

# Public Document Pack



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

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Thursday 11 June 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 19 June 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 black ink, 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 Khuram Amjad (Chair)  
Councillor David Birch  
Councillor Stephan Dransfield  
Councillor Maryam Jawaid  
Councillor James O'Leary  
Councillor Kath Pinnock  
Councillor Richard Smith  
Nicholas Booth (Independent Person)  
Andrew North (Independent Person)

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**

<b>Conservative</b>	<b>Green</b>	<b>Holme Valley Ind.</b>	<b>Kirklees Independents</b>	<b>Liberal Democrat</b>	<b>Reform UK</b>
T Bamford	T Cooper	J Roebuck	A Anwar	A Pinnock	L Fallas
T V Bamford	S Lee-		T Bramwell	D Ridgway	G France
M Bolt	Richards		Z Kahut	A Robinson	J Hardie
D Brook	M Price		K Patel		P Harvey
	I Safdar				M Howard
					P James
					S Maxfield
					C Smith
					M Smith

### **Ex Officio Members**

Councillor Bill Armer  
Councillor Simon Holbrook

# Agenda

## Reports or Explanatory Notes Attached

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### Pages

**1: Membership of the Committee**

To receive apologies for absence from those Members who are unable to attend the meeting and details of substitutions and for whom they are attending.

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**2: Minutes of Previous Meeting**

1 - 4

To approve the Minutes of the meeting of the Committee held on the 24<sup>th</sup> April 2026.

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**3: Declaration of Interests**

5 - 6

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

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**4: Admission of the Public**

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

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**5: Deputations/Petitions**

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

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

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## **6: Public Question Time**

To receive any public questions.

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

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

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## **7: Annual Report on Treasury Management 2025/26**

7 - 34

To receive the Annual Report on Treasury Management 2025/26.

Contact: James Anderson, Head of Accountancy.

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## **8: Internal Audit Quarterly Report 4 2025/26 - January to March 2026**

35 - 58

To receive the Internal Audit Quarterly Report 4 2025/26 - January to March 2026.

Contact: Martin Dearnely, Head of Audit & Risk.

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## **9: Internal Audit Annual Report for 2025/26**

59 - 72

To receive the Internal Audit Annual Report for 2025/26.

Contact: Martin Dearnley, Head of Audit & Risk.

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- 10: Annual Governance Statement 2025/26** 73 - 94
- To receive the Annual Governance Statement 2025/26.
- Contact: Martin Dearnley, Head of Audit & Risk.
- 
- 11: Annual Update of Contract Procedure Rules for the year ending 31 March 2026.** 95 - 102
- To receive the Annual Update of Contract Procedure Rules for the year ending 31 March 2026.
- Contact: Ruth Calladine, Head of Procurement.
- 
- 12: Agenda Plan 2026/27** 103 - 104
- To approve the 2026/27 Agenda Plan.
- 
- 13: Exclusion of the Public**
- To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.
- 
- 14: Annual Update of Contract Procedure Rules for the year ending 31 March 2026** 105 - 112
- Exempt Information in relation to Agenda Item 11.
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Contact Officer: Nicola Sylvester

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 24th April 2026**

- Present: Councillor John Taylor (Chair)  
Councillor James Homewood  
Councillor Caroline Holt  
Councillor Harry McCarthy  
Councillor Angela Sewell
- Co-optees Andrew North
- In attendance: Samantha Lawton, Service Director Legal, Governance & Commissioning (Monitoring Officer)  
James Anderson, Head of Accountancy  
Martin Dearnley, Head of Risk and Internal Audit  
Philip Jones, Service Director for Homes and Neighbourhoods  
Lisa Rasden, Head of Housing & Neighbourhoods  
Greg Charnley, External Auditor, Grant Thornton
- Apologies: Councillor Kath Pinnock  
Councillor Bill Armer (ex-Officio)  
Nicholas Booth (Co-Optee)

**90 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Kath Pinnock, Councillor Bill Armer (Ex-Officio) and Nicholas Booth (Co-Optee)

**91 Minutes of Previous Meeting**

**RESOLVED –**

That the Minutes of the meeting held on 20<sup>th</sup> February 2026 be approved as a correct record.

**92 Declaration of Interests**

No interests were declared.

**93 Admission of the Public**

All agenda items were considered in public session.

**94 Deputations/Petitions**

No deputations or petitions were received.

**95 Update on the Housing Tenancy Allocation Audit**

The Committee received an update on the Housing Tenancy Allocation Audit which advised that all outstanding recommendations from the Tenancy Allocation internal audit undertaken in July 2024 were now complete.

Philip Jones, Service Director for Homes and Neighbourhoods advised that there were four outstanding recommendations from the internal audit undertaken in July 2024, work had been undertaken and all actions were complete and signed off. The service was confident that the allocations process was now compliant and meeting the needs of policy documents. A further planned audit would take place in 2026/27 to hopefully receive substantial assurance.

During discussion, the Committee requested confirmation that phase 2 had been complete, it was noted that phase 2 had just begun with new systems being put in place, manual spot checks were undertaken, the audit in 2026/27 would be carried out following the implementation of phase 2.

**RESOLVED-** That the Housing Tenancy Allocation Audit update be noted.

**96 Informing the Audit Risk Assessment for Kirklees Metropolitan Council**

The Committee received a report on Informing the Audit Risk Assessment for Kirklees Council. The Council's External Auditors, Grant Thornton, asked that council officers complete an 'Inquiries of management and those charged with Governance' document which consisted of a schedule of questions from Grant Thornton. Appendix A in the report provided the questions and responses from Kirklees officers. Grant Thornton would consider the responses and use in providing their overall opinion on the Audited Statement of Accounts and Annual Governance Statement which was to be presented to this committee for approval by 30 November 2026. Grant Thornton requested that the Committee affirm that they believe the assertions to be true (or have no reason to believe that they were untrue).

During discussion, the Committee ascertained what Grant Thornton used this document for, it was noted that they reviewed the document for consistency and checked for any red flags of further work required.

**RESOLVED-**

- 1) That the Risk Assessment document be approved.
- 2) That the Risk Assessment document be formally submitted to Grant Thornton.

**97 Audit Plan 2025-26**

The Committee received the Audit Plan 2025/26 from the External Auditors, Grant Thornton ending 31 March 2026.

