8,084

The Council adopted IFRS 16 (Right-of-Use Assets) from 1 April 2024 so there are no prior period comparatives available.

Council as lessor

Finance Leases

The Council leases out large numbers of long land leases on 999-year terms and various ground leases on varying terms, mainly between 99 and 150 years. In addition, schools that have been transferred to academy status are on long-term leases. However, these are at peppercorn rentals and therefore there is no value in the leases.

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.

Transactions under leases

The Council made the following gains and losses as a lessor during the year:

Table 100: Transactions under leases

Gains and losses during the year	2024/25 £000	2023/24 £000
Finance leases		
Finance income on the net investment in the lease	272	272
Operating leases		
Total lease income	4,844	4,601

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Net investment in finance leases

The Council experienced the following changes in the carrying amount of its net investment in finance leases during the year.

Table 101: Net investment in finance leases

Net investment in finance leases	2024/25 £000	2023/24 £000
Net investment at 1 April	17,144	17,419
Payments by lessees	-275	-275
Net investment at 31 March	16,869	17,144

Maturity analysis of lease receivables

The lease receivables are due to be collected over the following periods (measured at the undiscounted amounts of expected cash receipts):

Table 102: Maturity analysis of lease receivables

Maturity analysis of lease receivables	Finance leases		Operating leases	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Less than one year	275	275	1,934	2,153
One to five years	1,100	1,100	2,720	2,578
More than five years	15,494	15,769	1,309	1,422
Total undiscounted receivables	16,869	17,144	5,963	6,153

The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows.

Table 103: Undiscounted receivables for finance leases

Undisclosed receivables for finance leases	31 March 2025 £000	31 March 2024 £000
Total undiscounted lease receivables	3,395	3,398
Unearned finance income	13,474	13,746
Discounted amount of unguaranteed residual values	0	0
Net investment in leases	16,869	17,144

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 schemes 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.

Table 104: Estimated payments on all schemes

Estimated payments	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Other £000	Total £000
In 2025/26	34,271	6,281	7,664	3,316	51,532
Between 2026/27 to 2029/30	106,273	19,518	35,269	13,362	174,421
Between 2030/31 to 2034/35	60,883	7,908	47,539	9,983	126,313
Total:	201,427	33,707	90,472	26,662	352,267

Table 105: The value of assets held under all schemes

Value of assets	2024/25 £000	2023/24 £000
Net Book Value at 1 April	80,382	97,424
Additions	3,317	2,877
Revaluations net of depreciation written back	-1,909	-14,394
Depreciation	-4,978	-5,525
Net Book Value at 31 March	76,812	80,382

Table 106: The value of liabilities for all schemes

Value of liabilities	2024/25 £000	2023/24 £000
At 1 April	-74,226	-78,153
Adjustments on adoption of IFRS 16	-19,035	0
Revised balance At 1 April	-93,261	-78,153
Movement in the year	7,114	3,927
At 31 March	-86,147	-74,226

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 £18.5 million under the contract in 2024/25 (2023/24 £17.7 million) and received no PFI Grant (2023/24 no PFI Grant). Details of estimated payments due to be made are as follows:

Table 107: Waste Disposal Services Estimated payments

Estimated payments	Service Charges £000	Interest Charges £000	Repayments of Liability £000	Total £000
In 2025/26	15,822	0	0	15,822
Between 2026/27 to 2027/28	31,644	0	0	31,644
Total:	47,466	0	0	47,466

The estimated payments for service charges are based on expected tonnages and 2024/25 price base.

The value of assets (other land and buildings) held under this scheme is as follows:

Table 108: The value of assets (other land and buildings)

Value of assets	2024/25 £000	2023/24 £000
Net Book Value at 1 April	19,232	24,241
Additions	1,793	1,693
Revaluations net of depreciation written back	5,692	-2,763
Depreciation	-3,653	-3,939
Net Book Value at 31 March	23,064	19,232

There is no liability for the Waste PFI contract as the liability was fully repaid at the end of the original contract.

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. One school, Almondbury Community School, has since been carved out of the contract on 16 May 2025.

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 £21.5 million under the contract in 2024/25 (2023/24 £19.8 million) and received £5.9 million in PFI Grant (2023/24 £5.9 million). Details of estimated payments due to be made are as follows:

Table 109: Period estimated payments due - Kirklees Schools Services Ltd

Period estimated payments due	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2024/25	13,798	2,329	3,035	2,348	21,510
Between 2025/26 to 2028/29	55,817	7,196	12,932	10,095	86,040
Between 2029/30 to 2033/34	47,301	2,955	16,870	8,158	75,284
Total:	116,916	12,480	32,837	20,601	182,834

Payments are based on prices at the Balance Sheet date.

Table 110: Schools The value of assets (other land and buildings)

Value of assets	2024/25 £000	2023/24 £000
Net Book Value at 1 April	39,976	52,333
Additions	831	586
Revaluations net of depreciation written back	-8,648	-11,900
Depreciation	-797	-1,043
Net Book Value at 31 March	31,362	39,976

Table 111: Schools Value of liabilities

Value of liabilities	2024/25 £000	2023/24 £000
At 1 April	-28,278	-29,715
Adjustments on adoption of IFRS 16	-7,929	0
Revised balance At 1 April	-36,207	-29,715
Movement in the year	3,371	1,437
At 31 March	-32,836	-28,278

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 2024/25 (£3.1 million in 2023/24) and received £2.2 million in PFI Grant (2023/24 £2.2 million). Details of estimated payments due to be made are as follows:

Table 112: The Councils Special Schools Contract Estimated payments due

Estimated payments due	Service Charges £000	Interest Charges £000	Repayments Of Liability £000	Other £000	Total £000
In 2025/26	1,611	447	620	402	3,080
Between 2026/27 to 2029/30	6,813	1,137	3,304	1,064	12,318
Between 2030/31 to 2031/32	2,712	115	1,521	271	4,619
Total:	11,136	1,699	5,445	1,737	20,017

Payments are based on prices at the Balance Sheet date.

Table 113: The Councils Special Schools Contract Value of Assets (other land and buildings)

Value of assets	2024/25 £000	2023/24 £000
Net Book Value at 1 April	4,946	4,988
Additions	127	58
Revaluations net of depreciation written back	1,138	0
Depreciation	-101	-100
Net Book Value at 31 March	6,110	4,946

Table 114: The Councils Special Schools Contract Value of Liabilities

Value of liabilities	2024/25 £000	2023/24 £000
At 1 April	-5,355	-5,768
Adjustments on adoption of IFRS 16	-636	0
Revised balance At 1 April	-5,991	-5,768
Movement in the year	547	413
At 31 March	-5,444	-5,355

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 2024/25, the Council paid £22.0 million (2023/24 £18.1 million) in respect of teachers' retirement benefits, representing 28.7% (2023/24 23.7%) of pensionable pay. Payments of £1.8 million were owing to the scheme as at 31 March 2025 (31 March 2024 £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 2024/25, the Council paid £0.1 million (2023/24 £0.1 million) to the NHSBSA, representing 14.4% (2023/24 14.4%) of pensionable pay.

Transactions Relating to Retirement Benefits

In 2024/25 the Council paid an employer's contribution of £43.4 million (2023/24 £43.1 million) to the WYPF with respect to the funded scheme.

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:

Table 115: Transactions Relating to Retirement Benefits 2024/25

Transactions Relating to Retirement Benefits 2024/25	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	50,277	0	0	50,277
Past service & Settlement costs	586	0	0	586
Financing and Investment income and expenditure:				
Net interest income/expense, before asset restriction	-12,997	776	1,681	-10,540
Interest on unrecognised asset	5,027	0	0	5,027
Total Post-employment Benefits charged to the Surplus/Deficit on the Provision of Services	42,893	776	1,681	45,350
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	14,195	0	0	14,195
Actuarial gains and losses arising on changes in demographic assumptions	-15,857	-103	-220	-16,180

Transactions Relating to Retirement Benefits 2024/25	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
Actuarial gains and losses arising on changes in financial assumptions	-373,871	-1,102	-2,217	-377,190
Actuarial gains and losses due to liability experience	-5,493	31	67	-5,395
Adjustment loss due to restriction of surplus	526,361	0	0	526,361
Total Post Employment Benefit charged to the CIES	188,228	-398	-689	187,141
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits	-42,893	-776	-1,681	-45,350
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	43,809	1,970	0	45,779
Retirement benefits payable to pensioners	0	0	3,700	3,700

Table 116: Transactions Relating to Retirement Benefits 2023/24

Transactions Relating to Retirement Benefits 2023/24	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
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 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

Transactions Relating to Retirement Benefits 2023/24	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
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

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:

Table 117: Pension Assets and Liabilities Recognised in the Balance Sheet

Pension Assets and Liabilities Recognised in the Balance Sheet	2024/25 £000	2023/24 £000
Present value of liabilities:		
LGPS Funded	-1,919,208	-2,244,148
LGPS Unfunded	-14,775	-17,143
Teachers	-32,450	-36,839
Fair value of assets in the LGPS	2,555,331	2,493,302
Unrecognised asset	-636,123	-104,735
Net asset/liability (-)	-47,225	90,437

Pension Assets and Liabilities Recognised in the Balance Sheet	2024/25 £000	2023/24 £000
LGPS Funded	0	144,419
LGPS Unfunded	-14,775	-17,143
Teachers	-32,450	-36,839
Net asset/liability (-)	-47,225	90,437

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 nil for the funded scheme meaning the net pension asset cannot be recognised at the accounting date. This is due to the calculated minimum funding requirement exceeding the expected IAS 19 service cost in all future periods.

Assets and Liabilities in relation to Post-Employment Benefits

Table 118: Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) 2024/2025

Assets and liabilities 2024/2025	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
Opening balance 1 April 2024	-2,244,148	-17,143	-36,839	-2,298,130
Current Service Cost	-50,277	0	0	-50,277
Interest cost	-105,691	-776	-1,681	-108,148
Contributions by scheme participants	-17,245	0	0	-17,245
Remeasurement gain/loss (-):				
Arising on changes in demographic assumptions	15,857	103	220	16,180
Arising on changes in financial assumptions	373,871	1,103	2,217	377,191

Assets and liabilities 2024/2025	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £000
Due to liability experience	5,493	-31	-67	5,395
Benefits/transfers paid	99,468	1,970	3,700	105,138
Past service costs	-447	0	0	-447
Settlements	3,911	0	0	3,911
Closing balance 31 March 2025	-1,919,208	-14,775	-32,450	-1,966,432

Table 119 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) 2023/2024

Assets and liabilities 2023/2024	LGPS Funded £000	LGPS Unfunded £000	Teachers £000	Total £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

Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS Funded)

Table 120: Reconciliation of the Movements in the Fair Value of Scheme Assets (LGPS Funded)

Movements in the Fair Value of Scheme Assets	31/03/2025 £000	31/03/2024 £000
Opening balance 1 April	2,493,302	2,333,463
Interest income on assets	118,688	109,006
Remeasurement gains and losses	-14,195	80,571
Employer contributions	43,809	43,771
Contributions by scheme participants	17,245	17,578
Benefits paid	-99,468	-91,087
Settlements	-4,050	0
Closing balance 31 March	2,555,331	2,493,302

Table 121: Reconciliation of effect of the asset ceiling on the Fair Value of Scheme Assets recognised (LGPS Funded)

Effect of asset ceiling	31/03/2025 £000	31/03/2024 £000
Opening Impact of asset ceiling	104,735	0
Interest on effect of asset ceiling	5,027	0
Adjustment loss (gain) due to restriction of surplus	526,361	104,735
Closing impact of asset ceiling	636,123	104,735

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 2025.

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 £104.5 million (2023/24 return of £189.6 million).

Pension Scheme Assets

Table 122: Percentage breakdown of Pension Scheme Assets

Pension Scheme Assets	2024/25 Quoted %	2024/25 Unquoted %	2024/25 Total %	2023/24 Total %
Equity investments	64.4	14.9	79.3	79.4
Government Bonds	9.0	0.0	9.0	8.5
Other Bonds	4.0	0.0	4.0	4.2
Property	0.8	2.0	2.8	2.8
Cash/ liquidity	0.0	2.6	2.6	1.8
Other	0.1	2.2	2.3	3.3
Total:	78.3	21.7	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:

Table 123: Basis for estimating assets and liabilities

Basis for estimating assets and liabilities	2024/25 LGPS Funded	2024/25 LGPS Unfunded	2024/25 Teachers	2023/24 LGPS Funded	2023/24 LGPS Unfunded	2023/24 Teachers
Rate of inflation – CPI	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%
Rate of increase in salaries	3.75%	n/a	n/a	3.85%	n/a	n/a
Rate of increase in pensions	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%
Rate for discounting liabilities	5.80%	5.80%	5.80%	4.80%	4.80%	4.80%
Mortality assumptions (years):						
Longevity at 65 for current pensioners:						

Basis for estimating assets and liabilities	2024/25 LGPS Funded	2024/25 LGPS Unfunded	2024/25 Teachers	2023/24 LGPS Funded	2023/24 LGPS Unfunded	2023/24 Teachers
Men	20.9	20.9	20.9	21.0	21.0	21.0
Women	24.1	24.1	24.1	24.2	24.2	24.2
Longevity at 65 for future pensioners:						
Men	21.8	n/a	n/a	22.3	n/a	n/a
Women	24.8	n/a	n/a	25.2	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 £1,919.2 million and for projected service cost is £33.6 million.

Table 124: Defined benefit obligations

Defined benefit obligations	Approximate % Increase in Defined Benefit Obligation	Approximate Monetary Amount £000
0.1% decrease in real discount rate	1.60%	30,707
1 year increase in member life expectancy	2.20%	42,223
0.1% increase in the salary increase rate	0.20%	3,838
0.1% increase in the pension increase rate	1.40%	26,869

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 existing 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 2026 is £44.7 million. The weighted average duration of the defined benefit obligation for the scheme members is 15.7 years.

Section 5: Additional Financial Statements

Housing Revenue Account (HRA) Income and Expenditure Statement

The Housing Revenue Account (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.

Table 125: HRA Income and Expenditure Statement

HRA Income and Expenditure	2024/25 £000	2023/24 £000	Notes
Expenditure			
Repairs and maintenance	29,602	28,817	
Supervision and management	33,191	35,523	
Special services	3,519	2,810	
Rent, rates, taxes and other charges	1,173	1,078	
Depreciation of non-current assets	23,976	24,937	<u>H1</u>
Debt management costs	35	46	
Movement in the allowance for bad debts	443	635	
Total Expenditure	91,939	93,846	
Income			
Dwelling rents	-94,966	-87,289	
Non-dwelling rents	-215	-220	
Charges for services and facilities	-3,291	-2,923	
Grants and contributions	-7,993	-7,936	<u>H10</u>
Revaluation gains on Property, Plant and Equipment	-2,703	-2,285	<u>H1</u>
Total Income	-109,168	-100,653	

HRA Income and Expenditure	2024/25 £000	2023/24 £000	Notes
Net Income of HRA Services as included in the CIES	-17,229	-6,807	
HRA share of Corporate & Democratic Core	180	173	
HRA share of non-distributed costs	25	26	
Net Income of HRA Services	-17,024	-6,608	
HRA share of operating income and expenditure included in the CIES:			
Gain on sale of HRA non-current assets	-1,756	-1,173	<u>H4</u>
Interest payable and similar charges	10,874	10,314	
Interest and investment income	-1,411	-1,718	<u>H1</u>
Income and expenditure in relation to Investment Properties and changes in fair value	-211	-479	
Capital grants and contributions receivable	-2,025	-4,884	
Surplus for the year on HRA services	-11,553	-4,548	

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.

Table 126: Movement on the HRA

Movement on the HRA	2024/25 £000	2024/25 £000	2023/24 £000	2023/24 £000	Notes
Balance on the HRA at the end of the previous year		-33,942		-44,416	
Surplus for the year on the HRA Income and Expenditure Statement		-11,553		-4,548	
Adjustments involving the Capital Adjustment Account:					
Net revaluation gains on PPE	2,703		2,487		<u>H1</u>
Capital grants and contributions applied	2,025		4,884		

Movement on the HRA	2024/25 £000	2024/25 £000	2023/24 £000	2023/24 £000	Notes
Amounts of non-current assets written off on disposal or sale	-6,304		-5,211		H4
Capital expenditure charged against reserve balances	4,637		3,895		
Provision for the financing of capital investment	3,762	6,823	2,619	8,674	
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	8,266		6,555		H4
Contribution towards administrative costs of asset disposals	-205	8,061	-172	6,383	
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		3,296		10,474	
Balance at the end of the current year		-30,646		-33,942	

Notes to the Housing Revenue Account (HRA)

H1 Depreciation and revaluation gains

The depreciation charge for Council dwellings in 2024/25 is £23.8 million (2023/24 £24.8 million) and non-dwellings £0.2 million (2023/24 £0.2 million).

The revaluation of the HRA was carried out on the 28 February 2025 by the Align Property Partners.

Revaluations of Council dwellings during the year resulted in a £0.6 million gain (2023/24 £17.2 million gain) of which a £2.7 million gain was credited to the HRA Income and Expenditure statement and a £2.1 million loss charged to the Revaluation Reserve. 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% (2023/24 41% as adjusted by the valuer).

H2 Movement in HRA Fixed Assets

Table 127: Movement in HRA Fixed Assets

Movement in HRA Fixed Assets 2024/25	PPE Council Dwellings £000	Council Dwellings Held for Sale £000	Other Land and Buildings £000	Surplus Assets £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
Cost or Valuation							
At 1 April 2024	824,731	3,899	4,745	205	15,255	7,124	855,959
Additions	26,596	0	0	0	8,363	0	34,958
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-25,452	0	0	0	0	0	-25,452
Revaluation increases/decreases (-) Revaluation recognised in Surplus on the Provision of Services	2,276	0	0	0	0	0	2,276
De-recognition - disposals	-2,196	-3,899	-219	0	0	0	-6,313
Assets reclassified to (-)/ from Held for Sale	-6,364	6,364	0	0	0	0	0
Other movements in cost or valuation	15,136	0	0	0	-15,136	0	0
At 31 March 2025	834,727	6,364	4,525	205	8,482	7,124	861,427
Accumulated Depreciation and Impairment							
At 1 April 2024	0	0	0	0	0	0	0
Depreciation charge	-23,819	0	-157	-2	0	0	-23,978
Depreciation written out to the Revaluation Reserve	23,392	0	0	0	0	0	23,392
Depreciation written out to Surplus on the Provision of Services	427	0	0	0	0	0	427
Derecognition - disposals	0	0	9	0	0	0	9
Other movements in depreciation and impairment	0	0	0	0	0	0	0

Movement in HRA Fixed Assets 2024/25	PPE Council Dwellings £000	Council Dwellings Held for Sale £000	Other Land and Buildings £000	Surplus Assets £000	Assets Under Construction £000	Investment Properties £000	Total Assets £000
At 31 March 2025	0	0	-148	-2	0	0	-150
Net Book Value							
at 31 March 2025	834,727	6,364	4,377	203	8,482	7,124	861,277
at 1 April 2024	824,731	3,899	4,745	205	15,255	7,124	855,959

H3 Fixed Asset Valuation

A revaluation of HRA dwellings was carried out as at 28 February 2025 by Align Property Partners, who are RICS qualified. As at that date, the vacant possession value of dwellings was £2,037 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 2024/25 was £1.8 million (2023/24 gain £1.2 million), resulting from capital receipts of £8.1 million less net book value of £6.3 million.

H5 Major Repairs Reserve

Statutory regulation requires that a Major Repairs Reserve is maintained. The main credit to the reserve is an amount equivalent to the charge for depreciation on HRA assets. The reserve can be used to finance new capital expenditure on HRA assets or repay HRA debt.