The report set out a summary of the work of the Auditors with specific regard to key developments impacting their audit approach, Identified risks, their approach on

## Corporate Governance and Audit Committee - 24 April 2026

materiality, progress against the prior year's recommendations, IT audit strategy, value for money arrangements, logistics, fees and related matters, independence considerations, communication of audit matters with those charged with governance, and delivering the audit quality.

Greg Charnley, Grant Thornton advised the Committee of the accelerated timeline for the backstop, a detailed audit progress report would be brought to Committee in September 26.

During discussion the committee requested that the audit progress report be brought to committee sooner than September 2026 and sought assurance from the External Auditors on hitting the date in November 2026. It was noted that due to techniques and tools the external auditors had, along with planning work being more advanced the external auditors were confident they would meet the November 2026 date.

**RESOLVED-** That the External Audit Plan 2025/26 be noted.

- 98 Internal Audit: Charter, Strategy and Plan for 2026-27**  
The Committee received the Internal Audit Charter, Strategy and Plan for 2026/27. Formally for the first half of the year and informally for the second half. (A paper version of the Internal Strategy was provided to Committee Members that had been omitted from the published documents). The Internal Audit Charter and Strategy document was in fulfilment of the requirements of the Institute of Internal Auditors Global Internal Audit Standards and the UK Public Sector application note. A risk-based audit plan was necessary to achieve maximum assurance from a limited level or resource. Appendix three of the report set out the key areas of operational activity that were considered to be in scope for assurance activity.

Martin Dearnley, Head of Risk and Internal Audit advised that resourced available to internal audit were quite limited. Whilst a management vacancy was successfully filled, this was an internal candidate and vacancies were advertised through 2025/26, only one suitable candidate had been identified and appointed. During 2026/27 one team member was likely to be absent through maternity leave. Attempts were being made to recruit, both substantively and temporarily, and at Apprentice level.

During discussion the committee requested information about when each area of assurance (as listed in Appendix 3) was last subjected to an audit review. It was noted that core assurance areas were usually reviewed every three years, with some areas covered at least in part annually.

The Committee questioned the target (Appendix 5) for fundamental recommendations. They asked that this target be set at 100% completed within the promised timescale and asked that a report be provided to the next committee meeting showing implementation of fundamental actions and valid reasons for not being complete.

**RESOLVED –**

## **Corporate Governance and Audit Committee - 24 April 2026**

- 1) That the Internal Audit Charter and Audit Strategy (noting the areas where the council's arrangements might be assessed as not fully compliant) be approved.
- 2) That the proposed audit plan for 2026/27 (April to September 2026/draft October 2026 to March 2027) be approved.
- 3) That the resourcing position be noted.
- 4) That the Head of Risk and Internal Audit make changes to the Audit Plan as they consider reasonable, reflecting the need of the organisation, subject to being reported back to Committee to be noted.

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

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

## NOTES

### Disclosable Pecuniary Interests

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

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

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

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

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

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

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

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

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

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

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

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



**Report title:** Annual Report on Treasury Management 2025/26

<b>Meeting:</b>	<b>Corporate Governance and Audit Committee</b>
<b>Date:</b>	<b>19 June 2026</b>
<b>Cabinet Member (if applicable)</b>	<b>Councillor: TBC</b>
<b>Key Decision Eligible for Call In</b>	<b>Yes Yes</b>
<p><b>Purpose of Report</b> The report to this committee reviews borrowing and investment 2025/26 performance before it is considered by Cabinet and Council.</p>	
<p><b>Recommendations</b> Corporate Governance and Audit Committee are asked to note the treasury management performance in 2025/26 as set out in this report, prior to its submission to Cabinet and Council.</p> <p><b>Reasons for Recommendations</b> Financial Procedure Rules (Section 9.5) require that the Council via Corporate Governance and Audit Committee receives an annual report on Treasury Management activities for the previous financial year.</p>	
<p><b>Resource Implications:</b> There are no additional resource implications required as part of this report as it relates to Treasury Management activities undertaken in 2025/26.</p>	
<p><b>Date signed off by <u>Executive Director</u> &amp; name</b></p> <p><b>Is it also signed off by the Service Director for Finance?</b></p> <p><b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b></p>	<p><b>N/A</b></p> <p><b>Kevin Mulvaney – 4/06/2026</b></p> <p><b>Sam Lawton –4/06/2026</b></p>

**Electoral wards affected:** N/A

**Ward Councillors consulted:** N/A

**Public or private:** Public

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

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## 1. Executive Summary

- 1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 5 March 2025 (see paragraph 2.1.4 below).
- 1.2 The treasury management budget underspent by £5.5m against a budget of £37.7m. The variations in the budget are summarised below:-

	Budget (£m)	Actual (£m)	Variation (£m)
Interest payable	30.3	28.4	-1.9
Investment income	-2.1	-5.0	-2.9
MRP	9.5	8.8	-0.7
<b>Total</b>	<b>37.7</b>	<b>32.2</b>	<b>-5.5</b>

The main drivers of this underspend are capital slippage (£3.1m), a discount from the prepayment of Barclays loans (£1.0m), Minimum Revenue Provision (MRP) savings (£0.7m), and additional loan income (£0.7m).

- 1.3 The Council complied with its treasury management prudential indicators in the year (see Appendix 5).
- 1.4 Investments averaged £84.5 million and were largely deposited in instant access accounts earning an average interest rate of 4.11%.
- 1.5 Total external borrowing at 31 March 2026 increased by £42.8 million to £816.8 million (£774.0 million as at 31 March 2025). This was in line with expectations and planned borrowing as per forecasted update. The Council took £90.0 million new Government long term loans from the Public Works Loan Board (PWLb) (see paragraph 2.6.4 for more detail) and an additional £67.5 million Local Authority short to medium term loans (see paragraph 2.6.5 for more detail).
- 1.6 The large increase in long term loans was a result of borrowing for the capital plan, re-financing existing borrowing maturing during the year and a reduction in internal borrowing.
- 1.7 The Council fixed rate loans account for 96.33% of total long-term debt (see paragraph 2.6.6) which gives the Council stability in its interest costs and minimising exposure to fluctuating short term rates.

## 2 Information required to take a decision

### 2.1 Introduction

- 2.1.1 The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports. The

Council operates its treasury management service in compliance with this Code and various statutory requirements.

- 2.1.2 This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal revenue and capital monitoring report.
- 2.1.3 Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake an oversight role with regard to treasury management.
- 2.1.4 The Council's treasury management strategy for 2025/26 was approved at a meeting on 5 March 2025. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy and that borrowing is undertaken on a prudent, affordable and balanced basis.

## **2.2 The Economy and Interest Rates**

- 2.2.1 The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.
- 2.2.2 The UK economy Gross Domestic Product (GDP) grew year on year across 2025 by 1.3%. Meanwhile real GDP grew by 0.5% in the three months to February 2026. As this is from before the war started the impact on growth will not be seen formally in the data for a couple more months.
- 2.2.3 Prior to the start of the war, headline UK consumer price inflation (CPI) inflation had generally been trending downwards and was expected to fall further over the coming months to the BoE's 2% target but the war has changed this. In March 2026 core CPI rose 3.3%, up from 3.0% in February. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.
- 2.2.4 While the most recent labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to February 2026, the unemployment rate fell to 4.9% (from 5.2%), while the employment rate was 75.0%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.
- 2.2.5 After cutting Bank Rate to 3.75% in December 2025, the BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in both March and April. Until the war started, financial markets were expecting Bank Rate to be cut to 3.5% at the March meeting. However, the conflict in the Middle East quickly changed this. The MPC noted the risks to both inflation and



Table 2: Treasury Management Summary

	<b>31.03.25 Balance £m</b>	<b>Movement £m</b>	<b>31.03.26 Balance £m</b>	<b>31.03.26 Weighted Average Rate %</b>	<b>31.03.26 Weighted Maturity Years</b>
Long-term borrowing					
PWLB	623.3	56.2	679.5	4.34	11.56
LOBOs**	30.8	0.0	30.8	4.39	0.32
Loan stock (fixed rate)	7.0	0.0	7.0	11.60	5.67
Other LT loans (fixed rate)	40.0	-40.0	0.0	N/A	N/A
Other MT loans (fixed rate)	31.4	11.1	42.5	4.40	1.71
Short-term borrowing	41.5	15.5	57.0	4.54	0.41
<b>Total borrowing</b>	<b>774.0</b>	<b>42.8</b>	<b>816.8</b>	<b>4.42</b>	<b>9.80</b>
Long-term investments	10.0	0.0	10.0	4.25	N/A
Short-term investments	18.0	-18.0	0.0	N/A	N/A
Cash and cash equivalents	30.6	-10.4	20.2	3.82	N/A
<b>Total investments</b>	<b>58.6</b>	<b>-24.4</b>	<b>30.2</b>	<b>3.96</b>	<b>N/A</b>
<b>Net borrowing</b>	<b>715.4</b>	<b>71.2</b>	<b>786.6</b>		

\*\* included in long term due to official maturity dates however option dates used for maturity analysis

## 2.4 Investment Activity

2.4.1 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represent balances that need to be invested until the cash is required for use in the course of business.

2.4.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.4.3 The Council's overall Treasury Management Strategy prioritises security and liquidity of its investments before seeking a higher rate of return, which was adhered to in 2025/26.

2.4.4 As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

2.4.5 The Council's treasury management investments totalled £30.2 million as at 31 March 2026 (£58.6 million 31 March 2025). The Council invested an average balance of £84.5 million externally during the year (£64.5 million 2024/25). Interest income of £3.0 million

was generated through these investments (£2.7 million 2024/25) and £0.4 million dividend income from the CCLA Property Fund (£0.4 million 2024/25). Appendix 1 shows where investments were held at the beginning of April 2025, the end of September 2025 and the end of March 2026, by counterparty, by sector and by country. The Council's average lending rate for the year was 4.13% (4.97% 2024/25). Average investment balances were higher than strategy levels due to the phasing of borrowing, which was taken evenly throughout the year.

2.4.6 The majority of investments were placed in liquid instruments such as instant access bank deposit accounts, DMO (Debt Management Office) and Money Market Funds (MMFs). MMFs offer greater diversification of counterparties, thus lowering risk as well as instant access.

2.4.7 Bank Rate reduced from 4.50% to 4.25% in May 2025, again to 4.00% in August 2025 and again to 3.75% in December 2025 with short term interest rates largely being around these levels. The rates on DMADF (Debt Management Account Deposit Facility) deposits fell from a peak of 4.45% at the start of the year to 3.70% at year end. Money Market Rates also fell and were between 4.54% at the start and 3.70% at the end of year.

2.4.8 The Council continues to hold £10 million investment in the Local Authorities Pooled Investment Fund (LAPF). The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2026 there are property assets under management of £1,023 million. The Fund aims to provide investors with regular revenue income and long-term price stability and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets but may invest in other assets.

2.4.9 The fund returned a gross dividend yield of 3.99% in 2025/26 (4.28% 2024/25) and net income of £0.4 million was received by the Council in 2025/26 (£0.4 million in 2024/25).

2.4.10 UK commercial property experienced a more stable backdrop than in the most difficult period following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and a firmer tone in markets for much of the year helped support valuations, although capital values were broadly flat overall. Income remained the main driver of returns, with rental income providing a relatively resilient contribution. However, as with other asset classes, the environment became more uncertain towards the end of the period.

2.4.11 Strategic fund investments are made in the knowledge that capital values will move both up and down over time. Unrealised cumulative capital losses of £1.3 million will not have an impact on the General Fund as the Council is utilising a government statutory override for pooled investment funds. Under the Regulations, gains and losses resulting from unrealised fair value movements, that otherwise must be recognised in the income and expenditure account under IFRS9, are not currently charged to the revenue account, and must be taken into an unusable reserve account.

2.4.12 Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up

until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. The Council's LAPF investment will therefore be covered by the extension of the override and no further investments in pooled funds are planned. Following the end of the statutory override, any gains or losses arising on these investments will be recognised in the Surplus or Deficit on the Provision of Services and will therefore impact General Fund balances.

## **2.5 Borrowing Update**

- 2.5.1 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the Capital Finance Requirement (CFR) and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.5.2 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in the future.
- 2.5.3 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing is also allowed for financing capital expenditure primarily related to the delivery of a Local Authority's function.
- 2.5.4 Gilt yields slightly decreased over most of the period; reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK governments fiscal position following tax rises in the autumn budget. Subsequent to the war in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.
- 2.5.5 The 10-year UK benchmark gilt yield started the period at 4.65% and ended at 4.86%, having reached a low of 4.23% and a high of 4.95% in the space of a month. While the 20-year gilt started at 5.18% and ended at 5.45%, hitting a low of 4.92% and a high of 5.55% respectively.
- 2.5.6 On 31st March 2026 the PWLB certainty rates for maturity loans were 5.72% for 10-year loans, 6.23% for 20-year loans and 6.08% for 50-year loans. Their equivalents on 31st March 2025 were 5.42%, 5.91% and 5.67% respectively. The increase in long term rates, despite a drop in the base rate, reflects the premium borrowers are facing to lock in costs against such an uncertain backdrop and therefore means the Council is currently focusing on short to medium term borrowing to fund the capital plan.
- 2.5.7 For the majority of the year the cost of short-term borrowing from other local authorities closely tracked Base Rate at around 4.00% - 4.50%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.
- 2.5.8 The PWLB HRA rate, which is 0.4% below the certainty rate, is available up to March 2027. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. The HRA did not undertake

any new borrowing in 2025/26.