Table 128: Major Repairs Reserve

Major Repairs Reserve	2024/25 £000	2023/24 £000
Balance at 1 April	0	0
Amount equivalent to depreciation	-23,976	-24,937
Financing of new capital expenditure	23,976	20,640
Used to repay debt	0	4,297
Balance at 31 March	0	0

H6 Capital Expenditure and Sources of Finance

Table 129: Capital Expenditure and Sources of Finance

Capital Expenditure and Sources of Finance	2024/25 £000	2023/24 £000
Capital Expenditure:		
Fixed Assets (including PFI)	35,528	32,163
Total Capital Expenditure	35,528	32,163
Financed by:		
Finance Lease (PFI)	-566	-540
Major Repairs Reserve	-23,976	-20,639
Capital Receipts	-4,324	-3,155
Capital Grant and Contributions	-2,025	-3,934
HRA RCCO/Reserves	-4,637	-3,895
Total Sources of Finance	-35,528	-32,163

H7 Capital Receipts

Table 130: Capital receipts

Capital receipts	2024/25 £000	2023/24 £000
Capital receipts from sales of:		
Dwellings	-8,256	-6,473
Land	0	-50
Clawback of legal title on Right to Buy sales	-10	-32
	-8,266	-6,555
Disposal costs	205	172
Usable capital receipts	-8,061	-6,383

The HRA is required to pay over a certain proportion of capital receipts into a national pooling arrangement. Since 2022-23, local authorities have been permitted to retain the share of Right to Buy receipts that were previously returned to the Treasury.

H8 Housing Stock

Table 131: The Council's housing stock at 31 March 2025 is analysed below by size

Housing stock by size	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms	Total
Houses/ Bungalows	2,777	5,114	4,004	322	12,217
Flats/ Bedsits and Maisonettes	6,952	2,329	101	0	9,382
Total	9,729	7,443	4,105	322	21,599

Table 132: The Council's housing stock at 31 March 2025 is analysed below by age

Housing stock by age	Pre 1945	1945-64	1965-74	Post 1974	Total
Houses/ Bungalows	5,158	4,905	1,497	657	12,217
Flats/ Bedsits and Maisonettes	187	2,298	3,787	3,110	9,382
Total	5,345	7,203	5,284	3,767	21,599

H9 Rent Arrears

Net rent arrears have increased over the year, as follows:

Table 133: Rent arrears

Rent arrears	2024/25 £000	2023/24 £000
Rent Arrears	5,044	4,949
Less Bad Debt Provision	-1,678	-1,601
Net Rent Arrears	3,366	3,348

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 £10.5 million under the contract in 2024/25 (2023/24 £10.1 million) and received £7.9 million in PFI Grant (2023/24 £7.9 million). Details of estimated payments due to be made are as follows:

Table 134: Housing PFI

Housing PFI	Service Charges £000	Interest Charges £000	Repayment of Liability £000	Other £000	Total £000
In 2025/26	3,040	3,504	4,010	567	11,121
Between 2026/27 and 2029/30	11,999	11,186	19,033	2,203	44,421
Between 2030/31 and 2034/35	10,870	4,838	29,148	1,554	46,410
Total	25,909	19,528	52,191	4,324	101,952

Payments are based on prices at the Balance Sheet date.

The value of assets (Council Dwellings) held under this scheme is as follows:

Table 135: The value of assets (Council Dwellings) held under this scheme

Assets	2024/25 £000	2023/24 £000
Net Book Value at 1 April	16,228	15,864
Additions	566	540
Revaluations net of depreciation written back	-91	267
Depreciation	-427	-443
Net Book Value at 31 March	16,276	16,228

The value of liabilities held under this scheme is as follows:

Table 136: The value of liabilities

Liabilities	2024/25 £000	2023/24 £000
At 1 April	-40,593	-42,671
Adjustments on adoption of IFRS 16	-10,470	0
Revised balance At 1 April	-51,063	-42,671
Movement in the year	3,196	2,078
At 31 March	-47,867	-40,593

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.

Table 137: Collection Fund Statement Income

Collection Fund Statement Income	2024/25 Business Rates £000	2024/25 Council Tax £000	2024/25 Total £000	2023/24 Business Rates £000	2023/24 Council Tax £000	2023/24 Total £000	Note
Income from Council Tax		-283,784	-283,784		-259,413	-259,413	C1
Income Collectable from Business Ratepayers	-96,641		-96,641	-91,033		-91,033	C2
Contributions towards previous years' Collection Fund deficit	-1,346	-2,749	-4,095	0	0	0	
Transitional Protection Payment Receivable	-365		-365	-7,026		-7,026	
General fund Contribution for discretionary discounts	0	-5	-5	0	-803	-803	
Total Income	-98,352	-286,538	-384,890	-98,059	-260,216	-358,275	

Table 138: Collection Fund Statement Expenditure and balance

Collection Fund Statement Expenditure and balance	2024/25 Business Rates £000	2024/25 Council Tax £000	2024/25 Total £000	2023/24 Business Rates £000	2023/24 Council Tax £000	2023/24 Total £000	Note
Precepts and demands -							
Central Government	50,374		50,374	49,443		49,443	
Kirklees Council	49,366	237,383	286,749	48,454	220,432	268,886	
West Yorkshire Fire and Rescue	1,007	10,043	11,050	989	9,510	10,499	
West Yorkshire Police		31,494	31,494		29,113	29,113	
Allowance for impairment of debt	830	7,019	7,849	1,123	5,426	6,549	

Collection Fund Statement Expenditure and balance	2024/25 Business Rates £000	2024/25 Council Tax £000	2024/25 Total £000	2023/24 Business Rates £000	2023/24 Council Tax £000	2023/24 Total £000	Note
Provision for Appeals	259	0	259	430	0	430	
Cost of collection	587		587	586		586	
Designated Areas	1,153		1,153	1,375		1,375	
Interest on Refunds	229		229	38		38	
Distribution of previous year's Collection Fund surplus	0	0	0	3,544	337	3,881	
Total Expenditure	103,805	285,939	389,744	98,956	264,818	363,774	
Surplus (-)/ Deficit	5,453	-599	4,854	7,923	4,602	12,525	
Balance at 1 April	5,378	6,289	11,667	-2,545	1,687	-858	
Balance at 31 March	10,831	5,690	16,521	5,378	6,289	11,667	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.

Table 139: Council Tax Estimated at the start of the year

2024/25 Number of Chargeable Dwellings	2024/25 Band D Equivalent Dwellings	2024/25 Average Council Tax £000	Band	2023/24 Number of Chargeable Dwellings	2023/24 Band D Equivalent Dwellings	2023/24 Average Council Tax £000
104	58	1226.48	A (5/9)	92	51	1,168.03
54,765	36,510	1471.77	A (6/9)	54,714	36,476	1,401.63
28,159	21,901	1717.07	B (7/9)	28,134	21,882	1,635.24
28,252	25,113	1962.36	C (8/9)	28,080	24,960	1,868.84
15,782	15,782	2207.66	D (9/9)	15,653	15,653	2,102.45

2024/25 Number of Chargeable Dwellings	2024/25 Band D Equivalent Dwellings	2024/25 Average Council Tax £000	Band	2023/24 Number of Chargeable Dwellings	2023/24 Band D Equivalent Dwellings	2023/24 Average Council Tax £000
11,587	14,162	2698.25	E (11/9)	11,471	14,021	2,569.66
5,323	7,688	3188.84	F (13/9)	5,241	7,570	3,036.87
2,136	3,560	3679.43	G (15/9)	2,104	3,506	3,504.08
120	239	4415.32	H (18/9)	116	232	4,204.90
	125,012		Total		124,351	
	1,330		Collective Adjustment		-1,135	
	126,342		Council Tax Base		123,216	

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 54.6p (2023/24 51.2p) and the small business non-domestic rating multiplier of 49.9p (2023/24 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.

Table 140: Non-domestic (business) rates income

Non-domestic (business) rates income	2024/25 £000	2023/24 £000
Non-domestic rate income 2024/25 (average rateable value £302,677,872)	-158,921	
Non-domestic rate income 2023/24 (average rateable value £302,061,491)		-150,729
Allowance and other adjustments (net)	62,280	59,696
Total:	-96,641	-91,033

The actual non-domestic rateable value at 31 March 2025 was £303,520,950 (£302,082,707 at 31 March 2024).

Kirklees has been part of a regional business rates pool since April 2013. It pools the business rates income of member authorities which, for 2024/25, 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 2024/25. As part of the 2025/26 Local Government Finance Settlement, Government confirmed the application for the continuation of the LCR Pool into 2025/26 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 2024/25 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:

Table 141: Collection Fund movement on balances

Collection Fund movement on balances	1 April 2024 £000	Share of 2024/25 Surplus (-)/ Deficit £000	31 March 2025 £000
Council Tax and Community Charge			
Kirklees Council: Community Charge	-10	0	-10
Council Tax	5,361	-513	4,848
Collection Fund Adjustment Account - Council Tax	5,351	-513	4,838
West Yorkshire Police Authority - Council Tax	710	-65	645
West Yorkshire Fire and Rescue Authority - Council Tax	228	-21	207
	6,289	-599	5,690
Business Rates			
Kirklees Council - Business Rates	2,635	2,672	5,307
Collection Fund Adjustment Account - Business Rates	2,635	2,672	5,307
Central Government - Business Rates	2,689	2,726	5,415

Collection Fund movement on balances	1 April 2024 £000	Share of 2024/25 Surplus (-)/ Deficit £000	31 March 2025 £000
West Yorkshire Fire and Rescue Authority - Business Rates	54	55	109
Total:	5,378	5,453	10,831

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.

Section 6: Glossary of Terms

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

These are the proceeds from the sale of capital assets.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Community Assets

Assets that the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks.

Contingent Asset

A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Examples of contingent assets include claims for compensation being pursued through the legal process.

Contingent Liability

A possible obligation at the Balance Sheet date, whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a liability is accrued in the financial statements. If, however a loss cannot be accurately estimated or its occurrence is not considered sufficiently probable to accrue it, the obligation is disclosed in a note to the Balance Sheet. Examples of contingent liabilities include legal claims pending settlement.

Corporate and Democratic Core

Costs of corporate policy making and all Council member-based activities, together with costs relating to corporate management, public accountability and treasury management.

Current Service (Pensions) Cost

The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Defined Benefit Pension Scheme

A scheme in which retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. Accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), and matching them with the organisation's attributable share of the scheme's investments.

Depreciated Replacement Cost

A method of valuation which provides a recognised proxy for the market value of specialised properties. It is an estimate of the market value for the existing use of land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation

The measure of the cost or revalued amount of the benefit, of the fixed asset that has been consumed during the period. Consumption includes the wearing out or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Existing Use Value (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Existing Use Value – Social Housing (EUV – SH)

Existing Use Value for Social Housing is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following assumptions:

- The property will continue to be let by a body and used for social housing.
- At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably hinder the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements.
- Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let then, rather than with vacant possession; and
- Any subsequent sale would be subject to all of the above assumptions.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. It covers the most straightforward financial assets and liabilities such as trade receivables and payables, and more complex ones such as forward investments and stepped rate loan instruments.

General Fund

This is the account for the major functions for which the Council is responsible, excluding the HRA and Collection Fund.

Heritage Assets

A type of asset which is kept primarily for its contribution to knowledge and culture. Examples of heritage assets include museum artefacts, paintings, sculptures, and civic regalia.

Housing Revenue Account (HRA)

This fulfils the statutory obligation for Councils to account separately for the provision of Council houses. The Local Government and Housing Act 1989 ring fenced the HRA so that no subsidy can be received from the General Fund.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

Intangible assets are assets which do not have a physical form e.g., externally purchased software.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

Leasing

A method of financing capital expenditure which allows the Council to use but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) which then pays the lessor a rental over the life of the asset. A finance lease substantially transfers the risks and rewards of ownership of a fixed asset to the lessee. An operating lease is any lease other than a finance lease.

Live Condition – Grant

Live conditions are those conditions that specify that a grant must be used for a specific purpose and if it isn't used for that purpose, the grant funding must be returned to the giver.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses of realising the asset.

Non-Domestic Rates (also known as Business Rates)

This is the levy on business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year.

Non-distributed Costs

These are overheads from which no service now benefits. Costs that may be included are certain pension costs and expenditure on certain unused assets.

Past Service (Pensions) Costs

Past service costs are a non-periodic cost, arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Discretionary benefits, particularly added years, awarded on early retirement are treated as past service costs.

Precept

This is a charge levied by a local authority which is collected on its behalf by another authority (for example, the Police or Fire Authority). It does this by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Provisions

These are liabilities of uncertain timing or amount.

Related Parties

Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Contributions to Capital Outturn (RCCO)

Capital spending that is directly paid for from revenue.

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. The statutory override has been extended to 2028.

Section 7: Audit opinion

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Kirklees Council

Annual Governance Statement 2024/25

January 2026

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 Corporate 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)

Summary

All local authorities are required to produce an Annual Governance Statement. This shows how the Council is governed to achieve compliant, effective and efficient service delivery. Details of Kirklees governance controls are included in the report.

The Annual Governance Statement also identifies areas of governance that require attention.

The new item identified in 2024/25 was

Action required	Status (at January 2026)
Need to improve contract and project management	In progress

We also continued to progress actions identified in the 2023/24 Annual Governance statement, during 2024/25, and 2025/26

Actions required	Status
Need for review of the Local Code of Corporate Governance	Completed
Compliant accident reporting	Completed
Ensuring a sustainable medium term financial plan and annual budget	Completed
Housing property issues not compliant with requirements, with regulatory intervention	In progress
Implementation of a programme to address financial challenges caused by special education needs and disability (Department for Education "Safety Valve")	In progress
Better governance, management and use of data to enhance services	In progress

Introduction

All local authorities must produce an Annual Governance Statement to demonstrate how the Council ensures effective, efficient, and compliant service delivery. This Statement outlines the Council's responsibilities, the governance framework, key components, a review of effectiveness for 2024/25, criteria for identifying significant governance issues, and an assessment of progress on previously identified issues as well as any new concerns arising during the year.

Statement Scope

Kirklees Council ensures its operations comply with legal and ethical standards, safeguarding public funds and promoting efficient, effective, and economical use of resources. In line with the Local Government Act 1999, the Council is committed to continuous improvement in service delivery. The Council's Local Code of Corporate Governance aligns with the CIPFA/SOLACE framework, Delivering Good Governance in Local Government (2016). The Code was reviewed and updated in 2024/25, with approval at the Annual Council in May 2025. The current version is available on the Council's website: <https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

This Statement demonstrates the Council's adherence to its Code of Corporate Governance throughout 2024/25, confirming compliance with the Accounts and Audit Regulations 2015 and subsequent amendments. It provides assurance that robust governance arrangements are in place to oversee financial management and asset protection. Key ongoing and planned improvements are highlighted, ensuring transparency regarding areas of progress and continuing action in 2025/26.

The purpose of the governance framework

Corporate governance refers to the systems, processes, and values by which organisations are directed and controlled. For local authorities, it also encompasses how the Council engages with and is accountable to its communities. The governance framework enables the Council to monitor progress toward key objectives and evaluate the effectiveness and value for money of its services. Internal control is a core component of this framework, designed to manage risk to an acceptable level and provide reasonable assurance of effectiveness, though it cannot eliminate all risks.

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 help prepare this Statement.
- A Council Constitution.
- A Corporate Plan, *Our Council Plan 2025/26*, 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 Plan, 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 Global 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).

2024/25 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 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

The Corporate Governance and Audit Committee, in compliance with the Accounts and Audit Regulations 2015 and Global Internal Audit Standards, approved the annual review of internal control and audit effectiveness in June 2025. The Head of Audit confirmed that audit practices remain fully aligned with current professional standards and ethical codes.

2. Risk Management

The Council's governance framework remains effective and is continually strengthened across all departments. Significant or emerging risks are promptly identified and escalated to the Executive Leadership Team and Cabinet. Key areas addressed this year include financial stability, special educational needs and disabilities (SEND), public housing and property conditions, as well as workforce challenges - particularly in recruiting for hard-to-fill positions, which can affect operational performance.

3. Head of Audit's Annual Assurance Opinion

The incidence of control issues was similar to the previous year, though below historical assurance levels. The Head of Audit has obtained sufficient assurance that the Council's governance, risk management, and internal control systems are robust and consistently applied across services. Notable concerns persist in contract and project management, as well as information management.

4. External Auditor's Review

The audit of the Council's 2024/25 financial statements and Annual Report (VFM Review) is scheduled for approval by the Corporate Governance and Audit Committee (CGAC) in January 2026. The 2023/24 financial statements, approved on 31 January 2025, received an unqualified opinion, and the Annual Report was presented at the same meeting. Key recommendations focused on enhancing financial sustainability, aligning Dedicated School Grant expenditure with the revised Safety Valve management plan, and improving governance in areas such as budgetary control, district heating cost recovery, KSDL shareholder restructuring, Minimum Revenue Reserve charges, and contract management.

The external auditor continued to identify the issues of financial sustainability, SEND and Housing regulatory compliance as valid at the end of 2024/25.

Measures have been implemented to strengthen corporate oversight of these recommendations.

5. Cabinet

No new significant governance issues arose from the Cabinet's work this year.

6. Corporate Governance & Audit Committee

In 2024/25, the Corporate Governance & Audit Committee (CGAC) reviewed the Council's Constitution and governance arrangements, making recommendations to Council or approving revisions as necessary. The Committee received assurance from annual reports covering key areas such as health and safety, emergency planning, business continuity, information governance, complaint handling, and whistleblowing. To ensure Members are equipped to fulfil their responsibilities, regular training - including treasury management - was provided. No new significant governance issues arose from the Committee's activities this year.

7 Overview & Scrutiny Management Committee

In 2024/25, the Overview & Scrutiny Management Committee and its four Panels underwent an internal review as part of the Council's ongoing assessment of governance arrangements and key challenges. The Overview & Scrutiny process identified no new significant governance issues during the year.

8. Standards Committee

Throughout the year, the Committee reviewed a higher volume of Member conduct complaints; however, none were deemed significant enough to report in this Statement. The Government's consultation on Standards concluded in February 2025 and has indicated it is planning to legislate for a whole system reform of the current regime. We await further details and intend to update Standards Committee at the next meeting in March 2026. The proposed legislation intends to feature a number of new measures. The legislation is intended as soon as parliamentary time allows. No dates have been provided.

9. Role of the Chief Financial Officer

The Service Director of Finance assumed the role in May 2024 and continues to adhere to the governance standards established in the CIPFA Statement, ensuring effective performance of statutory duties in accordance with the Council's Constitution. The Council's financial management practices remain fully aligned with these standards.

10. Role of the Monitoring Officer / Senior Information Risk Owner (SIRO)

The Service Director for Legal, Governance & Commissioning, acting as SIRO, has overseen information governance and security as Chair of the Information Governance Board, with a growing emphasis on enabling support and ensuring compliance with the Constitution. The Council maintains close collaboration with the Information Commissioner to address and reduce the backlog of subject access requests related to personal data.

11. Officer Governance

Officer Boards, as outlined in the Constitution, have advanced the Transformation Programme under the strategic direction of the Executive Leadership Team, with effective escalation of key issues. Notable progress has been achieved in revenue budget management, and improvements in capital expenditure governance are underway. These processes are overseen by both Cabinet and Scrutiny and are reflected in the Council's financial position. No significant officer-related governance issues were identified this year.

12. Significant Partnerships

The Council's partnerships—including joint ventures, thematic collaborations, and major contractual agreements—are subject to robust governance oversight. Each partnership's designated contact officer is responsible for evaluating governance arrangements and reporting any significant changes. Senior officers review this information to assess risks to the Council's reputation and financial position. Biannual reports to the Executive Leadership Team provide updates on key issues and risks across all major partnerships. While the enhanced governance framework is now established, the Council continues to identify and address areas for further improvement.