## 2.6 Borrowing Activity

- 2.6.1 As outlined in the Treasury Management Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing.
- 2.6.2 In terms of borrowing, long-term loans maturing greater than one year totalled £720.4 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £96.5 million (£698.9 million and £75.2 million 31 March 2025), an overall increase of £42.8 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2026.
- 2.6.3 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark (see Appendix 5), which also considers usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and longer-term repayment loans.
- 2.6.4 The Council borrowed £90.0 million of new long-term Equal Instalment of Principal (EIP) and maturity loans from the PWLB in 2025/26. The borrowing was taken throughout the year, in small regular amounts, as agreed with our treasury advisors, with the exception of 872724 (see 2.6.9 for explanation).

	Amount £m	Rate %	Duration	Start date	Maturity date
<b>EIP Loans</b>					
PWLB (816261)	10.00	4.59%	5 years	11/04/2025	11/04/2030
PWLB (870513)	5.00	4.69%	6 years 6 months	21/10/2025	21/04/2032
PWLB (872724)	30.00	4.69%	10 years	29/10/2025	29/10/2035
PWLB (883372)	5.00	4.67%	8 years	03/12/2025	02/12/2033
PWLB (889989)	5.00	4.68%	8 years 6 months	24/12/2025	23/06/2034
PWLB (897472)	5.00	4.69%	10 years	22/01/2026	22/01/2036
PWLB (904498)	5.00	4.66%	8 Years	13/02/2026	13/02/2034
PWLB (909379)	5.00	4.68%	11 years	03/03/2026	03/03/2037
<b>Maturity Loans</b>					
PWLB (894922)	5.00	4.65%	4 years 6 months	14/01/2026	12/07/2030
PWLB (900042)	5.00	4.64%	4 years	30/01/2026	30/01/2030
PWLB (907395)	5.00	4.63%	4 years	24/02/2026	30/01/2030
PWLB (915854)	5.00	4.72%	1 year 1 month	25/03/2026	23/04/2027
<b>Total</b>	<b>90.0</b>				

An EIP loan pays back principal over the life of the loan, and the interest associated with the loan goes down as the principal outstanding reduces, the maturity date above refers to the final principal repayment.

2.6.5 Over the period the Council took advantage of a limited amount of medium-term loans over a 2 to 5 year time frame from other authorities. The table below shows £32.5 million of new loans taken during 2025/26, there are further medium term loans totalling £10.0 million taken previous years still outstanding at 31 March 2026.

	Amount £m	Rate %	Start date	Maturity date
South Yorkshire Mayoral Combined Authority	10.00	4.59%	01/04/2025	03/04/2028
Devon & Somerset Fire Service	5.00	4.30%	01/05/2025	04/05/2027
Test Valley Borough Council	2.50	4.90%	01/05/2025	01/05/2030
West Midlands Combined Authority	5.00	4.10%	01/08/2025	30/07/2027
Leicester City Council	5.00	4.10%	15/09/2025	15/09/2027
West Midlands Combined Authority	5.00	4.30%	03/10/2025	01/10/2027
<b>Total</b>	<b>32.50</b>			

2.6.6 Fixed rate loans account for 96.33% of total debt (see also Appendix 5) giving the Council stability in its interest costs. The maturity profile for all long-term loans is shown in Appendix 3 and shows that no more than 15.48% of all debt is due to be repaid in any one year (12.26% excluding LOBO's). This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in any one particular future year, when interest rates might be at a relatively high level.

2.6.7 The primary source of the Council's borrowing is from the Governments PWLB representing 83.29% of total external borrowing.

2.6.8 The Council continues to hold £30.8 million of LOBO loans which represents 3.67% of total external borrowing. LOBO loans are 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. No LOBO loans were called during 2025/26.

2.6.9 During the year the Council undertook a voluntary debt restructuring exercise, prematurely repaying four long-term fixed-rate loans with Barclays with a total principal value of £40.0 million. The repayments were agreed at a combined discount of £10.5 million, resulting in a redemption cost of £29.5 million. The transaction was undertaken to take advantage of favourable market conditions and reduce long-term revenue costs. Independent treasury advisers supported the negotiations and verified the redemption values. The prepayments are projected to generate significant long-term savings, forecast at £2.1 million over the life of the loans on a net present value basis.

2.6.10 To manage refinancing and interest-rate risk, part of the redemption was subsequently offset through new longer-term borrowing, with a £30.0m 10-year PWLB EIP loan arranged shortly after the prepayment once market rates improved (see 2.6.4 for further detail). In accounting terms, the transaction is treated as a debt extinguishment and replacement. In line with CIPFA guidance and capital finance regulations, the £10.5 million prepayment discount will not be taken as a one-off benefit, but will instead be spread over ten years starting in 25/26, ensuring the financial benefit is recognised prudently and sustainably over the medium term.

2.6.11 The average borrowing rate for 2025/26 for the Council's outstanding debt was 4.42% (4.26% 2024/25).

## **2.7 Trends in Treasury Management Activity**

2.7.1 Appendix 4 shows the Council's borrowing and investment trends over the last 8 years. This highlights the current trend of borrowing shorter and longer term to fund cashflow.

## **2.8 Risk and Compliance Issues**

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

2.8.2 On one occasion during the year, unexpected late receipts combined with payment authorisation limits resulted in a one-day overnight balance of £10.6 million with Barclays, temporarily exceeding the £10.0 million counterparty limit. The position was resolved the following day and all actions were taken with senior officer approval. There was no financial loss or increased credit risk.

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

2.8.4 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2025/26. Training was provided to Members in January 2026.

### **Looking Ahead – Treasury Management Developments in 2026/27**

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

2.9.1 As outlined within the Council approved Treasury Management Strategy 2026/27, the Council will continue to look to repay existing long-term debt when the opportunity arises where it becomes beneficial for the Council to do so.

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

## **2.10 Loan Funding Sources**

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

## **2.11 Investment Opportunities**

- 2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2026/27 continues to place emphasis on the security and liquidity of the Council's balances.
- 2.11.2 The investment in the CCLA property fund (see paragraphs 2.4.5 to 2.4.9) is part of a longer-term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a longer period total returns will exceed cash interest rates.

## **2.12 New Borrowing**

- 2.12.1 As mentioned previously, the Council has an increasing CFR due to the capital programme. The Council's current approach to fund the capital plan is to use a combination of short and longer-term borrowing. Unfortunately borrowing rates remain high and are likely to stay high in the near term. As short and medium-term rates remain slightly lower over a shorter time frame compared to longer-term, the Council will continue to borrow this way to minimise borrowing costs, although resulting in a higher proportion of debt that is not fixed over longer periods.
- 2.12.2 As noted, Arlingclose expect the base rate to hold at 3.75% during 26/27. Long-term PWLB loans will be taken if gilt yields drop and the opportunity to take those fixed rate loans are presented.
- 2.12.3 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing will be maintained considering the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.
- 2.12.4 As noted in the 2026/27 Treasury Management Strategy report, the Council will also consider the opportunity to arrange forward starting loans (with alternative lenders as these are not available through the PWLB), where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. Again, this would only be undertaken after having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

## **3 Implications for the Council**

### **3.1 Council Plan**

N/A

### **3.2 Financial Implications**

Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.



Kirklees Council Investments 2025/26											
Counterparty	Credit Rating	01-Apr-25				30-Sep-25			31-Mar-26		
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
<b>Specified Investments</b>											
Barclays	Bank	F1/A+	0.1	3.90%	Instant Access	0.0	3.40%	Instant Access	0.0	3.15%	Instant Access
Aberdeen Standard	MMF**	AAAmf	10.0	4.50%	Instant Access	9.9	4.08%	Instant Access	2.6	3.82%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	4.54%	Instant Access	10.0	4.09%	Instant Access	9.1	3.82%	Instant Access
Deutsche	MMF**	AAAmf	10.0	4.50%	Instant Access	7.6	4.08%	Instant Access	8.5	3.82%	Instant Access
Goldman Sachs	MMF**	AAAmf	0.0	4.41%	Instant Access	0.1	4.02%	Instant Access	0.0	3.70%	Instant Access
Essex PFCC	Police & Fire		7.0	5.10%	Police & Fire	0.0	N/A	Police & Fire	0.0	N/A	Police & Fire
Debt Management Office	Cent Govt		11.8	4.45%	Cent Govt	26.8	3.96%	Cent Govt	0.0	N/A	Cent Govt
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			<b>58.9</b>			<b>64.4</b>			<b>30.2</b>		
<b>Sector Analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
Bank			0.1	0%		0.0	0%		0.0	0%	
MMF**			30.0	51%		27.6	43%		20.2	67%	
Local Authorities/Cent Govt			18.8	32%		26.8	42%		0.0	0%	
Property Fund			10.0	17%		10.0	16%		10.0	33%	
			<b>58.9</b>	<b>100%</b>		<b>64.4</b>	<b>100%</b>		<b>30.2</b>	<b>100%</b>	
<b>Country analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
UK			28.9	49%		36.8	57%		10.0	33%	
MMF**			30.0	51%		27.6	43%		20.1	67%	
			<b>58.9</b>	<b>100%</b>		<b>64.4</b>	<b>100%</b>		<b>30.2</b>	<b>100%</b>	

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

**Key – Fitch’s credit ratings:**

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

**Long-term loans repaid and short-term loans outstanding 31 March 2026**

**Long-term loans repaid during 2025/26**

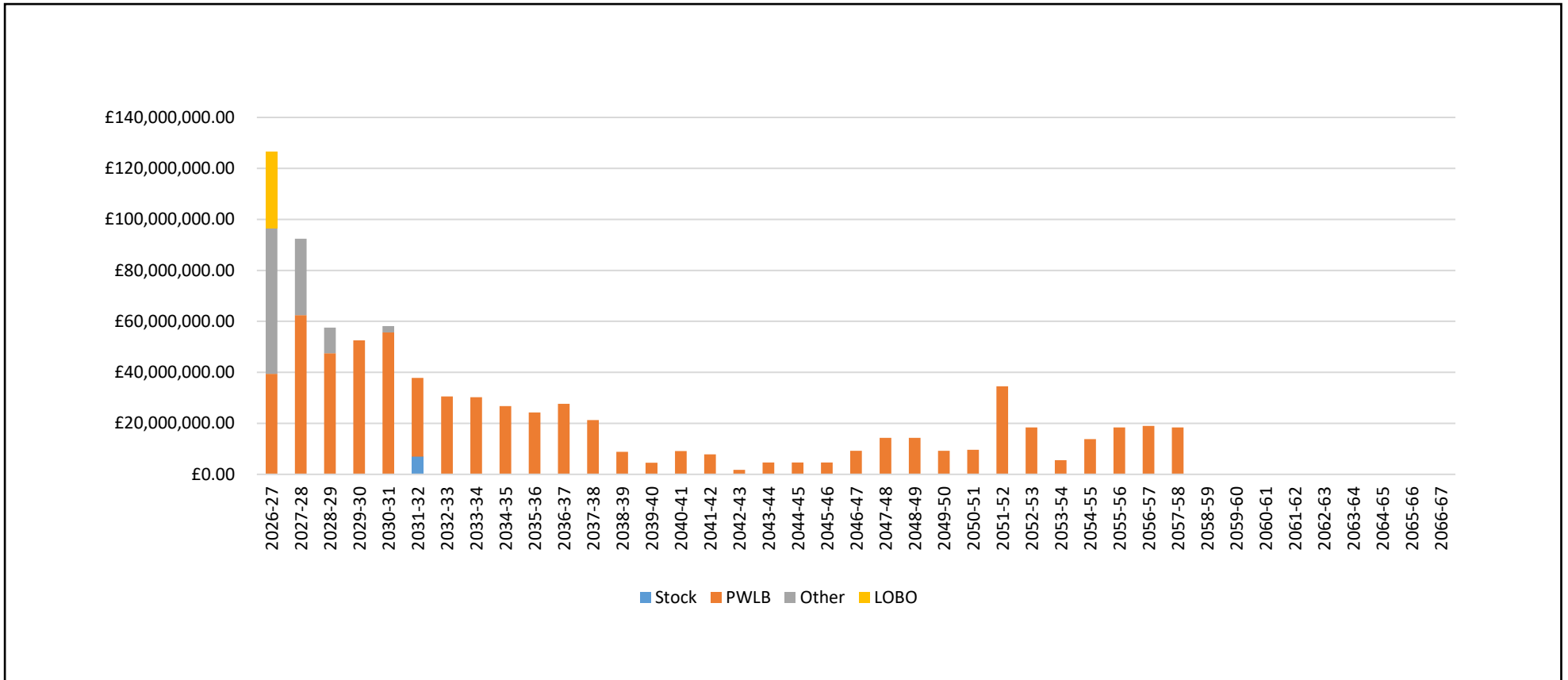
	<b>Amount £000s</b>	<b>Rate %</b>	<b>Date repaid</b>
<b>Repayments on maturity loans</b>			
Barclays 1	7,432*	3.90	16/10/2025
Barclays 2	7,739*	4.10	16/10/2025
Barclays 3	7,223*	3.81	16/10/2025
Barclays 4	7,118*	3.75	16/10/2025
South Yorkshire Mayoral Combined Authority	10,000	1.50	01/04/2025
West Yorkshire Combined Authority	5,000	5.15	30/04/2025
Wealden District Council	5,000	4.80	15/05/2025
Leicester City Council	10,000	2.00	15/07/2025
Oxfordshire County Council	5,000	2.00	15/08/2025
South Yorkshire Mayoral Combined Authority	5,000	5.40	17/11/2025
*Amounts repaid net of discount			
<b>Repayments on annuity loans</b>			
PWLB (496956)	473	4.58	29/03/2026
PWLB (496956)	463	4.58	29/09/2025
Salix	182	0.00	01/04/2025
Salix	168	0.00	01/04/2025
Salix	186	0.00	01/09/2025
Salix	168	0.00	01/10/2025
Salix	186	0.00	01/03/2026
<b>Repayments on EIP loans</b>			
PWLB (674705)	333	5.02	14/04/2025
PWLB (711011)	2,000	5.42	14/04/2025
PWLB (340221)	250	1.63	27/04/2025
PWLB (439173)	250	1.66	17/05/2025
PWLB (677193)	333	4.85	22/05/2025
PWLB (778241)	263	5.00	27/05/2025
PWLB (779247)	313	4.95	29/05/2025
PWLB (680811)	833	4.83	06/06/2025
PWLB (685435)	769	4.59	20/06/2025
PWLB (685834)	769	4.37	23/06/2025
PWLB (785403)	313	4.91	23/06/2025
PWLB (739810)	833	4.67	30/06/2025
PWLB (373440)	250	1.46	14/07/2025