13. Corporate Financial Management and Corporate Performance Reports

Quarterly Corporate Performance reports were produced throughout 2024/25, aligned with Council Plan priorities and Administration expectations. The introduction of updated key performance indicators enhanced transparency and enabled more effective assessment of organisational performance and service delivery.

14. External Inspections, Regulatory Interventions, Judicial Rulings and Peer Reviews

A Peer Review conducted by the Local Government Association in 2024/25 confirmed that Kirklees Council's governance and operational arrangements are fit for purpose. The review identified several areas for improvement, which were addressed through an agreed Action Plan and next steps, noted by Council on 23 April 2025. A follow-up assessment was completed in autumn 2025.

The Corporate Planning and Co-ordination Team maintains a central repository for all external inspections, audits, accreditations, and reviews, enabling prompt identification and implementation of improvement actions and recommendations. This process will be further integrated into the Team's operations to ensure comprehensive oversight. No significant governance issues were identified from external inspections during 2024/25. All Executive Directors are required to participate annually in LGA Peer Reviews to promote organisational learning and best practice. The Council responds to judicial rulings and looks to address any concerns or learning need identified.

What would be a Significant Governance Issue?

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2023/24 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.

New Issues

The annual review of the effectiveness of our governance arrangements in 2025 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In respect of the year 2024/25 one new issue was identified which requires action.

No	Governance Issue / Theme	Reason for Inclusion	Action Taken to January 2026 and planned beyond
1	<p>Ensuring that the Council effectively manages contracts and projects.</p> <p>A, C, D, F</p>	<p>Both external and internal auditor's reports have highlighted concerns about the effectiveness of contract management arrangements in some areas. This relates to ongoing management of long-term contracts, and the effective commissioning and delivery of (typically) construction projects.</p>	<p>A project group was been established including key stakeholders to review and update arrangements in contract management to ensure best practice All senior leadership teams were attended to ascertain their views and steer around the project. The Contract Assurance Board have agreed the refreshed strategic governance framework. The work was concluded in October 2025, Contract Management Arrangements Update report.pdf</p> <p>A second phase will embed the contract management framework and learning, complete the data workstream and add a new workstream of resources to review. CGAC will continue to be updated.</p> <p>Responsible: Director of Legal, Governance & Commissioning</p>

Progress with the Significant Governance Issues in last year's (2023/24) Statement

Previous Statements have acknowledged that many governance issues are complex and may extend beyond the Council's direct control, often requiring more than a year to resolve. As circumstances evolve, some issues may be retained in a revised form in subsequent Statements. Since the 2023/24 Statement, two such issues have been sufficiently addressed and are now considered part of routine operations and therefore are no longer included in this Statement.

Issues from the 2023/24 Statement which are completed.

<u>2023/24</u>	<u>Action Taken</u>
Need for review of the Local Code of Corporate Governance	The Code was reviewed earlier in 2025 and the CGAC approved the updated version in February 2025 which included adding further clarity as to how Kirklees measures its performance and demonstrates compliance with the Code. The revised Code was approved at the AGM on 21 st May 2025.
Need for more prompt accident reporting internally by management and to the Health & Safety Executive where necessary by the corporate Health & Safety team.	Monitoring of the revised arrangements has confirmed this had been the case during 2024/25 and no concerns have been identified.
Robust governance oversight and management of progress in implementing the significant changes that underpinned the 2024/25 budget that is of key importance to ensuring the financial stability of the Council.	<p>MTFS</p> <p>A review of the MTFS was undertaken in 2024/25 (for the period to 2029/30), with a further review in September 2025 to ensure that the MTFS fully reflects both the anticipated income and expenditure, based on sound assumptions, for the period 2026/27 to 2030/31 to achieve a more robust base budget going forward.</p> <p>Revenue Budget</p> <p>The approved budget for 2024/25 included savings of £42m and these were tracked each month as part of the suite of corporate reports.</p>

Quarterly reports to Members continued to highlight the in-year financial position and the need to further use short term reserves to balance the budget. The projected overspend of £9.9m was managed down to an Outturn position of £5.6m overspend, with 75% of the planned savings being achieved in year.

A balanced budget for 2025/26 was approved by Council at the start of March 2025 with £50m to address budget pressures (to reduce the number and scale of budget variations in year.), and £29m of budgeted savings, £11m of which are new.

Capital investment.

Ongoing review of capital programme to ensure it remains affordable, with over £70m slipped into future years during 2024/25. The 2024/25 capital plan involved expenditure of £340m but this fell to £150m of actual expenditure. The capital slippage resulted in a £2.5m saving in the revenue budget in 2024/25. The Capital Plan was reviewed again in 2025/26 where over £50m of borrowing was removed. The Capital Plan is subject to continuous review.

Report to CGAC on Minimum Reserve Provision policy April 2025.

Regular monitoring of revenue and capital budgets with monthly updates to Executive Leadership, quarterly to Cabinet and annually to Council. Reports continue to highlight the 2025/26 in-year financial position and the need to further use short term reserves to balance the budget. The projected overspend is £5.1m at Quarter 2, with 78 % of the planned savings being achieved in year. SEND Finances (see also 2023/24 (3) below)

The Statutory override (which permits overspending on SEND) has been extended to March 2028 and allows deficit to be classed as Unusable Deficit reserve, The deficit was c£78m at year end 2025/26. The estimated cost to the General Fund is £3.5m pa in interest charges.

Issues from the 2023/24 Statement where further work or time to embed improvements is still required.

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
1	<p>A need to 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.</p>	<p>The Regulator of Social Housing 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.</p> <p>Since then, the Council has met with the Regulator each month and provides bi-weekly performance reports to provide assurance on progress against an agreed Action Plan. The Regulator has worked with the Council to secure delivery, rather than apply a statutory sanction.</p> <p>Work relating to damp, mould, and condensation is well progressed with the introduction of a multi-disciplinary team from March 2025 which has enabled a tenant-centred approach to both gaining access to properties and dealing with damp, mould, and condensation. The number of open cases reduced from 1,200 in March 2025 to 244 at the end of November 2025. The Council delivered its commitment to a business-as-usual position of 480 cases in June 2025 ahead of the August deadline.</p> <p>In relation to fire safety, the Council initiated a fire risk assessment programme across all blocks which concluded in November 2025 ahead of the target date</p>	<p>Continue to deliver the Action Plan agreed with the Regulator within the timescales specified (continuous).</p> <p>Assurance is provided to the Building Safety Assurance Board, Homes and Neighbourhood's</p> <p>The Regulator currently receives monthly performance reports, having stood down the need for bi-monthly reporting. A further progress report re Regulator matters is scheduled prior to the end of financial year 2025/26.</p> <p>The service is currently preparing for Phase 2 of Awaab's Law - anticipated in the autumn 2026.</p> <p>At the end of November 2025, there were 3,656 actions outstanding (37.6%). There is a programme of action to deliver all actions within a 5-year period and working with the Regulator will seek to accelerate delivery wherever possible.</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		of January 2026, with 837 separate FRAs requiring 9,732 actions to be complete All actions arising from the FRAs are either dealt with by the Council’s building safety team, or programmed for delivery through the subsequent fire work-programme. This work is governed by a core group comprising of H&N leadership, representatives from external contractors and the building safety team.	The Council is upgrading its repairs and assets information systems to enable improved reporting, data management, and agile working.
	A, C, E		Responsible: Director of Homes & Neighbourhoods
	A, C, E, F	<p>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 implemented the correct testing from October 2024), with properties prioritised according to a risk assessment, this work being completed in September 2025</p> <p>The Council has delivered required preparation for Awaab’s Law meeting legislative requirements consistently from September 2025</p> <p>The new housing management system, Cx was delivered at the end of September 2025. This will enable both modernisation of delivery and enhanced information gathering to enable improved services to our tenants.</p>	

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		<p>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 Regulator.</p> <p>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.</p> <p>A report, setting out progress against the Regulator's concerns, reported to the Cabinet committee twice annually (July 2025).</p> <p>The Service has confirmed the necessary financial and operational resources are in place to deliver programme sustainability for a minimum period of 3 years.</p>	
2	<p>The management, governance and use of data is not always effective, meaning that decisions are not necessarily informed by robust evidence, as well as creating unintended financial and operational risks.</p>	<p>The draft Data and Insight Strategy is under ongoing review, with priority activities being implemented alongside Technology and Information Governance Strategies.</p> <p>Performance dashboards and robust quarterly reporting on key indicators have been introduced.</p> <p>In early 2025/26, the Council committed to developing a comprehensive Digital Strategy, replacing the previous plan to embed the Data and Insight Strategy.</p>	<p>Finalise and approve the Digital Strategy in Quarter 4 of 2025/26, leading to a transformation programme from 2026/27</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
	A, F	This Strategy will guide digital transformation from 2026/27 onwards.	Responsible: Director of Strategy & Innovation
3	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).	<p>There is an agreed plan with the Department for Education (DfE) 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.</p> <p>Council Services will continue to work collaboratively with schools and other partners to effectively manage the High Needs Block expenditure.</p> <p>Woodley Moor, a Satellite to Woodley School and College opened on 1 October 2024 enabling an increased number of children to be placed in state funded provision (ahead of the new larger school being built). A similar plan is in train for Joseph Norton Academy to enable more places to be made available locally ahead of the new, larger school being built.</p>	<p>The Safety Valve Plan includes.</p> <ul style="list-style-type: none"> - New special school buildings (one to be completed by early 2027) with larger capacity to meet sufficiency pressures. - Further Additionally Resourced Provisions and Special School Satellite Provision. - More effective processing and resource allocation as a part of the initial EHC needs assessment. (first phase completed by 31/03/2025). - Additional Alternative Provision capacity by way of a DfE approved Free School. Alongside reviewing commissioned Alternative Provision, particularly for primary age children.
	A, E, F	<p>However, increased demand for Education, Health & Care Plans, as well as complexity of need resulting in higher demand for specialist places alongside other difficulties means that achievement of the goals</p>	Responsible: Executive Director of Children’s Services

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to January 2026	Further Action Planned in 2025/26 and beyond, target date for implementation, and Person Responsible
		<p>requires, and is being given, substantial continued attention.</p> <p>Changes made to processes for EHC needs assessments have meant there is an improvement to timeliness, although issues of volumes, staff turnover and skill shortages across the partnership continue to impact on a full resolution of issues. This also includes Annual Reviews.</p> <p>The government has indicated sound progress under the Safety Valve arrangement but recognising a national issue in the cost of SEND provision, government has indicated that beyond 2027/28 it will look to resolve issues about the impact of this cost on all local authority budgets and additionally work to support Council's with historic deficits.</p>	

The Executive Leadership Team and the Corporate Governance & Audit Committee will monitor progress of all significant governance issues during 2025/26 and beyond.

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www.kirklees.gov.uk

Our Ref: KM/SD/HC

Date: 19 January 2026

Grant Thornton UK LLP
City Square House
11 Wellington Street
Leeds
LS1 4DL

Dear Grant Thornton UK LLP

Kirklees Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council ("the Council") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Council's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 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 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

- vi. 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.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 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.
- viii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. 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.
- x. 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.
- 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 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 Council means that, notwithstanding any intention to cease its 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 Council to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the 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 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 Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvii. We confirm that it is appropriate to account for the Local Government Pension Scheme pension asset ceiling at £nil in line with IFRIC 14 accounting principles.

Information Provided

- xviii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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 from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. 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.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the 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.
- xxiii. 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.
- xxiv. 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.
- xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xxvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised.

Annual Governance Statement

xxviii. 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

xxix. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's 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 30 January 2026.

Yours faithfully



Name: **Kevin Mulvaney**

Position: **Service Director – Finance**

Date: **19 January 2026**

Name.....

Position.....

Date.....

Signed on behalf of the Council



Report title: Treasury Management Strategy and Investment Strategy 2026/27

Meeting:	Corporate Governance and Audit Committee
Date:	30 January 2026
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 review and recommend the following for consideration by Cabinet and then approval by full Council:

- the treasury management strategy incorporating: the borrowing strategy outlined in paragraphs 2.15 to 2.27;
- the investment strategy (treasury management investments) outlined in paragraphs 2.28 to 2.36 and Appendices A and B;
- the policy for provision of repayment of debt (Minimum Revenue Provision) outlined in paragraphs 2.37 to 2.38 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 February 2026.	
Date signed off by <u>Executive Director</u> & name	N/A
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 20/01/2026
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Sam Lawton – 20/01/2026

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

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 2026 by the Council's treasury management advisors/consultants, Arlingclose.
- 1.3 This report will:
 - (i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2026/27;
 - (ii) outline the current and estimated future levels of Council borrowing and recommend a borrowing strategy for 2026/27;
 - (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 2026/27.

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 most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 2.2 The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 2.3 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 2.4 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 2.5 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

Interest Rate Forecast

- 2.6 Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.
- 2.7 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

Borrowing and Investments – Local context

- 2.8 On 31st December 2025 the Council held £791.3 million of borrowing and £56.6 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 2026 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

	31.03.25 Actual £m	31.03.26 Forecast £m	31.03.27 Estimate £m	31.03.28 Estimate £m	31.03.29 Estimate £m
Capital Financing Requirement	939.3	1001.5	1099.1	1191.0	1265.2
Less: PFI liabilities	86.2	79.1	71.9	63.9	56.4
Less: Other deferred liabilities	4.3	0.3	0.2	0.1	0
Loans CFR	848.8	922.1	1027.0	1127.0	1208.8
Less: External borrowing*	774.0	781.9	687.0	601.2	545.2
Internal (over) borrowing	74.8	140.2	340.0	525.8	663.6
Less: Balance sheet resources	133.4	116.1	116.0	115.0	113.9
New borrowing (Treasury investments)	-58.6	24.1	224.0	410.8	549.7

* Shows actual debt and only loans to which the Council is committed and excludes optional refinancing.

2.11 There is a planned increase in the CFR due to increases in the capital programme, in particular Our Cultural Heart, town and district centre regeneration programmes the investment in two special schools as part of the Council Safety Valve agreement with the DfE and investment in our Housing stock. The Council will be required to borrow up to £525.6 million to fund the increase in the Loans CFR over the 3 year period from 31 March 2026 to 31 March 2029.

Liability Benchmark

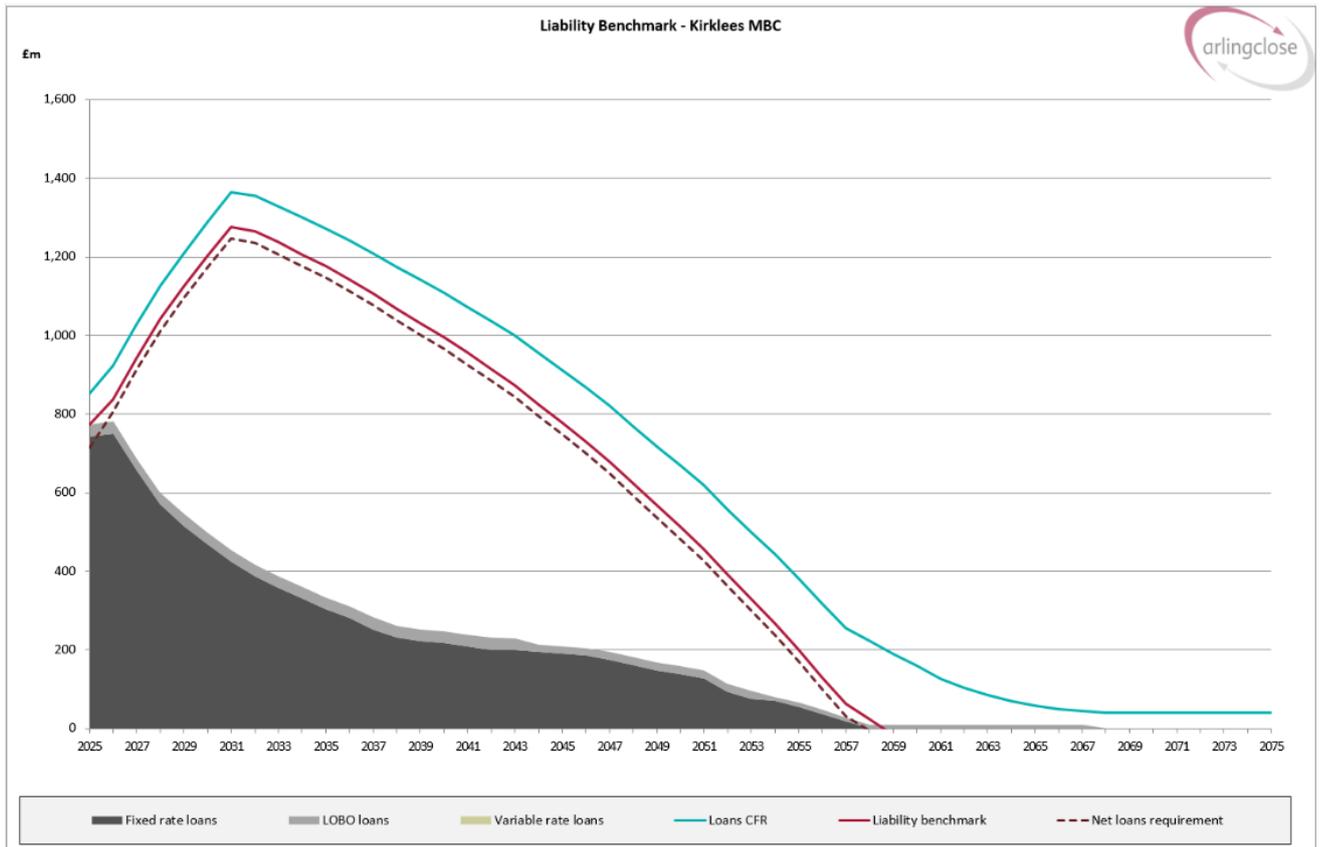
2.12 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £30.0 million at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

2.13 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 £1124.9 million of borrowing at 31 March 2029.

Table 2: Prudential Indicator: Liability Benchmark

	31.03.25 Actual £m	31.03.26 Estimate £m	31.03.27 Forecast £m	31.03.28 Forecast £m	31.03.29 Forecast £m
Loans CFR	848.8	922.1	1027.0	1127.0	1208.8
Less: Balance sheet resources	133.4	116.1	116.0	115.0	113.9
Net loans requirement	715.4	806.0	911.0	1012.0	1094.9
Plus: Liquidity allowance	58.6	30.0	30.0	30.0	30.0
Liability benchmark	774.0	836.0	941.0	1042.0	1124.9

2.14 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

- 2.15 The Council is forecast to hold around £836.0 million of external borrowing at 31 March 2026, an increase of £62.0 million on the previous year as part of its strategy for funding the capital programmes. The balance sheet forecast in table 1 shows the Council expects to borrow up to a further £105.0 million during 2026/27. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1047.0 million for 2026/27.
- 2.16 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.
- 2.17 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 2.18 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 25/26 financial year, the Council took £55.0 million of medium-term EIP Borrowing from the PWLB, and £67.5m of short to medium-term borrowing from other Authorities.

- 2.19 Short-term interest rates have fallen over the past year, and are expected to fall a little further, 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.
- 2.20 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 2026/27, diversifying the borrowing and maturity structure of the loans.
- 2.21 In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.22 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 3.8% of debt.
- 2.23 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.
- 2.24 The approved sources of borrowing are:
- HM Treasury's PWLB lending facility
 - Any bank, building society or insurance company authorised to operate in the UK
 - Any other UK public sector body
 - Capital market bond investors
 - 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)
 - Community Municipal Investments (Bond or Loan) raised from the public (including a climate change investment opportunity).
- 2.25 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.