PWLB (794097)	500	5.05	24/07/2025
PWLB (643579)	278	5.01	28/07/2025
PWLB (795087)	417	5.01	29/07/2025
PWLB (594601)	500	4.10	31/07/2025
PWLB (594848)	536	3.99	01/08/2025
PWLB (797366)	455	4.95	06/08/2025
PWLB (538379)	500	2.60	09/08/2025
PWLB (751915)	455	4.37	12/08/2025
PWLB (799800)	545	4.79	13/08/2025
PWLB (487385)	250	2.28	21/08/2025
PWLB (313112)	250	1.64	04/09/2025
PWLB (493145)	250	1.98	09/09/2025
PWLB (759388)	208	4.52	12/09/2025
PWLB (711013)	385	4.75	15/09/2025
PWLB (808715)	500	4.85	17/09/2025
PWLB (712740)	357	4.59	19/09/2025
PWLB (713074)	357	4.64	22/09/2025
PWLB (608189)	667	4.15	22/09/2025
PWLB (659904)	333	5.06	22/09/2025
PWLB (660447)	333	5.08	22/09/2025
PWLB (661522)	357	5.00	29/09/2025
PWLB (674705)	333	5.02	13/10/2025
PWLB (711011)	2,000	5.42	13/10/2025
PWLB (816261)	1,000	4.59	13/10/2025
PWLB (340221)	250	1.63	27/10/2025
PWLB (439173)	250	1.66	17/11/2025
PWLB (677193)	333	4.85	24/11/2025
PWLB (778241)	263	5.00	26/11/2025
PWLB (779247)	313	4.95	01/12/2025
PWLB (680811)	833	4.83	08/12/2025
PWLB (685435)	769	4.59	22/12/2025
PWLB (685834)	769	4.37	22/12/2025
PWLB (785403)	313	4.91	23/12/2025
PWLB (739810)	833	4.67	29/12/2025
PWLB (373440)	250	1.46	12/01/2026
PWLB (794097)	500	5.05	26/01/2026
PWLB (795087)	417	5.01	26/01/2026
PWLB (643579)	278	5.01	27/01/2026
PWLB (594601)	500	4.10	31/01/2026
PWLB (594848)	536	3.99	01/02/2026
PWLB (797366)	455	4.95	06/02/2026
PWLB (538379)	500	2.60	09/02/2026
PWLB (751915)	455	4.37	12/02/2026
PWLB (799800)	545	4.79	13/02/2026

PWLB (487385)	250	2.28	21/02/2026
PWLB (313112)	250	1.64	04/03/2026
PWLB (493145)	250	1.98	09/03/2026
PWLB (759388)	208	4.52	12/03/2026
PWLB (711013)	385	4.75	13/03/2026
PWLB (808715)	500	4.85	17/03/2026
PWLB (712740)	357	4.59	19/03/2026
PWLB (713074)	357	4.64	20/03/2026
PWLB (608189)	667	4.15	21/03/2026
PWLB (659904)	333	5.06	23/03/2026
PWLB (660447)	333	5.08	23/03/2026
PWLB (661522)	357	5.00	27/03/2026
<b>Total</b>	<b>104,224</b>		

### **Short-term loans outstanding 31 March 2026**

	<b>Amount £000s</b>	<b>Rate %</b>	<b>Length of loan (days)</b>
<b>Short-term borrowing from other Local Authorities</b>			
West of England Combined Authority	10,000	4.88	364
Wealden District Council	5,000	4.80	364
West Yorkshire Police	10,000	4.25	364
West Midlands Combined Authority	5,000	4.10	364
<b>Medium-term loans due to mature in the next twelve months</b>			
Oxfordshire County Council	5,000	5.00	1,065
Oxfordshire County Council	5,000	5.00	1,064
Cambridgeshire & Peterborough Combined Authority	5,000	4.70	730
Elmbridge Borough Council	5,000	4.50	731
West Midlands Combined Authority	5,000	4.30	367
Local Lenders/Trust Funds	1,499	3.60	
<b>Total temporary borrowing</b>	<b>56,499</b>		
Long-term PWLB loans due to mature in the next twelve months	39,432		
Long-term Salix loans due to mature in the next twelve months	540		
<b>Total</b>	<b>96,471</b>		



The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO options of £30.8 million have a potential repayment date during 2026/27.