- 2.26 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.
- 2.27 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

- 2.28 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 £41.5 million and £139.4 million, and similar levels are expected to be maintained in the forthcoming year.
- 2.29 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. The Council is currently undertaking a review of its Ethical Procurement and Investment Policy and once completed any relevant changes will be reflected as part of the 2027/28 strategy.
- 2.30 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.
- 2.31 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.

- 2.32 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.
- 2.33 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.
- 2.34 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.

- 2.35 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.
- 2.36 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)

- 2.37 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.
- 2.38 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

- 2.39 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.
- 2.40 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.
- 2.41 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.
- 2.42 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

- 2.43 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

- 2.44 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 2.29, 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 Council Plan

N/A

3.2 Financial Implications

N/A

3.3 Legal Implications

N/A

3.4 Climate Change & Air Quality

N/A

3.5 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 Ltd, 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 10 February 2026 and Council on 25 February 2026.

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 2026/27
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 2026/27

11 Service Director responsible

Kevin Mulvaney 01484 221000

Investment Policy for 2026/27

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 & other government entities.
- 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 £50.0 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.

*increased from £40.0m due to cash balances being higher at certain times during the year

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 2025	
	Fitch	Moody's	S & P	£m	Period (2)		
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1	P-1	A-1	10.0	<3mth	HSBC Lloyds Group Santander UK Barclays	Bank of Scotland Handelsbanken Nationwide BS
	AAA,AA+,AA,AA-,A+,A,A-	Aaa,Aa1,Aa2,Aa3,A1,A2,A3	AAA,AA+,AA,AA-,A+,A,A-				
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1	P-1	A-1	10.0	<2mth	Various	
	AAA,AA+,AA,AA-,A+,A,A-	Aaa,Aa1,Aa2,Aa3,A1,A2,A3	AAA,AA+,AA,AA-,A+,A,A-				
MMF (1)	AAAmmf	Aaa-mf	AAAam	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	P-2	A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3		A-		A-			
Baa1	P-3	BBB+	A-2	BBB+	F2	Lower medium grade	
Baa2		BBB		BBB			
Baa3	Not prime	BBB-	A-3	BBB-	F3	Non-investment grade speculative	
Ba1		BB+		B			BB+
Ba2		BB					BB
Ba3		BB-					BB-
B1		B+					B+
B2		B					B
B3		B-					B-
Caa1	C	CCC+	C		CCC	C	Substantial risks
Caa2		CCC		Extremely speculative			
Caa3		CCC-		In default with little prospect for recovery			
Ca		CC					
C	C	/	DDD	/	In default		
/	D		DD				
/	/		/				

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 – No MRP is required to be charged in respect of assets held within the Housing Revenue Account as depreciation on those assets will be charged instead in line with regulations. However, the Council may opt to make further

provision 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 16 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.

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	5.2

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.

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 <i>Operational Boundary</i> 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 <i>Also see RPI</i>	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	<p>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.</p> <p>*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.</p>
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	<p>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.</p> <p>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.</p> <p>Refinancing risk</p>

	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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 2026/27

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 to remain stable, deal with shocks/unplanned events and manage emergencies. 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 during the 2026/27 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 2026/27 for treasury management investments are covered in the treasury management strategy report 2026/27 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 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. This was repaid in full in December 2025.

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. Any new loans would have to meet strict criteria and have a clear business case.

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	31.03.2025 actual			2026/27
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Further education college	12.6	-0.3	12.2	12.6
Leeds City Region revolving investment fund	3.0	0.0	3.0	3.0
Local businesses and charities	24.4*	-8.7	15.8	12.6**
Local residents	2.1	-0.1	2.0	2.1
TOTAL	42.1	-9.1	33.0	30.3

* This is made up of numerous investments, the largest of which is £12.2 million towards 103 New Street and £7.5 million relates to Kingsgate.

**Limit less than balance as Kingsgate loan repaid and KSDL shares disposed of during 25/26

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.

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. However, there are none of these loans within the current Capital Plan.

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 19 schools on our behalf on a 32 year contract under PFI. The Council also 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	31.03.2025 actual			2026/27
	Amounts invested	Gains or losses (-)	Value in accounts	Approved Limit
Local businesses	0.2	0.8	1.0	*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	31.03.2025 actual		31.03.2026 expected	
	Purchase cost	Gains or losses (-)	Value in accounts	Gains or losses (-)	Value in accounts
Commercial Property	*See below	1.7	22.1	0.0	22.1

*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 2025/26 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.

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 Executive 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	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	59.0	30.0	30.0
Service investments: Loans	42.1	30.3	30.3
Service investments: Shares	1.0	1.0	1.0
Commercial investments: Property	22.1	22.1	22.1
TOTAL INVESTMENTS	124.2	83.4	83.4
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	0.0	0.0	0.0
TOTAL EXPOSURE	124.2	83.6	83.4

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	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Service investments: Loans	42.1	30.3	30.3

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	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	5.0%	4.1%	3.5%
Service investments: Loans	-0.3%	-0.3%	0.0%
Service investments: Shares	None	None	None
Commercial investments: Property	12.0%	5.0%	5.0%



Dates of Council Meetings – 2026/2027 Municipal Year (Reference to Council)

Meeting:	Corporate Governance and Audit Committee
Date:	30 January 2026
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 2026/2027 Municipal Year.	
Recommendation – That the schedule of Council Meetings for the 2026/2027 Municipal Year be approved.	
Reasons for Recommendation – To enable the scheduling of forthcoming meetings of Council.	
Resource Implications: The overall cost of facilitating Council meetings is met from within existing resource/budget. Any additional meetings of Council incur an approximate additional cost of £1100 per meeting.	
Date signed off by <u>Strategic Director</u> & name	Rachel Spencer Henshall 5.1.26
Is it also signed off by the Service Director for Finance?	Not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Samantha Lawton 9.1.26

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, with all meetings commencing at 5.30pm.

The meeting of Annual Council, scheduled for Wednesday 26 May 2027, will commence (with a civic ceremony) at 12.30pm. (The agreed scheduled meeting of Annual Council for 2026 will take place on 20 May 2026)

Date	Council Meeting
2026	
Wednesday 15 th July	Holding Executive to Account
Wednesday 16 th September	Key Discussion
Wednesday 21 st October	Holding Executive to Account
Wednesday 18 th November	Key Discussion
Wednesday 16 th December	Holding Executive to Account
2027	
Wednesday 20 th January	Key Discussion
Wednesday 24 th February	Budget Council
Wednesday 17 th March	Holding Executive to Account
Wednesday 26 th 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** – The cost of facilitating each Council meeting is approximately £1100.
- 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** – Subject to approval by Council, the proposed dates will be confirmed for the 2026/2027 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: Kirklees Community Governance Review:
Stage 1 Consultation Summary and Stage 2 Recommendations**

Meeting	Corporate Governance & Audit Committee
Date	30 th January 2026
Cabinet Member (if applicable)	N/A
Key Decision Eligible for Call In	No N/A
<p>Purpose of Report</p> <ul style="list-style-type: none"> To provide Corporate Governance and Audit Committee with a summary and analysis of responses received in the first stage of public consultation on the Community Governance Review (CGR). To seek approval for the draft proposals arising from stage one consultation that will form the basis of Stage 2 consultation. To ask the Committee to note arrangements for the second stage of consultation, scheduled to commence on 9th February 2026. 	
<p>Recommendations</p> <p>That Corporate Governance and Audit Committee:</p> <ol style="list-style-type: none"> Approve the draft proposals arising from stage one consultation. Note arrangements for the second stage of consultation, scheduled to commence on 9th February 2026. <p>Reasons for Recommendations</p> <ul style="list-style-type: none"> Corporate Governance & Audit Committee has delegated responsibility to agree the terms of reference for, and oversee delivery of, the Community Governance Review. In accordance with the agreed terms of reference and timeline, Corporate Governance and Audit Committee is asked to consider and agree the draft initial recommendations, prior to the second stage of consultation, scheduled to commence on 9th February 2026. 	
<p>Resource Implications: The Community Governance Review will be delivered within existing resources and complements existing planned activity. Where additional resources are required to deliver specific actions within the plan, relevant council process and procedure rules will be followed, with value for money clearly demonstrated.</p>	
Date signed off by <u>Executive Director</u> & name	Rachel Spencer-Henshall, Deputy Chief Executive 13 th January 2026
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney, Service Director Finance 13 th January 2026

Is it also signed off by the Service Director for Legal Governance and Commissioning (Monitoring Officer)?	Samantha Lawton, Service Director Legal & Commissioning 13 th January 2026
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Electoral wards affected: All

Ward councillors consulted: Not applicable

Public or private: Public

Has GDPR been considered? Yes, no personal data is included in this report

1. Executive Summary

- 1.1 A Community Governance Review (CGR) is a process that allows upper-tier councils to review and make changes to the governance arrangements of parishes within their area to ensure they continue to reflect the identity and interests of local communities and are as effective and convenient as possible.
- 1.2 On 16th July 2025, Full Council agreed the undertaking of a CGR in accordance with the relevant legal framework and Government guidance, and in line with Corporate Governance & Audit Committee's (CG&AC) terms of reference, to delegate to the Committee to agree the terms of reference of the review and oversee delivery.
- 1.3 On 26th September 2025, CG&AC resolved to undertake a review of those areas of Kirklees which are currently parished and relevant adjoining land, to enable the Council to consider if any changes are needed to existing parish arrangements. The Terms of Reference for the CGR were published on 1st October 2025, and the first stage of the public consultation took place between 1st October – 12th December 2025.
- 1.4 CG&AC is asked to note the summary of responses received and approve the draft proposals arising from this first stage of public consultation and to note arrangements for the second stage of consultation, scheduled to commence on 9th February 2026.

2. Information required to take a decision

Background

- 2.1 A Community Governance Review (CGR) is a process that allows upper-tier councils to review and make changes to the governance arrangements of parishes within their area, to ensure they continue to reflect the identity and interests of local communities and are as effective and convenient as possible.
- 2.2 The Council has power under Section 82 of the Local Government and Public Involvement in Health Act 2007 to conduct CGRs. A CGR must be conducted in accordance with the requirements set out in Chapter 3 of Part 4 of the Local Government and Public Involvement in Health Act 2007 (as amended) and guidance issued by the Secretary of State under Section 100(4) of the 2007 Act.
- 2.3 On 16th July 2025, Full Council agreed the undertaking of a CGR in accordance with the relevant legal framework and Government guidance, and in line with Corporate Governance & Audit Committee's (CG&AC) terms of reference, to delegate to the Committee to agree the terms of reference of the review and oversee delivery.

- 2.4 On 26th September 2025, CG&AC resolved to undertake a review of those areas of Kirklees which are currently parished and relevant adjoining land, to enable the Council to consider if any changes are needed to existing parish arrangements.
- 2.5 A Review must involve consultation with local people and stakeholders, and consider any representations received. It is deemed good practice to complete a review within 12 months, with the final recommendations subject to approval by Council.
- 2.6 Parish/Town Councils pay for their own elections. 'All-out' elections for Parishes are already scheduled for May 2027. To reduce an extra cost burden the review will need to be completed in sufficient time to meet the May 2027 deadline. The intention, therefore, is that final recommendations be considered by full Council in September 2026.
- 2.7 The Terms of Reference for the CGR were published on 1 October 2025, and stage 1 of the public consultation took place between 1 October – 12 December 2025.

3. Consultation

- 3.1 The Kirklees CGR consists of two distinct phases of public consultation:
 - Stage 1 – a general opportunity to make representations relevant to the terms of reference.
 - Stage 2 – a more focused consultation on specific proposals.
- 3.2 The Review must consider whether community governance arrangements within the areas under review are:
 - reflective of the identities and interests of the community in that area; and
 - effective and convenient to the community in that area

and make recommendations with regard to:

- Creating, abolishing, merging or altering parishes
 - The naming of parishes and the style of new parishes
 - The electoral arrangements for parishes including the ordinary year of election, the number of councillors to be elected to the council; and parish warding; and
 - Grouping of parishes under a common parish council or de-grouping existing parishes.
- 3.3 A public notice launching the review was published on 1 October 2025, marking the start of a ten-week Stage 1 consultation period. The review was extensively publicised, and stakeholders were provided with multiple submission options to ensure broad and inclusive consultation. Interested parties were invited to respond through a range of channels, including electronically via the Council's website, by email, or by letter. A dedicated contact number was also made available for stakeholders requiring assistance or wishing to receive information in an alternative format.
 - 3.4 Submissions were accepted in any format, but the consultation documentation and questionnaire particularly encouraged respondents to provide feedback in relation to the themes of 'contact', 'representation', 'consultation', 'boundaries / wards' and 'serving the community'; and whether in their view any changes to parish arrangements were needed. Respondents were encouraged to refer to the terms of reference before making a submission.

- 3.5 Information on the current structure of the five parishes and their electoral arrangements, which included polling district(s), councillors, electorate, electoral forecast data and wards (where applicable) were provided, in addition to maps of the areas which are currently in a parish.
- 3.6 Key stakeholders were directly contacted and invited to make a submission. The main communication channels used to publicise the review were:
- A dedicated webpage containing information about the review and an online submission form, with options to submit responses via post or email
 - Social media messaging at the start of the review, with reminder posts close to the end of the review
 - Press release and article in Kirklees Together
 - Email to Parish Clerks, providing them with all relevant information needed to publicise the review in their local communities and on Council websites and local noticeboards
 - Information on the review was included in newsletters our Active Citizens and Places Team send out to contacts in each ward in September/ October - comprising of community groups, school, businesses, residents, councillors and Kirklees staff who have a community remit.
 - Email to the borough's MPs informing them of the Review
 - Email to all the borough's public libraries, requesting copies of the notice of the review be displayed on public noticeboards
 - An article in 'Our Week' seeking support from Council staff in signposting stakeholders to the Council's website and encouraging participation
 - Attendance at each of the Council's four place-based working meetings during October – led by the Council's Active Citizens and Places Team - to brief frontline, community-based staff on the Review
- 3.7 Stage 1 consultation closed on 12 December 2025. 155 Consultation responses were received from residents, local businesses, community groups and organisations, parish and town Councils, Kirklees borough councillors and the Returning Officer.
- 3.8 The volume and nature of responses varied across the five parish and town councils. In addition, several submissions addressed issues relating to parish and town councils in general terms, and there were some suggestions regarding the potential creation of new parishes. [Appendix 1](#) includes a detailed summary and analysis of all submissions.
- 3.9 The draft proposals emerging from the initial submissions are set out in the Options section below and if approved, will go out to consultation from 9th February until 20th April 2026.
- 3.10 Responses from the second phase of consultation will be used to formulate a set of Final Recommendations that will be presented to CG&AC at its August 2026 meeting.
- 3.11 The Council will notify any persons or bodies who have made written representations of the outcome of the Review.

4. Engagement

- 4.1 Relevant council officers (including Service Directors and the Executive Leadership Team) plus Cabinet have been engaged in highlighting the need for a Community Governance Review.

- 4.2 On 16th July 2025, Council considered a report on Community Governance and resolved to undertake a CGR in accordance with the relevant legal framework and Government guidance and to delegate to the CG&AC to agree the terms of reference of the review and oversee delivery.
- 4.3 CG&AC considered a report at its meeting on 1st August, seeking agreement on the arrangements for producing the terms of reference for the CGR, to enable formal sign-off at the September 2025 meeting of the Committee.
- 4.4 Informal conversations were held with Parish Councils prior to the commencement of the Review. As part of these conversations, support was sought in promoting the review within the communities they represent.
- 4.5 Frontline, community-based staff were briefed on the review at each of the Council's four place-based working meetings led by the Council's Active Citizens and Places Team during October.

5. Implications for the Council

5.1 Council Plan

Enhancing local levels of governance will improve on our engagement with people and build relationships. In terms of the 'place' outcome, it also recognises local areas and the governance structures that exist.

5.2 Financial Implications

There are no immediate financial implications resulting from a CGR. It's worth noting that any new parishes/town councils created would be required to pay the Parish precept. Given the charges are on the Council tax bills that run from 1 April any change order following a CGR would need to take effect on the 1 April following the date on which it is made. If the final recommendations result in residents' circumstances being changed in terms of moving into a parished area and having to pay a precept, the authority would be required to write out explaining the changes which could result in a cost.

5.3 Legal Implications

Once the review is complete, should any changes be proposed, a Reorganisation of Community Governance Order under S.86 of the Act would be proposed for approval at Council.

5.4 Climate Change and Air Quality

N/A

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

There are risks associated with any delays in delivering the CGR which could have financial implications in terms of elections costings for parishes.

6. Key findings and options

- 6.1 Consultation responses received during first phase of the review have been analysed in accordance with the Local Government Boundary Commission for England's guidance on community governance reviews and in line with the published terms of reference.

6.2 Appendix 1 provides a detailed summary and analysis of all submissions. The key findings for each parished areas are as follows:

Denby Dale

- 23 specific responses, mostly suggestions and observations.
- Calls to review councillor numbers and ensure fairer representation across villages.
- Several other matters raised including transparency, a stronger influence over planning, and requests for better visibility, consultation, and regular updates/newsletters so residents can see actions and value delivered.

Holme Valley Parish Council (HVPC)

- 34 specific responses or mentions.
- Strong strand advocating a split of HVPC or new parish councils around Honley, Brockholes, and Netherton/South Crosland, to tighten local focus and priorities.
- Several other matters raised including support that HVPC currently provides for local groups and events, calls for more regular communication and clearer transparency on decisions and spending.

Kirkburton

- 40 specific responses or mentions.
- Several suggestions and calls to add Bristfield and Whitley communities to the parish councils.
- Most respondents felt the Parish Council is accessible, serves the whole community, represents the area well, and that the parish is divided into wards correctly.

Meltham

- 12 specific responses or mentions.
- Representation & councillor numbers, mentions in terms of calls for direct election of the mayor and review of councillor roles.
- Merge or boundary changes - ideas for merging Meltham with Almondbury/Dalton or adjusting boundaries for extremities like Knowle.
- Retain Meltham Town Council, comments on strong local identity and councillors' involvement.

Mirfield

- 17 specific responses or mentions, mostly descriptive or suggestion based.
- Calls for boundary alignment to address concerns about estates outside the Town Council boundary (e.g. Spring Place Gardens).
- Several other matters raised including visibility and governance, retaining the Town Council due to its strong community role, calls for improved outreach and updates, and councillor visibility.

6.3 Although the Terms of Reference specified that the Review would focus on areas of Kirklees that are already parished, several responses went beyond this scope requesting the creation of new parish or town councils. The 22 responses mentioning new parish or town councils were varied in terms of detail; some were brief statements of support for new councils, while others provided comprehensive proposals including maps, suggested wards and boundaries, along with indicative numbers of councillors.

- 6.4 For the more detailed responses, we will contact the individuals explaining the scope of this review and suggestions on how they can take their proposals forward in line with guidance provided by the Local Government Boundary Commission for England.
- 6.5 Members of a cross-service Community Governance Review Working Group have met to consider the responses to the consultation and draft the following proposals to CG&AC to explore as part of Stage 2 consultation.
- 6.6 Residents will be asked to submit their view on the following proposals.
- Honley Central and East Ward, Honley South Ward and Honley West Ward be merged into a single parish ward, represented by 6 councillors, in line with the National Association of Local Councils (NALC) guidance, reflecting their strong shared community identity (see map in section 3.1 of Appendix 1).
 - In line with the National Association of Local Councils guidance on Councillor numbers, the number of Councillors in Brockholes ward increase to 2.
 - Propose the three Honley parish wards, together with the Brockholes Ward (currently part of Holme Valley Parish Council), are separated, to form a new 'Honley Parish Council'. This new Parish Council would comprise of 6,806 electors; the remaining Holme Valley Parish Council would be made up of 16,663 electors (see map in section 3.1 of Appendix 1).
 - The names of Fulstone and Scholes Wards in Holme Valley Parish change to 'New Mill & Fulstone' and 'Scholes & Hade Edge' respectively.
 - The external boundary of Kirkburton Parish Council is extended to include polling district KB1-D (see map in section 3.2 of Appendix 1) creating a new parish ward named Whitley and Bristfield. It will have 1 Councillor to represent the community on the parish council (additional Council Tax charge of £16.67 per year for Band D properties for 2025/26).
 - Propose that Meltham Town Council is split into two wards following the existing polling district boundaries (see map in section 3.3 of Appendix 1).
 - a. Polling district HN5-C would have approximately 2471 voters, this area could become Meltham North ward and be represented by 4 Councillors.
 - b. Polling district HN6-C would have approximately 5169 voters, this area could become Meltham South ward and be represented by 8 Councillors.
 - Mirfield Town Council boundary is amended to include the voters in the MF4B-D polling district (see map in section 3.4 of Appendix 1) residing in Spring Place Gardens, and this area be included in the adjoining Northorpe ward of the Town Council (additional Council Tax charge of £17.54 per year for Band D properties for 2025/26).
 - All dwellings in the Calder View development, currently within the Kirkburton Parish Council boundary, be moved into the Mirfield Town Council Boundary. Should this proposal to amend the external Town Council Boundary receive support during stage 2 consultation, we would propose to seek a related alteration from the LGBCE to amend the Mirfield District ward boundary, so that the Town Council boundary is coterminous with the ward (see map in section 3.4 of Appendix 1).

- In line with the National Association of Local Councils guidance on Councillor numbers, the number of Councillors in Mirfield Town Council increase to 21 from 16.

7. Options considered

That Corporate Governance and Audit Committee:

- Consider the summary and analysis of responses received in the first stage of public consultation on the Community Governance Review.
- Approve the draft proposals arising from stage one consultation, set out above and in detail at [Appendix 1](#) of this report.
- Note arrangements for the second stage of consultation, scheduled to commence on 9th February 2026 until the 20th April, a 10-week period.

8. Next steps and timelines

- A second stage consultation on the draft proposals is scheduled to commence on 9th February 2026. Submissions to stage two consultation will be invited over a ten-week period, until 20th April 2026.
- Submissions received during stage two consultation will be considered and final recommendations will be prepared between April and June 2026.
- Corporate Governance and Audit Committee will be asked to make its final recommendations to Full Council in August 2026.
- Final recommendations are scheduled to be considered by Full Council, and a decision taken on the outcome of the review, in September 2026.

9. Contact officer

Nick Howe, Policy & Partnership Manager. Policy, Partnerships & Corporate Planning
Nick.howe@kirklees.gov.uk

10. Background Papers and History of Decisions

- Community Governance Review, Council 16th July 2025: <https://democracy.kirklees.gov.uk/documents/s64955/FINAL%20Council%2016%20July25.pdf>
- Community Governance Review, Corporate Governance and Audit Committee, 1 August 2025: [Community Governance Review report.pdf](#)
- Community Governance Review, Corporate Governance and Audit Committee, 26th September 2025: [Cover report 26th September 25.pdf](#)
- Community Governance Review Terms of Reference and Timeline: [Terms of Reference, Kirklees Community Governance Review](#)
- Local Government Boundary Commission for England, Guidance on community governance reviews, March 2010:

<https://www.gov.uk/government/publications/community-governance-reviews-guidance>

- Local Government Boundary Commission for England, New electoral arrangements for Kirklees Council, December 2024: [kirklees_full_report.pdf](#)

11. Appendices

Appendix 1 - KIRKLEES COMMUNITY GOVERNANCE REVIEW, STAGE 1 CONSULTATION

12. Service Director responsible

Samantha Lawton, Service Director Legal & Commissioning

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Kirklees Community Governance Review, Stage 1 Consultation

Appendix 1

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1. Kirklees Community Governance Review

Section 1 – Relevant Background Information

1.1 Purpose

1.1.1 The Kirklees Community Governance Review (CGR) consists of two distinct phases of public consultation:

- Stage 1 – a general opportunity to make representations relevant to the terms of reference
- Stage 2 – a more focused consultation on specific proposals

1.2.1 The purpose of this report is to provide a summary and analysis of the responses to the first stage of consultation and to set out draft recommendations. The second phase of consultation will seek views on those draft recommendations, to allow final recommendations to be formed.

1.2 Aims and objectives of the Kirklees Community Governance Review

1.2.1 The review focuses on those areas of Kirklees which are currently parished and relevant adjoining land, to enable the Council to consider if any changes are needed to existing parish arrangements.

1.2.2 The consultation provides an opportunity for local people to express their views about parish arrangements, boundaries and governance structures in the areas under review.

1.2.3 The aim of the review is to ensure that parish council arrangements are relevant to local communities and reflect local identities and interests.

1.3 The review process and timescales

1.3.1 A public notice launching the review was published on 1 October 2025, marking the start of a ten-week consultation period. During this stage, stakeholders were invited to submit comments and proposals on current parish arrangements in line with the terms of reference.

1.3.2 The consultation closed on 12 December 2025. This report summarises the findings from that initial consultation and sets out draft recommendations for the next stage, which will be subject to further public consultation from 9 February to 20 April 2026.

1.3.3 Following this second phase, the Corporate Governance and Audit Committee will make final recommendations for future parish arrangements, for approval by full Council in September 2026.

1.4 Terms of Reference

1.4.1 The Council has power under Section 82 of the Local Government and Public Involvement in Health Act 2007 to conduct CGRs. A CGR must be conducted in accordance with the requirements set out in Chapter 3 of Part 4 of the Local Government and Public Involvement in Health Act 2007 (as amended) and guidance issued by the Secretary of State under Section 100(4) of the 2007 Act.

1.4.2 A Review must involve consultation with local people and stakeholders, and consider any representations received.

1.4.3 It is deemed good practice to complete a review within 12 months, with the final recommendations subject to approval by Council.

1.4.4 A CGR is carried out by the principal council and is used to look at the whole or part of a district.

1.4.5 The Local Government & Public Involvement in Health Act 2007 allows principal councils to determine the terms of reference under which a community governance review is to be undertaken. It requires the terms of reference to specify the area under review and the principal council to publish the terms of reference. If any modifications are made to the terms of reference, these must also be published.

1.4.6 On 16th July 2025, Full Council agreed the undertaking of a Community Governance Review in accordance with the relevant legal framework and Government guidance, and in line with Corporate Governance & Audit Committee's (CG&AC) terms of reference, to delegate to the Committee to agree the terms of reference of the review and oversee delivery.

1.4.7 In accordance with the terms of reference and timeline agreed by Corporate Governance and Audit Committee on 26th September 2025, the Community Governance Review formally commenced on 1st October 2025.

1.4.8 The Review is focused on those areas of Kirklees which are currently parished and relevant adjoining land, to enable the Council to consider if any changes are needed to existing parish arrangements.

1.4.9 At present, there are five parish and town councils in Kirklees:

- Denby Dale Parish Council
- Holme Valley Parish Council
- Kirkburton Parish Council
- Meltham Town Council
- Mirfield Town Council

1.4.10 The Review must consider whether community governance arrangements within the areas under review are:

- reflective of the identities and interests of the community in that area; and
- effective and convenient to the community in that area

and make recommendations with regard to:

- Creating, abolishing, merging or altering parishes
- The naming of parishes and the style of new parishes

- The electoral arrangements for parishes including the ordinary year of election, the number of councillors to be elected to the council; and parish warding; and
- Grouping of parishes under a common parish council or de-grouping existing parishes.

In doing to, the review is required to take into account:

- the impact of community governance arrangements on community cohesion; and
- the size, population and boundaries of a local community or parish.

1.4.11 The full terms of reference for the review can be viewed here: [Terms of Reference, Kirklees Community Governance Review](#)

Section 2 – Summary and analysis of submissions

2.1 Consultation

2.1.1 The review was extensively publicised, and stakeholders were provided with multiple submission options to ensure broad and inclusive consultation.

2.1.2 Interested parties were invited to respond through a range of channels, including electronically via the Council's website, by email, or by letter. A dedicated contact number was also made available for stakeholders requiring assistance or wishing to receive information in an alternative format.

2.1.3 Submissions were accepted in any format, but the consultation documentation and questionnaire – which included both open free text boxes and closed questions to gather feedback - particularly encouraged respondents to provide feedback in relation to the themes of 'contact', 'representation', 'consultation', 'boundaries / wards' and 'serving the community'; and whether in their view any changes to parish arrangements were needed. Respondents were encouraged to refer to the terms of reference before making a submission.

2.1.4 Information on the current structure of the five parishes and their electoral arrangements, which included polling district(s), councillors, electorate, electoral forecast data and wards (where applicable) were provided, in addition to maps of the areas which are currently in a parish.

2.1.5 Key stakeholders were directly contacted and invited to make a submission. The main communication channels used to publicise the review were:

- A dedicated webpage containing information about the review and an online submission form, with options to submit responses via post or email.
- Social media messaging at the start of the review, with reminder posts close to the end of the review.
- Press release and article in Kirklees Together.
- Email to Parish Clerks, providing them with all relevant information needed to publicise the review in their local communities and on Council websites and local noticeboards.

- Information on the review was included in newsletters our Active Citizens and Places Team send out to contacts in each ward in September/ October - comprising of community groups, school, businesses, residents, councillors and Kirklees staff who have a community remit.
- Email to the borough's MPs informing them of the Review.
- Email to all the borough's public libraries, requesting copies of the notice of the review be displayed on public noticeboards.
- An article in 'Our Week' seeking support from Council staff in signposting stakeholders to the Council's website and encouraging participation.
- Attendance at each of the Council's four place-based working meetings during October – led by the Council's Active Citizens and Places Team - to brief frontline, community-based staff on the Review.

2.1.6 The volume and nature of responses varied across the five parish and town councils. In addition, several submissions addressed issues relating to parish and town councils in general terms, and there were some suggestions regarding the potential creation of new parishes.

2.2 Summary of responses received and draft recommendations

2.2.1 Consultation responses received during first phase of the review have been analysed in accordance with the Local Government Boundary Commission for England's guidance on community governance reviews and in line with the published terms of reference.

2.2.2 Members of a cross-service Community Governance Review Working Group have met to consider the responses to the consultation and to make recommendations to the Corporate Governance and Audit Committee.

2.2.3 A total of 155 Consultation responses were received from residents, local businesses, community groups and organisations, Parish and Town Councils, Kirklees District Councillors and the Returning Officer.

2.2.4 Of the responses received, 80% of respondents chose to comment on specific councils, and 21% chose to go directly to the 'suggest a new parish council' section.

2.2.5 The distribution of consultation responses relating to the existing five Parish and Town Councils was as follows:

- Kirkburton Parish Council - 34%
- Holme Valley Parish Council - 27%
- Denby Dale Parish Council - 19%
- Mirfield Town Council - 13%
- Meltham Town Council - 10%

2.3 Denby Dale Parish Council

2.3.1 Denby Dale Parish Council currently represents 13,644 electors. The Parish Council is made up of 20 councillors across 4 Wards:

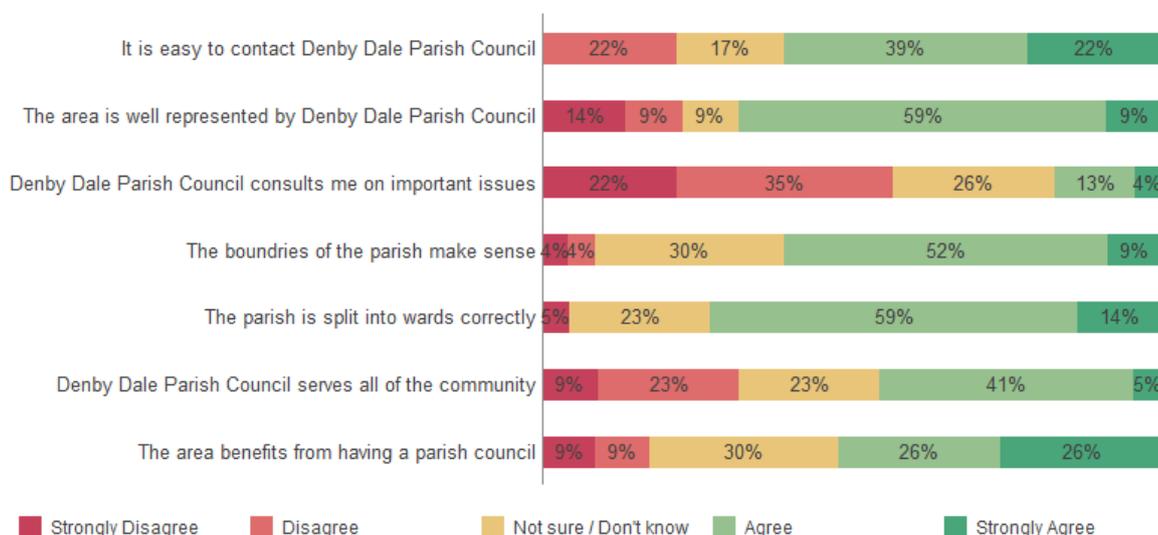
Parish	Parish Ward	Polling District(s)	No. of Cllrs	Electorate forecast
Denby Dale Parish Council	Clayton West Ward	DD1-0	4	2614
	Denby Dale and Cumberworth	DD2-O, DD3-O, DD4-O	6	4784
	Skelmanthorpe	DD5-O, DD6-O, DD7-O	6	5733
	Emley	DD8-O, DD9-O	4	1613

Current structure of Denby Dale Parish Council

2.3.2 Summary of responses

2.3.3 A total of 23 responses were received regarding Denby Dale Council. Over half of respondents agreed to some extent that the Parish Council is accessible, represents the area well, is divided into wards correctly and believe that the area benefits from having a Parish Council. 46% of respondents agreed to some extent that the Council serves all the community and 17% agreed to some extent that the Council consults them on important issues.

Current Parish Arrangements - Denby Dale



Summary of responses on current Arrangements - Denby Dale Parish Council

2.3.4 Contact, representation, consultation and serving the community

2.3.5 There were twelve direct comments relating to Denby Dale Parish Council. Some respondents highlighted the role the Council plays in addressing the unique priorities of the area and providing community support. While two respondents felt some councillors could be more visible, this was framed alongside recognition of those who are actively engaged. There was a call for increased funding, to ensure communities continue to receive the representation and resources they need, and for a stronger influence over matters such as the environment, citing

tree and hedge preservation matters, and planning, reflecting concerns about development pressure:

- *“I value Denby Dale parish council. A semi-rural area has its own priorities and these needs should be recognised and addressed. I do not feel that Kirklees Council, as a whole, in any way represents and supports such areas. More funding should be provided to these areas”*
- *“Our community is fantastically supported by the Denby Dale Parish Council”*

2.3.6 One respondent noted that communication and consultation with the wider community to establish what is needed in the area could be improved. Another felt that outreach efforts often rely on individual initiative and two respondents questioned whether the Council provided value for money.

2.3.7 Boundaries and Wards

2.3.8 Respondents raised mixed views on boundaries and ward arrangements. One submission suggested reviewing village population sizes and councillor numbers. Another expressed concern that Denby Dale Parish Council’s current boundaries are too large, making it difficult to represent all areas effectively. Suggestions included creating two smaller councils to work collaboratively, aiming to improve coverage and engagement. However, no specific details were provided on how such a split might be structured.

2.3.9 A further comment noted that the existing structure may concentrate attention and resources on larger settlements, with calls for more equitable representation and funding across all villages

2.3.10 One detailed submission suggested that the current Denby Dale Parish Council boundary is inappropriate, as it covers a large area more akin to the former Urban District Council. They proposed breaking up the existing council into several smaller parish councils to better reflect and represent individual villages.

2.3.11 The submission emphasised that smaller councils would improve representation and engagement across communities.

Draft proposals for Stage 2

- Given the responses relating to Denby Dale Parish Council did not present any significant or detailed proposals for change, there are no specific proposals for Stage 2 Consultation for this parish.

2.4 Holme Valley Parish Council

2.4.1 Holme Valley Parish Council currently represents 21,746 electors. The Parish Council is made up of 23 councillors across 12 Wards:

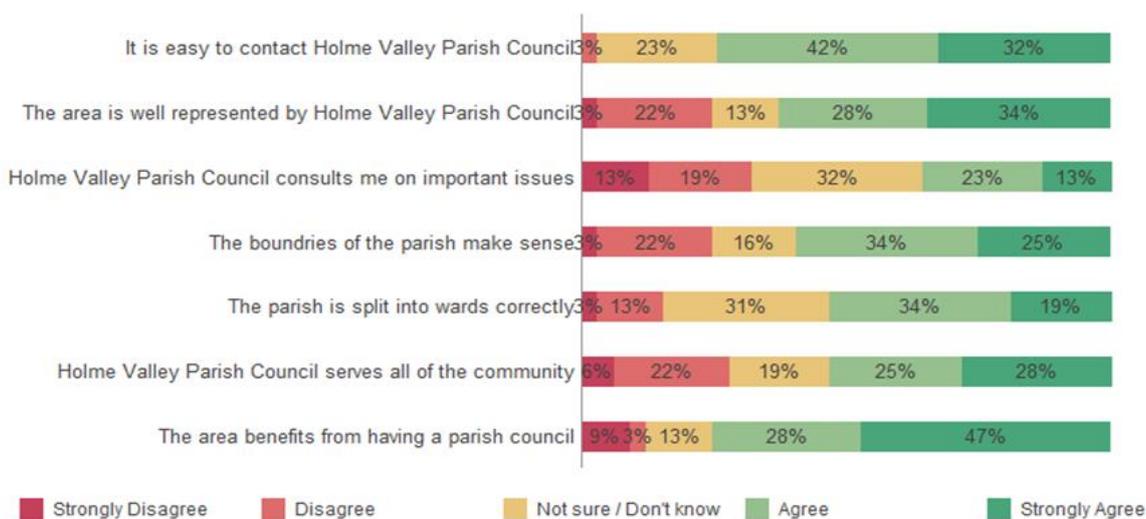
Parish	Parish Ward	Polling District(s)	No. of Cllrs	Electorate forecast
Holme Valley Parish Council	Brockholes Ward	HN1-C	1	1469
	Fulstone Ward	HS5-C	2	1752
	Hepworth Ward	HS4-C	1	893
	Holmfirth Central	HS8-C	2	2033
	Honley Central and East Ward	HN2-C	3	2512
	Honley South Ward	HN3-C	1	1153
	Honley West Ward	HN4-C	2	1672
	Netherthong Ward	HS9-C	2	1845
	Scholes Ward	HS3-C, HS6-C	2	2228
	Upper Holme Valley Ward	HS1-C, HS2-C	2	2076
	Upperthong Ward	HS10-C	2	2307
	Wooldale Ward	HS7-C	3	3529

Current structure of Holme Valley Parish Council

2.4.2 Summary and analysis of responses

2.4.3 A total of 34 responses were received regarding Holme Valley Parish Council. Over half of respondents agreed to some extent that the Parish Council is accessible, serves the whole community, represents the area well, is divided into wards correctly and believe that the area benefits from having a Parish Council. 36% of respondents agreed to some extent that the Council consults them on important issues.