**Kirklees Council - Borrowing and Investment Trends**

<b>At 31 March</b>	<b>2026</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Investments	30.2	58.6	39.1	44.0	78.9	37.1	52.0	39.1
ST Borrowing (excl interest accrued)	96.5	75.2	66.2	101.0	26.6	50.0	53.2	11.8
LT Borrowing	720.4	698.8	641.1	512.8	442.3	375.8	373.7	384.1
Total Borrowing	816.8	774.0	707.3	613.8	468.9	425.8	426.9	395.9
<b>Net debt position</b>	<b>786.6</b>	<b>715.4</b>	<b>668.2</b>	<b>569.8</b>	<b>390.0</b>	<b>388.7</b>	<b>374.9</b>	<b>356.8</b>
<u>Capital Financing Requirement (excl PFI)</u>								
General Fund	749.6	694.0	663.2	617.0	556.1	500.1	461.6	436.6
HRA	159.1	159.1	163.7	168.0	166.0	170.3	175.3	175.3
<b>Total CFR</b>	<b>908.8</b>	<b>853.1</b>	<b>826.9</b>	<b>785</b>	<b>722.1</b>	<b>670.4</b>	<b>636.9</b>	<b>611.9</b>
Less deferred liabilities (non PFI)	5.3	4.3	3.4	3.5	3.6	3.6	3.7	3.9
<b>Borrowing CFR</b>	<b>903.5</b>	<b>848.8</b>	<b>823.5</b>	<b>781.5</b>	<b>718.5</b>	<b>666.8</b>	<b>633.2</b>	<b>608</b>
Balances "internally invested"	86.7	74.8	116.2	167.7	249.6	241.0	206.3	212.1
Ave Kirklees' investment rate for financial year	4.1%	4.9%	5.3%	1.9%	0.1%	0.1%	0.7%	0.7%
Ave Base rate (Bank of England)	4.0%	4.9%	5.0%	2.3%	0.2%	0.1%	0.7%	0.7%
Ave LT Borrowing rate (1)	6.1%	5.6%	5.3%	4.0%	2.1%	2.5%	2.6%	2.7%

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

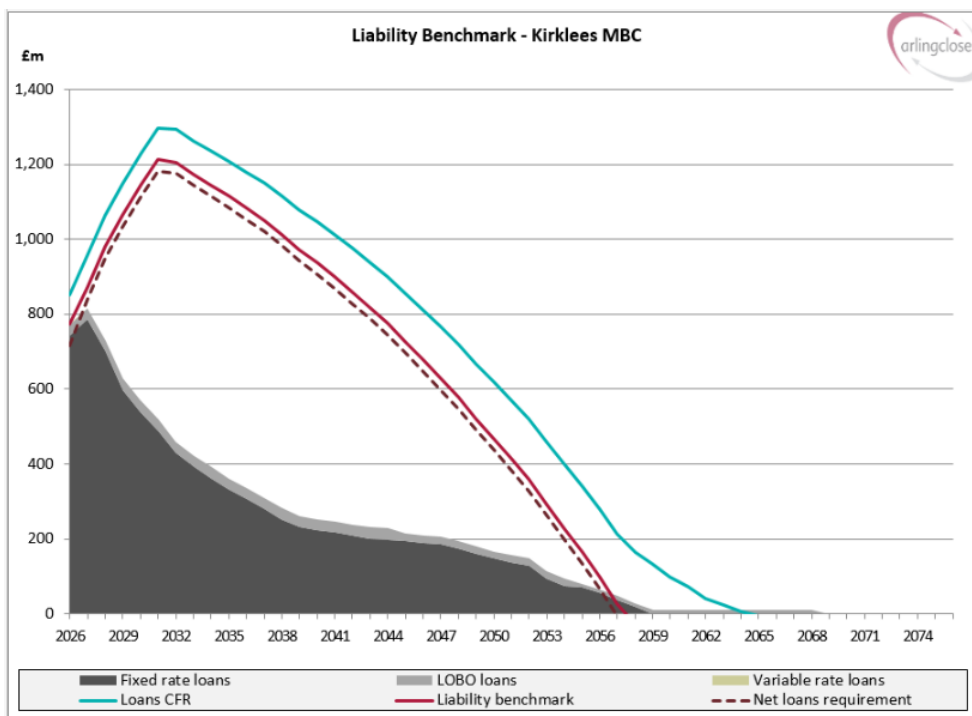
**Treasury Management Prudential Indicators**

Liability Benchmark

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. 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. It 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 of £30.0 million required to manage day-to-day cash flow.

	31.03.25 actual £m	31.03.26 actual £m	31.03.27 forecast £m	31.03.28 forecast £m
Loans CFR	848.8	903.5	1,099.1	1,191.0
Less: Balance sheet resources	133.4	116.9	116.0	115.0
<b>Net loans requirement</b>	<b>715.4</b>	<b>786.6</b>	<b>983.1</b>	<b>1,076.0</b>
Plus: Liquidity allowance	58.6	30.2	30.0	30.0
<b>Liability benchmark</b>	<b>774.0</b>	<b>816.8</b>	<b>1,013.1</b>	<b>1,106.0</b>
<b>Existing borrowing</b>	<b>774.0</b>	<b>816.8</b>	<b>720.4</b>	<b>627.9</b>

The long-term liability benchmark for 2025/26 includes new capital expenditure funded by borrowing of £70.8 million, minimum revenue provision on new building capital expenditure based on a 50-year asset life and reduction in Balance sheet resources of £16.5 million.



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

### Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper limit	Lower limit	31.03.26 actual	31.03.26 actual £m	Complied
Under 12 months	25%	0%	15.5%	126.4	Yes
12 months and within 24 months	25%	0%	11.3%	92.5	Yes
24 months and within 5 years	60%	0%	20.6%	168.2	Yes
5 years and within 10 years	80%	0%	18.3%	149.7	Yes
10 years and above	100%	20%	34.3%	280.1	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO options of £30.9 million have a potential repayment date during 2026/27 and have been included in the under 12 months line.