Current Parish Arrangements - Holme Valley



Summary of responses on current Arrangements – Holme Valley Parish Council

2.4.4 Contact, representation, consultation and serving the community

2.4.5 There were 26 direct comments relating to Holme Valley Parish Council. Some respondents noted that Parish Councillors are proactive and easy to contact, others emphasised the significant impact of the Council's grants scheme in enabling and sustaining local events and groups, describing this support as essential to their success. Additional comments reflected the broader influence the Council has within the local area and across communities. Illustrative comments include:

- *"I feel very lucky to have a parish council who understand the needs of our specific local area. We were able to apply for a grant to launch a new festival and without their support, this would not have been able to go ahead. At least half of the councillors from the HVPC came to the event or have actively supported, encouraged and promoted the event in the community. This is such a positive force in the local area to have"*
- *"The Holme Valley Parish Council do great things for our community. They are wanted and needed! They financially support key events and more permanent groups... without their support we would not be still running today. Very valuable asset to our community"*
- *"Our councillors are very proactive and visible in the community"*
- *There is no need to change the Parish Councils as they work perfectly well for the communities they cover. The Local Parish Councillors live locally and are easy to contact"*

2.4.6 Key themes raised during the initial consultation

2.4.7 Boundaries/Wards

2.4.8 The dominant theme emerging from consultation responses was strong support for splitting Honley and Brockholes from Holme Valley Parish to form two new councils. This included a formal request from Holme Valley Parish Council (outlined in its response below) for this option to be taken forward to the next stage of consultation to gather wider views.

Illustrative comments include:

- *"We need a parish council for Honley/ Brockholes because we are currently merged with Holmfirth and it has become too large and not enough is being done for Honley"*
- *"Holme valley council is too big and mainly represents Holmfirth and not the outlying areas. It should be split and a new parish of Honley and Brockholes created"*
- *"Honley and Brockholes should have its own local council and HVPC should just cover the area of the Kirklees HV South ward. The power of a local council is its direct connection to the community - focused on our issues and priorities – I believe that HVPC lost this connection many years ago. A more focused council offers the chance to cut through the delays and argument and ends the fairness issues of who gets what. The financial reality is that there are no cost efficiencies from a larger council – many smaller councils are more cost effective...Two smaller councils, one based around Holmfirth and the other around Honley would give a greater connection to place and a clearer focus on the issues and priorities of those communities. The two new councils should work together and co-operate on common issues but focus their efforts to their own priorities"*
- *Revert into Holmfirth Parish and Honley Parish... splitting the current parish into two by using Kirklees Holme Valley North and South boarder.... Assets from Holme Valley Parish will split into the new parish councils. Honley Parish Council, number of overall councillors: 9, keeping wards from HVPC: Honley East and Central (3), Brockholes (2),*

Honley South (2) and Honley West (2). Holmfirth Parish Council, number of overall councillors: 17, keeping wards from HVPC: Netherthong (2), Holmfirth Central (3), Wooddale (3), Fulstone (2), Upper Holme Valley (2), Upperthong (2), Hepworth (1) and Scholes (2).

2.4.9 A single submission proposed reducing the number of councillors within Holme Valley Parish Council but provided no suggestion on numbers and several additional submissions proposed alternative governance models for the Holme Valley area:

- One submission expressed strong support for extending the Holme Valley Parish to include Netherton Village and its immediate surroundings to align the natural geography and community ties of the area, citing overdue change, better representation, identity and access to resources and funding; suggesting the inclusion of the following polling districts: Netherton East (NH1), Netherton West (NH2) and South Crosland (NH3).
- One respondent proposed creating a new parish by splitting Honley from Holme Valley and combining it with nearby communities Netherton, Berry Brow, Armitage Bridge, Newsome, Almondbury, and Farnley Tyas. The submission highlighted shared characteristics, including mixed housing and strong community groups, and suggested that forming a single parish could foster greater collaboration, expand community activities, and deliver wider local benefits.
- One submission suggested that Honley, Netherton, Armitage Bridge, and South Crosland share more in common with each other than Honley does with the upper Holme Valley area. The respondent highlighted shared characteristics such as transport links, natural features, and school catchment areas.
- Another respondent proposed merging Holme Valley and Meltham Councils and extending the boundary to include the new Newsome Ward, suggesting this would create efficiencies and form a “true Holme Valley Council.”

2.4.10 Whilst most respondents who commented on boundaries and ward structures proposed alternative governance models for the existing parish, some expressed satisfaction with the current arrangements, with one suggesting an increase in localised powers:

- *“There is no need to change the Parish Councils as they work perfectly well for the communities they cover”*
- *“Leave Holme Valley parish council as it is”*
- *“Holme Valley Parish Council should be retained, and its powers should be increased since (a) its members know the area and its people well (b) its members are more interested in benefits to local people...”*

2.4.11 Parish Council submission

Ward or other name changes

2.4.12 There was very broad support for requesting that the wards of Fulstone and Scholes should have name changes which more appropriately reflect their present-day composition and to help the electorate to understand and identify with the ward in which they live but also retain the historic identity. We therefore propose the new names of New Mill & Fulstone and Scholes & Hade Edge and ask that this go forward in the next stages of the CGR Public Consultation.

We believe that, in addition to our local knowledge of the communities, the data on the distribution of the village populations justify this proposal.

2.4.13 The consultation has triggered debate about the style (name) of the Holme Valley Parish Council and significant, but not unanimous, opinion that the term 'Parish' is out-dated and inappropriate, causes confusion and possibly sometimes leads to the public's reluctance to engage with it. Having reviewed the relevant Local Government Boundary Commission rules based on the Local Government and Public Involvement and Health Act 2007 and taken advice from Kirklees Council officers, we understand that a change of style is an available option within the powers of the Parish Council itself, with 'Town Council' being an option. It does not form part of the CGR and would not change the legal powers and duties. We will ask the Clerk to schedule a formal debate on this matter at Full Council within the current municipal year.

Changes to ward sizes, distribution, or representation arrangements

2.4.14 It is our view that the sizes of the individual Parish Wards appear broadly proportionate and should remain unchanged. We do not want to divide established communities and there are no proposals to alter the boundaries.

2.4.15 There appears to be some interest amongst members of this Council in dividing the Council into two, separating the Honley and Brockholes wards from the rest of the Holme Valley and therefore forming two new Councils. We ask that this option goes forward in the next stages of the CGR Public Consultation and can provide greater detail if required.

2.4.16 We have noted that Brockholes stands out as a ward where the representation ratio appears exceptional, both in comparison with other wards in the Holme Valley and also with any Parish/ Town ward in Kirklees. We take the view that a second seat for the Brockholes ward would bring its representation ratio down to a more reasonable level. This would increase the whole Council to 24 seats, which appears to be consistent with the NALC guidance on appropriate representation for the size of our electorate.

2.4.17 Returning Officer Submission

2.4.18 In line with the National Association of Local Councils (NALC) guidance on the recommended number of Councillors, the number of Councillors in Brockholes ward should increase to 2.

2.4.19 We would recommend that the three parish ward areas that cover the community of Honley – Honley Central and East Ward, Honley South Ward and Honley West Ward - including the outlying rural areas, due to their strong shared community identity should be merged into a single parish ward.

2.4.20 We would propose that the three Honley wards remain separate polling districts to allow adequate access to polling stations, but they make up a single ward 'Honley ward'. This new single ward would equate to approximately 5337 electors and should be represented by 6 Councillors.

2.4.18 Draft Proposals for Stage 2

2.4.19 The following proposals aim to retain and strengthen local governance where it is valued and effective, improve representation and community connection by considering changes for Honley and Brockholes, enhance clarity and engagement through ward name changes and adjustments to representation and respond to community feedback, while adhering to guidance and statutory requirements:

- In line with the National Association of Local Councils guidance on Councillor numbers, the number of Councillors in Brockholes ward increase to 2.
- Honley Central and East Ward, Honley South Ward and Honley West Ward be merged into a single parish ward, represented by 6 councillors, in line with the National Association of Local Councils (NALC) guidance, reflecting their strong shared community identity (see associated map).
- The three Honley parish wards, together with the Brockholes Ward (currently part of Holme Valley Parish Council), are separated, to form a new 'Honley Parish Council'. This new Parish Council would comprise of 6,806 electors.
- The remaining Holme Valley Parish Council would then comprise of the following Wards, made up of 16,663 electors:
 - Fulstone Ward
 - Hepworth Ward
 - Holmfirth Central Ward
 - Netherthong Ward
 - Scholes Ward
 - Upper Holme Valley Ward
 - Upperthong Ward
 - Wooldale Ward
- The names of Fulstone and Scholes Wards change to New Mill & Fulstone and Scholes & Hade Edge

2.4.20 Section 3.1 of this appendix contains a map depicting the proposed parish boundary for Holme Valley Parish Council and Honley and Brockholes Parish Council.

2.5 Kirkburton Parish Council

2.5.1 Kirkburton Parish Council currently represents 19701 electors. The Parish Council is made up of 25 Councillors, across 8 Wards:

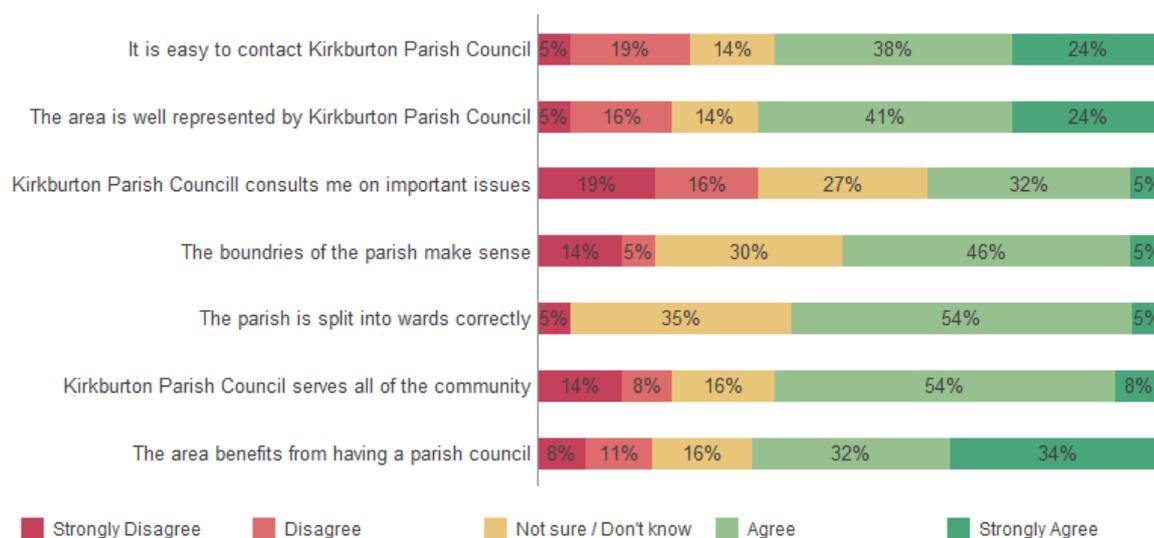
Parish	Parish Ward	Polling District(s)	No. of Cllrs	Electorate forecast
Kirkburton Parish Council	Flockton	KB3-D	2	1709
	Kirkburton	KB6-O, KB5-O	4	3712
	Kirkheaton	DA6-S	4	3303
	Lepton	AL5-H, AL6-H, AL7-H	5	5040
	Lepton and Whitley Upper	KB2-D, KB4-D	2	1796
	Shelley	KB7-O	3	2359
	Shepley	KB8-O	3	2275
	Thurstonland/Farnley Tyas	KB9-O, KB10-O	2	2060

Current structure of Kirkburton Parish Council

2.5.2 Summary and analysis

2.5.3 A total of 40 responses were received regarding Kirkburton Parish Council. Over half of respondents agreed to some extent that the Parish Council is accessible, serves the whole community, represents the area well, is divided into wards correctly and believe that the area benefits from having a Parish Council. 37% of respondents agreed to some extent that the Council consults them on important issues.

Current Parish Arrangements - Kirkburton



Summary of responses on current Arrangements – Kirkburton Parish Council

2.5.4 Contact, representation, consultation and serving the community

2.5.5 There were 27 direct comments relating to Kirkburton Parish Council. Responses were generally positive about the Parish Council's role in serving the community, the contribution it makes, and the impact of its work.

2.5.6 Several respondents noted that Parish Councillors are visible and active locally and responsive to matters of concern, and welcomed the benefits of the Council's grants scheme, which supports and promotes community projects and volunteer initiatives across the villages. Illustrative comments include:

- *“Money well spent with first class active councillors putting local people front and centre”*
- *“Without the parish our views would not be represented evenly in a larger council”*
- *“I think we are well served by Kirkburton Parish Council ... being in a semi-rural area, having a local Parish Council gives a voice to people in the area, without which I feel we would be very much swallowed into the huge entity of Kirklees”*

2.5.7 A small number of respondents commented on the amount of information available to the public about Council activities and the current level of consultation with residents. One respondent suggested that the Council consider using Facebook to communicate governance information. Another proposed contacting residents via leaflets or an app. Additionally, a respondent expressed a desire for more updates on parish matters, including detailed analysis of how funds are spent, to assess whether they represent good value for money. Illustrative comments include:

- *“The idea of an active over-arching organisation in this area is good - and although we don't have official regular contact from KPC we do however have very active Parish Councillors and we are very grateful for their support. But we do sometimes feel that the biggest role of KPC is to distribute grants... What would be more effective would be to include more groups in their actions or to have a Newsletter that everyone can read. The KPC is not pro-active in reaching out but leaves this to individual councillors...”*
- *“It should look at ways of involving the locals and making local democracy more accessible to all”*

2.5.8 We note that the Council does maintain a website that provides key contact details, along with information on funding opportunities and available grants. In addition, an Annual Report is published each summer, summarising events and presenting financial information for the previous year. Copies of the report can be downloaded online, and printed versions are available upon request.

2.5.9 Key themes raised during the initial consultation

2.5.10 Boundaries/Wards

2.5.11 Boundary alignment was by far the strongest theme. Several respondents suggested incorporating Bristfield and Whitley into Kirkburton Parish Council. Illustrative comments include:

- *“With the reorganisation of Kirklees wards, the Kirkburton Parish Council area should be expanded to include all of the Kirklees Kirkburton Ward, particularly Whitley. This would align the village with its neighbour, Grange Moor, and allow residents to benefit from the parish council's grant-giving powers”*

- *“Living in Briestfield, I think it would benefit the village to have a voice on Kirkburton Parish Council”*
- *“Briestfield and Whitley should either have their own council (if supported locally) or be absorbed into Kirkburton Parish, given the proposed boundary changes. This would better reflect the character of the villages rather than linking them to Dewsbury”*
- *“Can Briestfield become part of Kirkburton Parish Council, it is now part of Kirkburton Ward (moving from Dewsbury South & Batley)”*

2.5.12 While many respondents supported incorporating Briestfield into the Parish Council, one respondent opposed this proposal.

2.5.13 There were also mixed opinions regarding the size of the current parish. Some representations suggested that the existing parish council is too large, while another raised concerns that expanding the council’s area could pose a risk to the unitary authority.

2.5.14 One respondent, although in favour of incorporating Whitley and Briestfield, proposed reducing the number of councillors:

- *“...I would suggest two for each ward, with three for Lepton and Highburton/Kirkburton. If Whitley/Briestfield had two councillors, this would reduce the total to 20”*

2.5.15 Returning Officer Submission

2.5.16 As part of the Local Government Boundary Review for England’s recent review of Kirklees District Council wards, polling district KB1-D (previously DS07) was moved from the Dewsbury South ward to the Kirkburton ward.

2.5.17 We would recommend that the external boundary of Kirkburton Parish Council is extended to include polling district KB1-D.

2.5.18 Due to the rurality of the ward and the clear sense of community in this area of Whitley and Briestfield, we would recommend that the area of KB1-D remains a separate parish ward, is named Whitley and Briestfield ward, and has 1 Councillor to represent the village on the parish council.

2.5.19 The polling district boundaries should remain as they currently are and should not be merged with neighbouring polling districts as the polling station in Whitley provides suitable access for the voters in this area. It would be unreasonable to ask voters to travel to neighbouring polling stations due to the distance.

2.5.20 Draft proposals for Stage 2

2.5.21 The following proposals aim to retain and strengthen local governance where it is valued and effective, make local democracy more accessible, align boundaries with community identity and recent ward changes, and improve accessibility and representation through the creation of a dedicated ward for Whitley and Briestfield:

- The external boundary of Kirkburton Parish Council is extended to include polling district KB1-D.

- Due to the rurality of the ward and the clear sense of community in this area of Whitley and Bristfield, it is proposed that the area of KB1-D remains a separate parish ward, is named Whitley and Bristfield ward, and has 1 Councillor to represent the village on the parish council.

2.5.22 Section 3.2 of this appendix contains a map depicting the proposed parish boundary, including polling district KB1-D.

2.6 Meltham Town Council

2.6.1 Meltham Town Council currently represents 7006 electors. The Parish Council is made up of 12 councillors and is not warded:

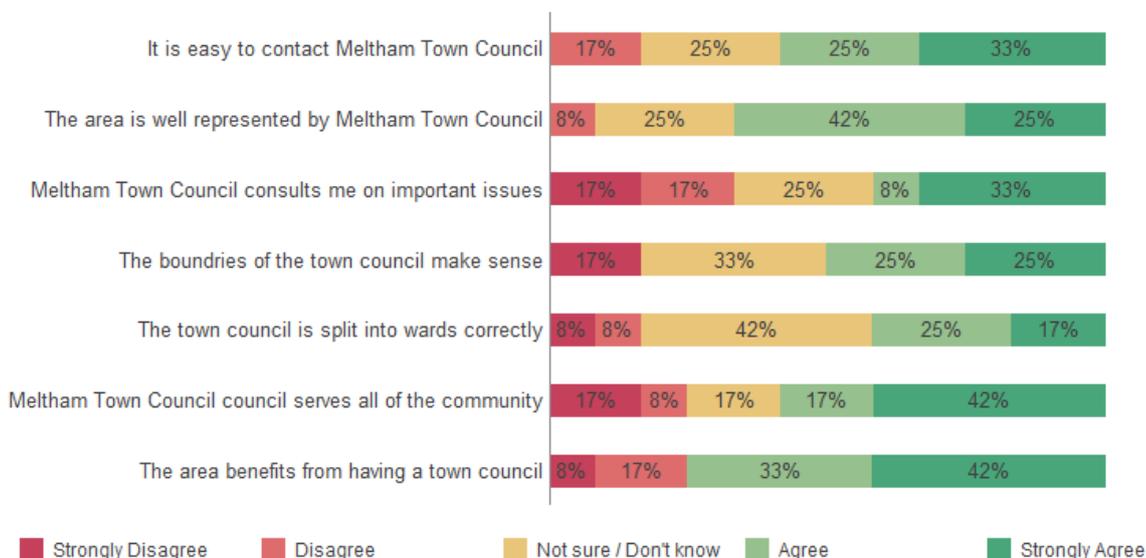
Parish	Parish Ward	Polling District(s)	No. of Cllrs	Electorate forecast
Meltham Town Council		HN5-C, HN6-C	12	7640

Current structure of Meltham Town Council

2.6.2 Summary and analysis

2.6.3 A total of 12 responses were received regarding Meltham Town Council. Half, or over half of respondents agreed to some extent that it is easy to contact Meltham Town Council, it serves the whole community, represents the area well, the boundaries of the town make sense and the area benefits from having a Town Council. 41% of respondents agreed to some extent that the Council consults them on important issues and 42% agreed to some extent that the Council is split into ward correctly.

Current Parish Arrangements - Meltham



Summary of responses on current Arrangements – Meltham Town Council

2.6.4 Contact, representation, consultation and serving the community

2.6.5 There were seven direct comments regarding Meltham Town Council, its councillors, and its role in the community. One respondent described Meltham as a cohesive community, noting that councillors and the mayor live locally, actively participate in and organise events, and ensure that expenditure benefits local groups and amenities. Another respondent stated that the council “does a good job,” while a further submission expressed full support for its work.

2.6.6 Boundaries/Wards

2.6.7 Among the few additional comments, one respondent suggested that certain outlying areas of Meltham - such as houses at the top of the Knowle - would be better served if they were included within the Town Council boundary.

2.6.8 Another submission proposed a merger of Meltham, Almondbury, and Dalton into a single larger council area, recommending the name “Farnley Tyas” or “Elmet” to reflect and protect the area’s historic identity. This respondent also advocated for the introduction of a conservation area strategy to safeguard ancient sites and natural resources.

2.6.9 Returning Officer Submission

2.6.10 Meltham Town Council is currently unwarded and covers a large geographical area with 12 Council seats allocated. In May 2023, the Town Council elections were contested as 13 candidates were nominated, voters were therefore asked to vote for 12 candidates on a single ballot paper. This caused confusion and administrative issues when conducting the counting of votes due to the large multi-vacancy ballot paper.

2.6.11 In order for the large geographical area covered by Meltham Town Council to be better represented, and based on current electoral arrangements, we would recommend that Meltham Town Council is split into two wards, following the existing polling district boundaries.

2.6.12 Polling district HN5-C would have approximately 2471 voters, this area could become Meltham North ward and be represented by 4 Councillors.

2.6.13 Polling district HN6-C would have approximately 5169 voters, this area could become Meltham South ward and be represented by 8 Councillors.

2.6.14 Draft proposals for Stage 2

2.6.15 The following proposals aim to retain and strengthen local governance where it is valued and effective, improve electoral processes and governance clarity by introducing wards, ensure fair representation and minimise disruption by using existing polling district boundaries.

- Meltham Town Council is split into two wards following the existing polling district boundaries:
 - Polling district HN5-C would have approximately 2471 voters, this area could become Meltham North ward and be represented by 4 Councillors.
 - Polling district HN6-C would have approximately 5169 voters, this area could become Meltham South ward and be represented by 8 Councillors

2.6.16 Section 3.3 of this appendix contains a map depicting the proposed Town Council Wards, including polling districts HN5-C and HN6-C.

2.7 Mirfield Town Council

2.7.1 Mirfield Town Council currently represents 15,738 electors. The Parish Council is made up of 16 Councillors across 5 Wards:

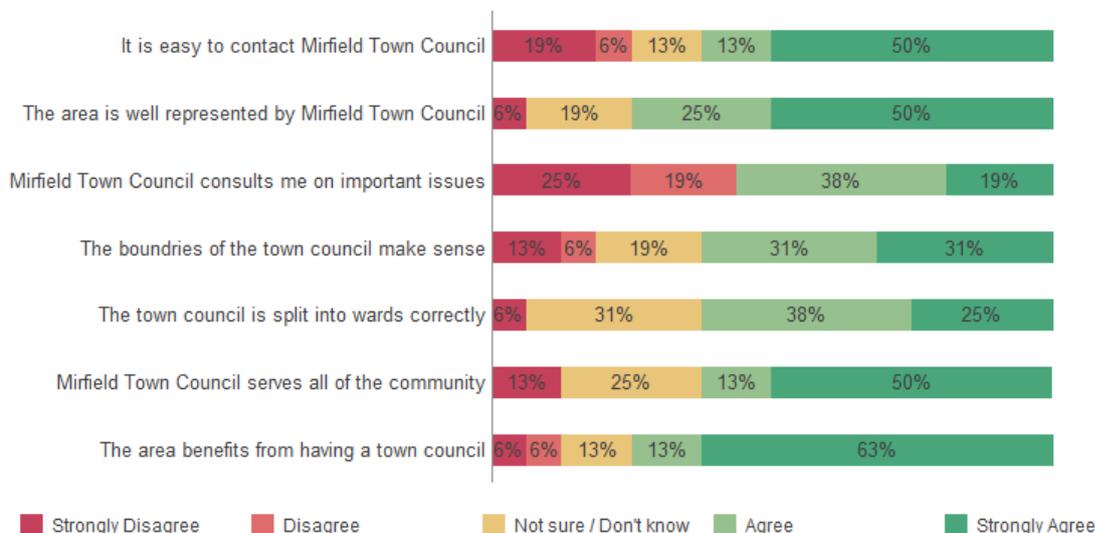
Parish	Parish Ward	Polling District(s)	No. of Cllrs	Electorate forecast
Mirfield Town Council	Battleyford Ward	MF1-S, MF2-S	5	5702
	Hopton	MF7-S, MF8-S	2	2721
	Crossley	MF3-S	3	2878
	Northorpe	MF4A-S, MF5-S	3	2552
	Eastthorpe	MF6-S	3	2751

Current structure of Mirfield Town Council

2.7.2 Summary and analysis

2.7.3 A total of 17 responses were received regarding Mirfield Town Council. Over half of respondents agreed to some extent that the Parish Council is easy to contact, serves the whole community, is divided into wards correctly and the boundaries of the Town Council make sense. Over half also agreed to some extent that that the area benefits from having a Parish Council, that it represents the area well and that the Council consults on important issues.

Current Parish Arrangements - Mirfield



Summary of responses on current Arrangements – Mirfield Town Council

2.7.4 Contact, representation, consultation and serving the community

2.7.5 There were eleven direct comments regarding Mirfield Town Council, its councillors, and its role in the community, however, of the comments received, the majority were positive: Illustrative comments include:

- *“The Town Council continues to make sure Mirfield continues to be somewhere really special. All Councillors are volunteers... With the small amount that residents pay on their rates for this, it is real value for money. Mirfield is frequently passed over for many things that its larger neighbours appear to receive. If it was not for the Town Council there would be no Christmas lights and switch on, and the Town Council were the main*

fundamentals of Mirfield in Bloom. They also sponsor the bonfire and the beer festival and Midfield Show which brings in hundreds of people each year. Without the Town Council Mirfield would be just another place to pass through on the way to Huddersfield. There would be no sense of belonging and community”

- *“Mirfield town council with its elected team reflects the area it represents. As Mirfield has a strong cultural identity which is represented in its councillors, any changes to the boundaries would then change the representation, which would not be representative of the people in Mirfield”*
- *“I value our Council”*

2.7.6 One respondent suggested there is room to build on existing communication channels.

2.7.7 Boundaries/Wards

2.7.8 Among the additional comments, respondents suggested incorporating areas currently outside the Town Council boundary - specifically Spring Place Gardens, Fisherman’s Walk, and Calder View. One respondent also noted that Mirfield Town Council may be underrepresented in terms of councillor numbers:

- *“I have a Mirfield address but am not in the boundary for the Town Council. Spring Place Gardens will be in the Mirfield ward when the Local Government ward changes take place, which we are happy about as the whole estate will be within the same ward. However, we will not be within the Town council boundary. This does not make sense and will cause division within the estate. I would like to be in the Town Council as they do many good things for the local area including funding all the defibrillators and community events”*
- *“To the west of the parish area a few homes are designated as being in neighbouring wards/parishes (Fisherman’s walk, Calder View etc), they identify with Mirfield, have a Mirfield address and postcode and if brought into the parish area could easily vote at the local school, whereas now their nearest polling station is several miles away. According to the ratio of elector to Councillors, Mirfield is under-represented as it has over 15000 electors in 2024 and the ratio of 16 Councillors has not changed since 1998.*

2.7.9 Town Council response

2.7.10 Commitment to Community Identity

Mirfield has a strong and well-established sense of community identity. Residents consistently identify themselves as part of Mirfield, supported by shared access to:

- local schools and educational catchments
- GP surgeries and health services
- transport links and rail services centred on Mirfield
- community facilities, including local parks, events, and civic groups
- established business, retail and social centres

This identity forms the basis of our approach to the CGR. The Council considers it essential that any changes to governance reflect the natural and lived identity of the community.

2.7.11 Boundary Considerations

Areas that identify with Mirfield. Mirfield Town Council believes that certain areas adjacent to the current parish boundary have stronger cultural, social, educational, and service-based links to Mirfield than to their existing parish centres. These areas look to Mirfield as their local service hub and would be better served within the Mirfield parish.

Part of the Calder View development is in the Kirkburton Parish Council boundary. Mirfield would request that areas are looked at to move all the dwellings in Calder View into the Mirfield Town Council Boundary. This would be the inclusion of approximately 13-14 houses.

The Council will undertake additional local consultation to identify these specific boundary anomalies and will submit detailed proposals supported by community evidence during the next stage of the review.

2.7.12 Protection of Existing Boundaries

The Council recognises that neighbouring parishes may also propose boundary changes. Mirfield Town Council will strongly resist any suggestion that areas of Mirfield parish be transferred elsewhere where such changes do not align with the principles of community identity or where residents have clear, long-standing ties to Mirfield.

Any boundary alteration must be justified by demonstrable community support and real-world functional identity.

2.7.13 Parish Governance and Effectiveness

Mirfield Town Council continues to deliver valued services and community initiatives. The current governance model is effective, recognised locally, and provides the following benefits:

- Local representation and accountability
- Delivery of community events and support to local groups
- Stewardship of key local assets
- Ability to respond quickly to local priorities
- A clear point of contact for residents

Given the strength of local identity and the positive performance of the Council, Mirfield Town Council opposes any proposal for abolition of the parish or transfer of its functions and assets to Kirklees Council.

2.7.14 Number of Councillors and Warding Arrangements

Mirfield Town Council is open to reviewing the number of councillors and warding arrangements to ensure fair and effective representation.

2.7.15 Number of Councillors

As Mirfield continues to grow—with several new residential developments either in progress or expected—the Council will review whether the current number of councillors remains proportionate to the electorate size. Any proposal for adjustment will be supported by evidence from local consultation and projected population growth. Based on the information in the CGR an electorate of 15,724 should have 21 councillors, Mirfield currently has 16, especially with areas of Northorpe potentially coming within the Mirfield boundary.

2.7.16 Warding Review

The Council will also consider whether current ward boundaries provide balanced and equitable representation, and whether any changes are required to reflect future development patterns.

2.7.17 Community Consultation

Mirfield Town Council is committed to running a public consultation to gather resident views on:

- Boundary identity and local service patterns
- Satisfaction with the existing governance arrangements
- Preferences on councillor numbers and ward representation
- Any community concerns or preferences regarding future governance

The outcomes of this consultation will form part of our detailed submission at the next stage of the CGR.

2.7.18 Returning Officer Submission

2.7.19 As part of the Local Government Boundary Review for England's recent review of Kirklees District Council wards, approximately 103 voters residing in Spring Place Gardens in the polling district MF4B-S were moved from the Dewsbury West ward into the Mirfield ward. These electors are not currently located within the boundary of Mirfield Town Council.

2.7.20 We would recommend that the external Town Council boundary is amended to include the voters in the MF4B-D polling district, and this area will be included in the adjoining Northorpe ward.

2.7.21 The polling district must remain separate to the neighbouring MF4A-S as these properties remain within the Parliamentary constituency boundary of Dewsbury & Batley.

2.7.22 Draft proposals

2.7.23 The following draft proposals aim to retain and strengthen local governance where it is valued and effective, align boundaries with community identity by addressing anomalies, ensure fair representation, protect Mirfield's strong identity and make local democracy more accessible:

- Mirfield Town Council boundary is amended to include the voters in the MF4B-D polling district residing in Spring Place Gardens, and this area be included in the adjoining Northorpe ward.
- All dwellings in the Calder View development, currently within the Kirkburton Parish Council boundary, be moved into the Mirfield Town Council Boundary. Should this proposal to amend the external Town Council Boundary receive support during stage 2 consultation, we would propose to seek a related alteration from the LGBCE to amend the Mirfield District ward boundary, so that the Town Council boundary is coterminous with the ward.
- Review the number of councillors and warding arrangements to ensure fair and effective representation, in line with the National Association of Local Councils guidance on Councillor numbers.

2.7.24 Section 3.4 of this appendix contains a map depicting the proposed amendments to Mirfield Town Council Boundary.

2.8 Suggestions for the creation of new parishes

2.8.1 Although the Terms of Reference specified that the Kirklees Community Governance Review would focus on areas of Kirklees that are already parished, a number of responses went beyond this scope, requesting the creation of new parish or town councils.

2.8.2 These suggestions varied considerably in detail. Some were brief statements of support for new councils, while others provided comprehensive proposals including maps, suggested wards and boundaries, along with indicative numbers of councillors.

New Parish Council	Number of requests
Colne Valley	5
Netherton Parish	3
Cleckheaton	1
Dewsbury	5
Huddersfield	3
Batley	1
Thornhill	1
Newsome and Primrose Hill	1
Birstall and Birkenshaw	1
Golcar/Scapegoat Hill, Milnesbridge, Slaithwaite and Marsden	1

Summary of the number of requests received for the creation of new town or parish councils

2.8.3 Colne Valley

2.8.4 There were 5 submissions suggesting the creation of a new Colne Valley Parish Council, including two detailed and evidenced submissions.

2.8.5 One detailed proposal advocates for creating a Colne Valley Parish Council to strengthen local representation and decision-making. It suggests that the parish boundaries should align with the existing Colne Valley East and Colne Valley West district wards to ensure administrative efficiency and cultural cohesion and maintain the valley's distinct identity, while fostering cooperation between villages and avoiding fragmentation. The boundaries would encompass communities such as Marsden, Slaithwaite, Golcar, Linthwaite, Milnsbridge, and Paddock, reflecting the valley's geography and shared heritage.

2.8.6 The submission recommends a structure based on Local Government Boundary Commission for England (LGBCE) criteria: electoral equality, community identity, and effective governance. Under the proposal, each village would generally form its own ward unless too small, with polling districts used as building blocks. The proposed council size is 24 councillors, derived from an electorate of approximately 23,669, ensuring fair representation. Suggested

ward allocations range from one councillor for smaller areas like Milnsbridge to six for Golcar, balancing population size with local identity while keeping variance within acceptable limits.

Ward name	Number of councillors	Electorate	Electorate per councillor	Polling districts
Bolster Moor, Scapegoat Hill and Wellhouse	1	1125	1125	CW6-C CW7-C
Cowlersley	2	2225	1113	CE5-C
Golcar	6	5512	918	CE2-C CE3-C CE4-C
Linthwaite	3	3346	1115	CW1-C CW8-C
Longwood	2	1510	755	CE1-C CE7-C
Marsden	3	2819	940	CW3-C CW4-C
Milnsbridge	1	1394	1394	CE6-C
Paddock	2	1904	952	CE8-C CE9-H
Scammonden and Slaithwaite	4	3834	959	CW2-C CW5-C

Proposed structure of Colne Valley Parish Council

2.8.7 Another detailed submission proposes creating a Colne Valley Parish Council to cover areas including Golcar, Milnsbridge, Linthwaite, Marsden, Slaithwaite, Longwood, Scapegoat Hill, Bolster Moor, Scammonden, Outlane, and associated hamlets. Two boundary options are suggested: one based on a broader area incorporating all these places and another using the historic Colne Valley Urban District boundary, which excludes Longwood, Cowlersley, Milnsbridge, Outlane, and Nettleton Hill. The aim is to give these communities a stronger local voice on planning, community facilities, and local projects.

2.8.8 The first option proposes 10 wards with a total of 20 councillors, distributed as follows: Linthwaite and Cowlersley (3), Longwood (2), Slaithwaite (3), Marsden (3), Milnsbridge (2), Golcar (3), Scapegoat Hill (1), Bolster Moor (1), Scammonden & Pole Moor (1), and Outlane (1). The second option, based on the historic boundary, suggests 6 wards with 16 councillors: Linthwaite (3), Slaithwaite (3), Marsden (3), Golcar (3), Bolster Moor & Scapegoat Hill (2), and Scammonden & Pole Moor (1). Both options aim to balance representation with community identity while ensuring effective governance.

2.8.9 Netherton

2.8.10 Three respondents expressed strong support for establishing a Parish Council in Netherton and surrounding areas. Suggestions emphasised the area's distinct identity and geography, noting shared characteristics with nearby communities. Proposed benefits included improved representation, stronger community spirit, and better focus on local priorities. Specific ideas included using the existing neighbourhood plan map to define boundaries, basing operations at the village hall, and transferring the hall as a community asset. One submission outlined a detailed ward structure with 14 councillors, while another highlighted the opportunity to address infrastructure challenges and preserve local heritage:

- *Netherton and South Crosland have a strong identity some say part of the Holme Valley. Therefore, by using the map of the neighbourhood area to outline the Parish Boundary and by using the village hall as its base will help the village and surrounding areas, its identity and community spirit. Proposed wards and councillors, overall number: 14 • Dean Wood (1) • Delves Wood (1) • Netherton Central (3) • Netherton East and North (3) • Netherton West (2) • Netherton South (2) • South Crosland (2)*
- *Netherton with South Crosland to have its own Village or Parish Council called Netherton Parish/Village Council, as these places were part the ancient Holme Valley and great opportunity for the village hall to be asset transfer to the village and sound rounding areas by using the neighbourhood plan map 2021 as its boundary.*
- *Netherton to Newsome, incorporating Armitage Bridge, Magdale and Berry Brow makes strong geographical sense. It is a higher of mixed tenure and newbuild with varying levels of affluence and poverty. It is semi-rural in some parts but increasingly ignored in relation to poor infrastructure for traffic and it straddles two main routes into Huddersfield. The communities have very much been overlooked by the council but are experiencing a strong revival now that they have been put into a new ward. It would make for an excellent parish council and already operates under Church of England parish border*

2.8.11 Cleckheaton

2.8.12 One respondent suggested creating a parish council for Cleckheaton and nearby areas such as Scholes and Liversedge. The respondent notes that Cleckheaton has a distinct identity and is relatively separate from larger Kirklees districts like Dewsbury and Huddersfield:

- *“My proposal is for Cleckheaton including surrounding small areas e.g. Scholes and Liversedge. The area has its own identity and feels largely isolated from the main KC districts of Dewsbury and Huddersfield. Mirfield, Kirkburton and Holmfirth all have PCs so why not Cleckheaton which is a similar size”*

2.8.13 Batley, Dewsbury, and Huddersfield

2.8.14 Although there were no detailed submission, several responses proposed the creation of new Town Councils. Two respondents suggested establishing councils for Huddersfield, Dewsbury, and Batley, citing their distinct identities and historical significance. Three submissions focused specifically on a Town Council for Dewsbury, to provide greater local independence, reduce reliance on Kirklees Council, and support community initiatives. Additionally, there was a separate suggestion for Huddersfield, highlighting its size as justification for its own council:

- *“I would also like to suggest that Dewsbury Gets a Parish Council. This would alleviate some of the costs from Kirklees Council and allow them to run more community events. Their Meeting place could be the Town Hall until a more suitable venue is located. Initially it could be part of the Dewsbury Town Board until a transformation into a Town Council with votes for each of the elected representatives”*
- *“Dewsbury Town Council”*
- *“Giving Dewsbury its own council would give the area more independence and say”*
- *“Bring in a Town Council. Kirklees is not a place, it should be Huddersfield serves Huddersfield, Dewsbury serves Dewsbury and so on”*
- *“I wish to suggest 3 new Town Councils ... for Huddersfield, Dewsbury, Batley. These are well defined towns with long established histories & heritages”*

- *“Huddersfield town is large enough to warrant its own council”*

2.8.15 Birstall and Birkenshaw

2.8.16 The respondent suggested that a Parish Council for Birstall and Birkenshaw would give residents more say and support the reporting of local issues:

- *“Birstall and Birkenshaw, we want more local say and reporting on things that effect this area”*

2.8.16 Golcar/Scapegoat Hill, Milnesbridge, Slaithwaite and Marsden

2.8.17 The respondent proposed creating a parish council to cover Longwood, Golcar, Scapegoat Hill, Milnsbridge, Slaithwaite, and Marsden. They suggested that rural areas receive less focus compared to urban centres and highlighted persistent transport issues, including long-standing traffic congestion in Milnsbridge and limited bus services in Longwood. They also noted existing collaboration between Longwood and Golcar Parish Churches as a potential foundation for stronger local governance:

- *“We really could do with a council to cover Longwood, Golcar/Scapegoat Hill, Milnesbridge, Slaithwaite and Marsden please. We are not represented and for decades it shows as these areas have been totally neglected and ignored since I moved here in the late 1980s. Longwood and Golcar Parish Churches work well together and could potentially lead the way. It feels like everything is targeted at areas closer to the urban centres of Huddersfield, Batley and Dewsbury, rather than fairly spread out around more rural areas. Milnsbridge, in particular, has been grid-locked during rush hours for the last 40 years! Plus, in Longwood, the one bus an hour only goes to the bus station in town. I've yet to use my bus pass in Kirklees!”*

2.8.19 Newsome and Primrose Hill

2.8.20 One respondent highlighted Newsome and Primrose Hill’s diversity. They suggested creating a parish council to better address the needs and concerns of local residents and improve focus on local open spaces and services:

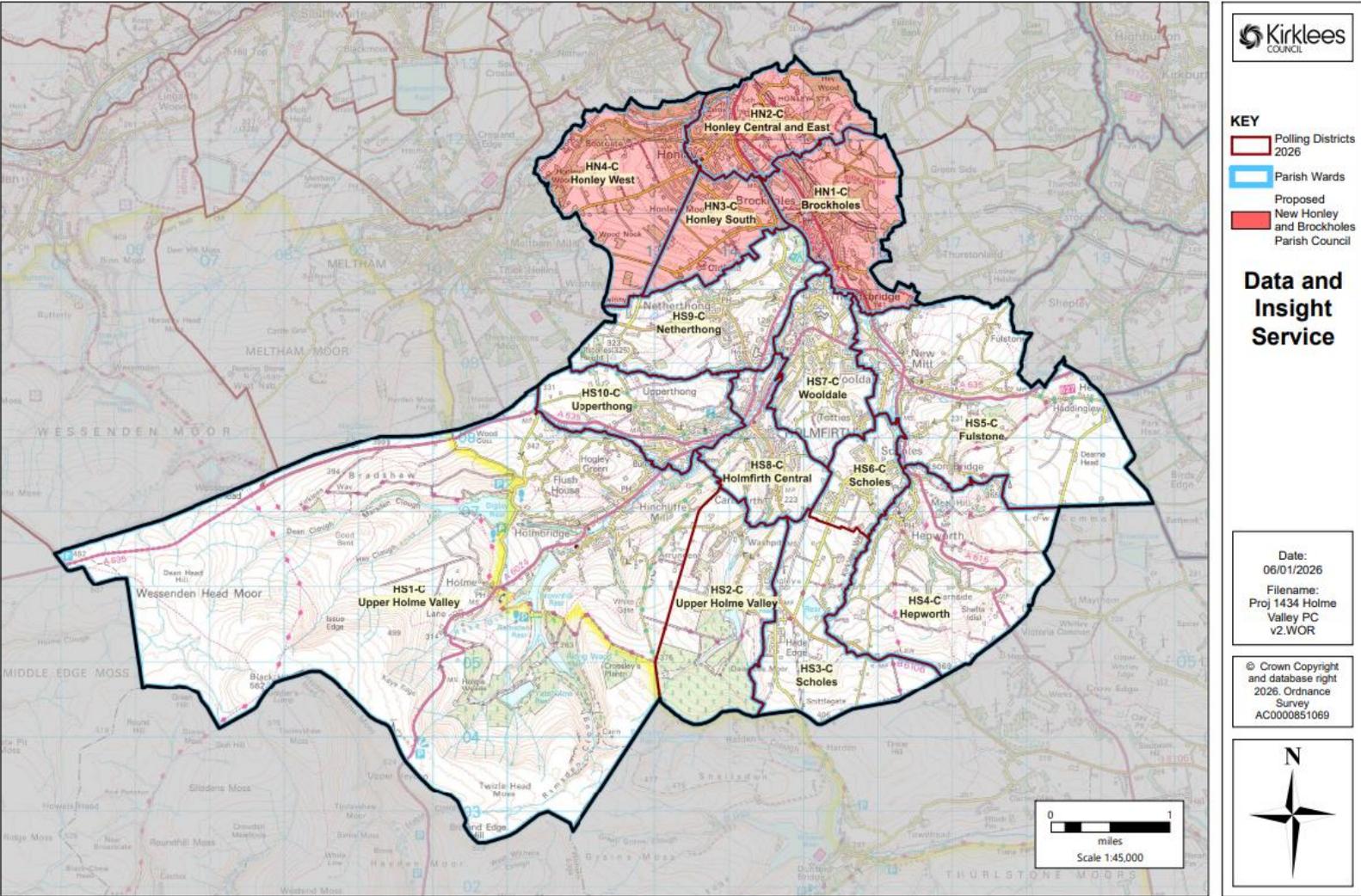
- *“We are a diverse and interesting area covering areas like castle hill to the area around the university. Our open spaces are not given the focus compared to the showcase of greenhead park. Having a parish which can look at how to improve the area for the locals, develop services which meet the needs of the locals. An avenue to address concerns to, rather than larger and can be unresponsive Kirklees Council”*

2.8.21 Thornhill Parish Council

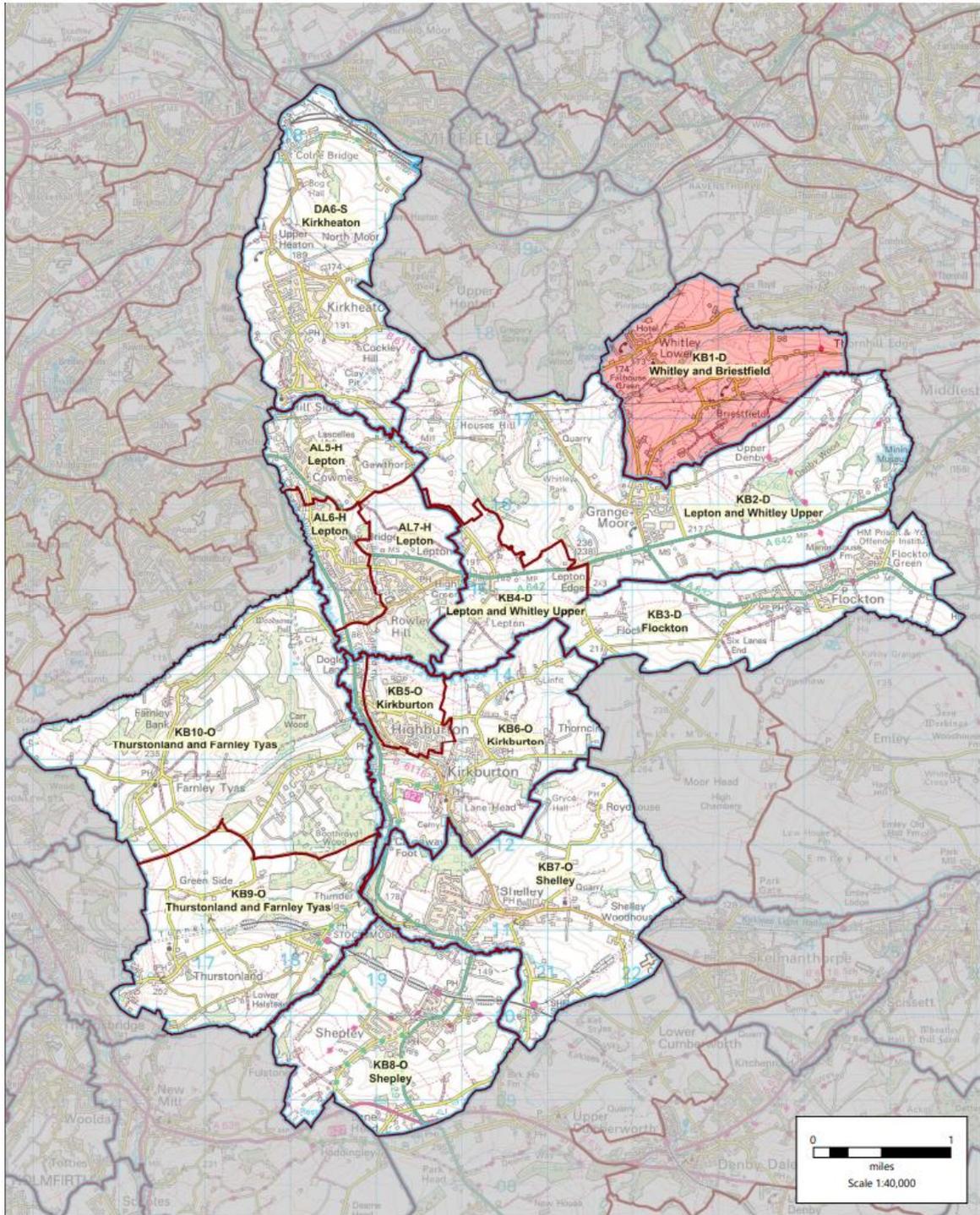
2.8.22 One respondent suggests creating a parish council for Thornhill would give the village a stronger voice and foster a sense of belonging:

- *“This would be great for Thornhill a village long forgotten and underrepresented by actual people who live in the village of Thornhill. This would create a sense of belonging and a better voice for the village”*

3.1 Proposed Parish Boundary – Holme Valley Parish Council & Honley and Brockholes Parish Council

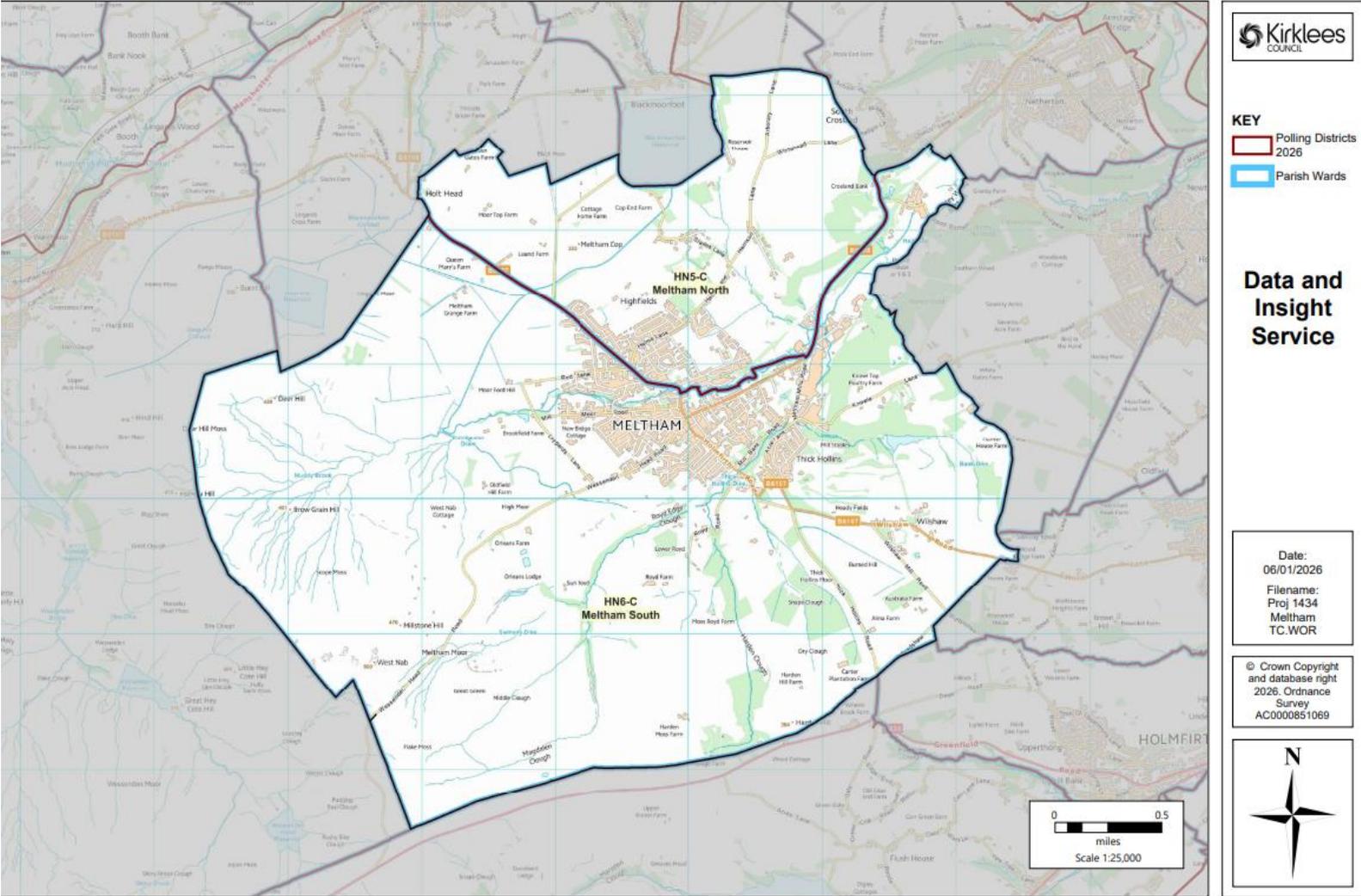


3.2 Proposed Parish Boundary, Kirkburton Parish Council, including polling district KB1-D

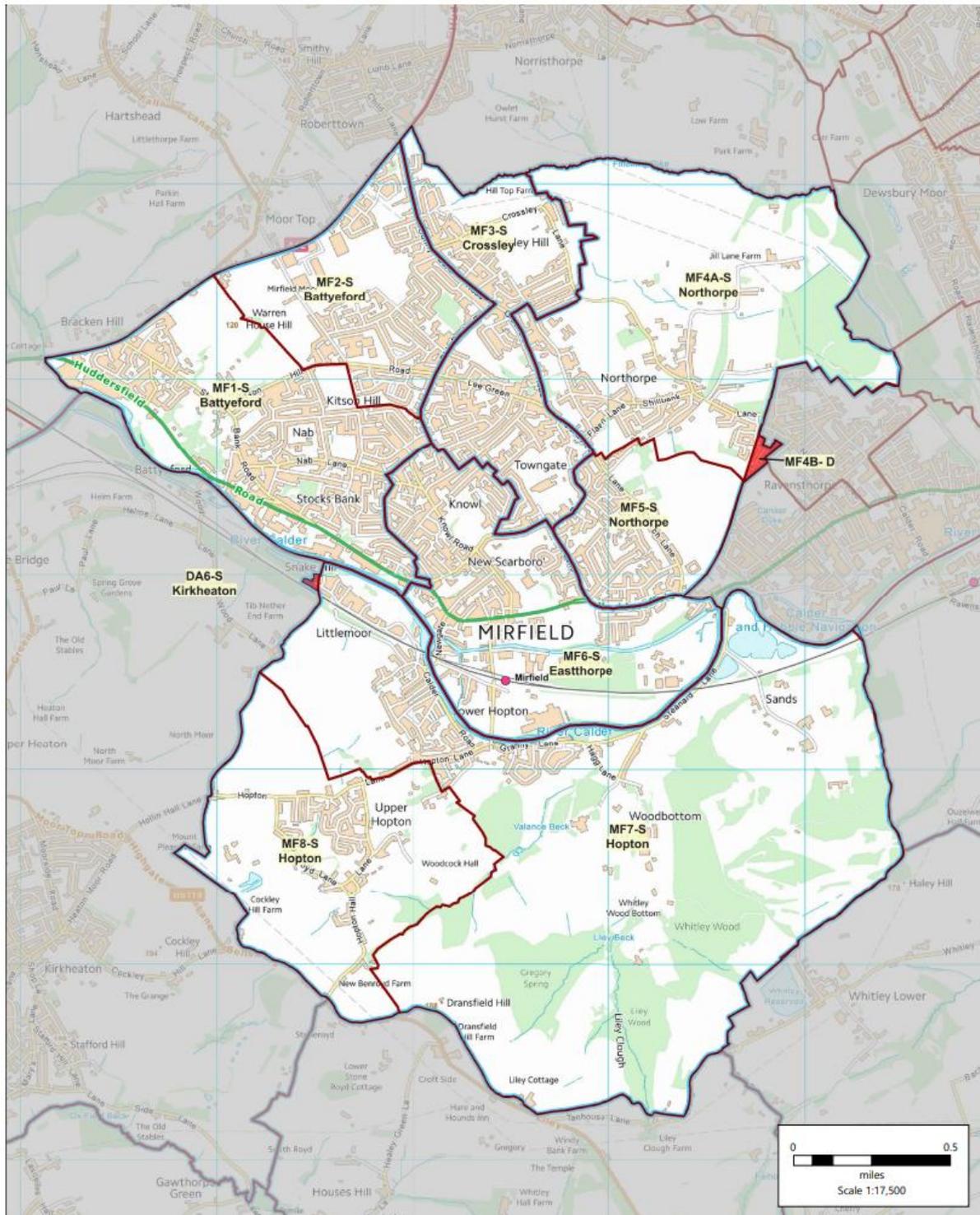


 Data and Insight Team	Kirkburton Parish Council, Proposed Polling Districts 2026		
	Date: 06/01/2026 Filename: Proj 1434 Kirkburton PC v2.WOR	 Polling Districts 2026  Parish Wards  Proposed Parish extension	
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3.3 Proposed Town Council Wards, Meltham Town Council, including polling districts HN5-C and HN6-C



3.4 Proposed amendments to Mirfield Town Council Boundary



	Data and Insight Team	Proposed Town Council Boundary – Mirfield Town Council		
		Date: 06/01/2026 Filename: Proj 1434 Mirfield TC.wor	Polling Districts 2026 Parish Wards	
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Agenda Item 14

Corporate Governance and Audit Committee – Outline Agenda Plan – 2025/26

MEETING DATE	ITEMS FOR CONSIDERATION
20 June 2025	<ol style="list-style-type: none"> 1. Treasury Outturn Report (Reference to Council) 2. Annual Governance Statement (draft) 3. 2024-25 Audit Plan 4. QR4 of Internal Audit 5. Annual Report of Internal Audit 6. District Heating Update 7. Culture of Financial Challenges and Maximising income 8. Procurement Motion
1 August 2025	<ol style="list-style-type: none"> 1. Annual Corporate Emergency Planning & Business Continuity 2. External Audit Verbal Progress update 3. Annual report of the Committee (Reference to Council) 4. IT supporting mandatory training 5. Community Governance Review
26 September 2025	<ol style="list-style-type: none"> 1. Annual Report on bad debt write offs 2024/25 2. External Auditors progress report 3. Outside Bodies Nominations 4. Polling district and places review 5. Information Governance Annual Report 6. Q1 of Internal Audit - April – June 2025 7. Update on progress against External Auditors recommendations 8. Community Governance Review Terms of Reference
28 November 2025	<ol style="list-style-type: none"> 1. Treasury 6-month Outturn Report 2. Q2 of IA -July – September 2025 3. External Audit Progress Report 4. Risk Management Update 5. Corporate Customer Standards Annual Report 2024/25 6. Risk assurance process on selected services 7. Local Government Ombudsman Code
30 January 2026	<ol style="list-style-type: none"> 1. Dates of Council Meetings (Reference to Council) 2. Annual Governance Statement 3. Final Accounts 4. Treasury Strategy Report 5. 2024-25 Auditors Annual Report (Value for Money) 6. External Review of Internal Audit – Progress Report 7. Community Governance Review

20 February 2026	<ol style="list-style-type: none"> 1. External Audit Verbal Progress Report 2. Q3 of IA – October – December 2025 3. Amendment to Financial Procedure Rules (Reference to Council) 4. Amendments to Contract Procedure Rules (Reference to Council) 5. Changes to Constitution (Reference to Council) 6. Mandatory Training Review
24 April 2026	<ol style="list-style-type: none"> 1. Annual Report of Internal Audit 2024/25 2. Q4 of IA – January – March 2026) 3. Internal Audit Plan 2026/7 4. 2025-26 Audit Plan 5. Informing the Audit Risk Assessment 6. Housing Tenancy Allocation Audit 7. <i>Customer Complaints Interim Report</i> 8. Culture of Financial Challenges 9. Bad Debt recovery transformation programme report