### 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 limits are:

	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	n/a	n/a	n/a	n/a
Actual principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m
Complied	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## Interest Rate Exposures

This indicator is set to control the Authority's exposure to interest rate risk.

<b>Interest rate risk indicator</b>	<b>2025/26 Target</b>	<b>31.3.26 Actual</b>	<b>Complied?</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates	£4.4m	£1.26m	Yes

Bank Base Rate fell by 0.75% during the year from 4.5% on 1st April 2025 to 3.75% on 31 March 2026.

For context, the changes in interest rates during the year were:

	<b>31.03.25</b>	<b>31.03.26</b>
Bank Rate	4.50%	3.75%
1-year PWLB certainty rate, maturity loans	4.82%	5.04%
5-year PWLB certainty rate, maturity loans	4.94%	5.28%
10-year PWLB certainty rate, maturity loans	5.38%	5.72%
20-year PWLB certainty rate, maturity loans	5.88%	6.23%
50-year PWLB certainty rate, maturity loans	5.63%	6.08%

**Glossary of Treasury Terms**

<b>Authorised Limit</b>	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.
<b>Annuity</b>	Method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bank Rate</b>	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'.
<b>Basis Point</b>	1/100th of 1%, i.e. 0.01%
<b>Bill</b>	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
<b>Bond</b>	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.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets.
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital gain or loss</b>	An increase or decrease in the capital value of an investment, for example through movements in its market price.
<b>Capital growth</b>	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).
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>Certainty Rate</b>	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.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy.
<b>Collective Investment Schemes</b>	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.
<b>Corporate Bonds</b>	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.
<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Cost of carry</b>	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.
<b>Counterparty List</b>	List of approved financial institutions with which the Council can place investments.

<b>Credit Default Swap (CDS)</b>	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.
<b>Credit Rating</b>	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.
<b>Debt Management Office (DMO)</b>	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.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	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'.
<b>Debt Management Account Deposit Facility (DMADF)</b>	HM Treasury deposit account to provide users with a flexible and secure facility to supplement existing range of investment options while saving interest costs for central government.
<b>ECB</b>	European Central Bank
<b>Fair Value</b>	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.
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	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.
<b>GDP</b>	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	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).
<b>Gilts (UK Govt)</b>	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.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
<b>Local Authority Property Fund (LAPF)</b>	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (see Collective Investment Scheme).
<b>Liability Benchmark</b>	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).
<b>LOBOs</b>	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.
<b>Maturity</b>	The date when an investment or borrowing is repaid.

<b>Maturity profile</b>	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.
<b>MiFID II</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	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.
<b>Money Market Funds (MMF)</b>	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
<b>Net Asset Value (NAV)</b>	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
<b>Operational Boundary</b>	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.
<b>Pooled funds</b>	See Collective Investment Schemes (above).
<b>Premiums and Discounts</b>	<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>
<b>Private Finance Initiative (PFI)</b>	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.
<b>Investment Property</b>	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.
<b>Prudential Code</b>	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.
<b>Prudential Indicators</b>	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.
<b>PWLB</b>	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.
<b>Revenue Expenditure</b>	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
<b>Risk</b>	<b>Credit and counterparty risk</b>

	<p>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><b>Liquidity risk</b> 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><b>Refinancing risk</b> 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><b>Interest Rate risk</b> 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><b>Legal risk</b> 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><b>Operational risk</b> 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><b>Market Risk</b> 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>
<b>RPI</b>	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.
<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	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.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest).
<b>Treasury (T) -Bills</b>	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.
<b>Treasury Management Code</b>	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
<b>Treasury Management Practices (TMP)</b>	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.
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure.
<b>Variable Net Asset Value (VNAV)</b>	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.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument.

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**REPORT TITLE: INTERNAL AUDIT QUARTERLY REPORT 4 2025/26  
JANUARY 2026 TO MARCH 2026**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>19<sup>th</sup> June 2026</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No No – Information report</b>
<b>Purpose of Report</b> To provide a report of Internal Audit activity during the final quarter of 2025/26	
<b>Recommendations</b> <ul style="list-style-type: none"> <li>• That the report be noted</li> <li>• The Committee determine if any action is required because of this report.</li> </ul> <b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>• This provides information about activity of internal audit in this period, and the level of assurance in the organisation. There may be issues identified which the Committee feels merits further work.</li> </ul>	
<b>Resource Implications:</b> <ul style="list-style-type: none"> <li>• None from this report, other than the potential costs or savings from implementing recommendations</li> </ul>	
<b>Date signed off by Executive Director &amp; name.</b>	Not applicable
<b>Is it also signed off by the Service Director for Finance?</b>	
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	

**Electoral wards affected:** all

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** Yes

**1. Executive Summary**

The Council must have an Internal Audit function. Each quarter Internal Audit reports on its activity. The report also provides information about the Regulation of Investigatory Powers Act. There is an additional report on progress on the implementation of recommendations.

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

2.1 The information required about Internal Audit activity is included in the attached report.

2.2 There is an additional report on progress on the implementation of recommendations

2.3 The report also provides information about use of Regulation of Investigatory Powers Act investigations..

**3. Implications for the Council**

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. Implementing audit findings should help to improve internal control, assurance and or governance.

**3.1 Working with People**

No directly applicable.

**3.2 Working with Partners**

No directly applicable.

**3.3 Place Based Working**

No directly applicable.

**3.4 Climate Change and Air Quality**

No directly applicable.

**3.5 Improving outcomes for children**

No directly applicable.

**3.6 Financial Implications**

Refers in part to improving strategic and operational financial controls.

**3.7 Legal Implications**

No directly applicable.

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

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

**4. Consultation**

There have been discussions with Executive Leadership Team (ELT)

**5. Engagement**

ELT have seen and are aware of the content of this report.

**6. Options**

Not applicable

- 7. Next steps and timelines**  
Contributes to the Annual Internal Audit report.
- 8. Contact officer**  
Martin Dearnley Head of Audit & Risk.
- 9. Background Papers and History of Decisions**  
None.
- 10. Appendices**  
Quarter 4 report attached
- 11. Service Director responsible.**  
The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.  
The statutory officers with a responsibility for overseeing the internal audit function are.  
Samantha Lawton Service Director for Legal Governances & Commissioning  
Kevin Mulvaney Service Director for Finance

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# **Internal Audit & Counter Fraud Quarterly Report**

**Quarter 4 2025/26  
January to March 2026**

## 1 Introduction

This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action has been through the required stages and any appeal time.

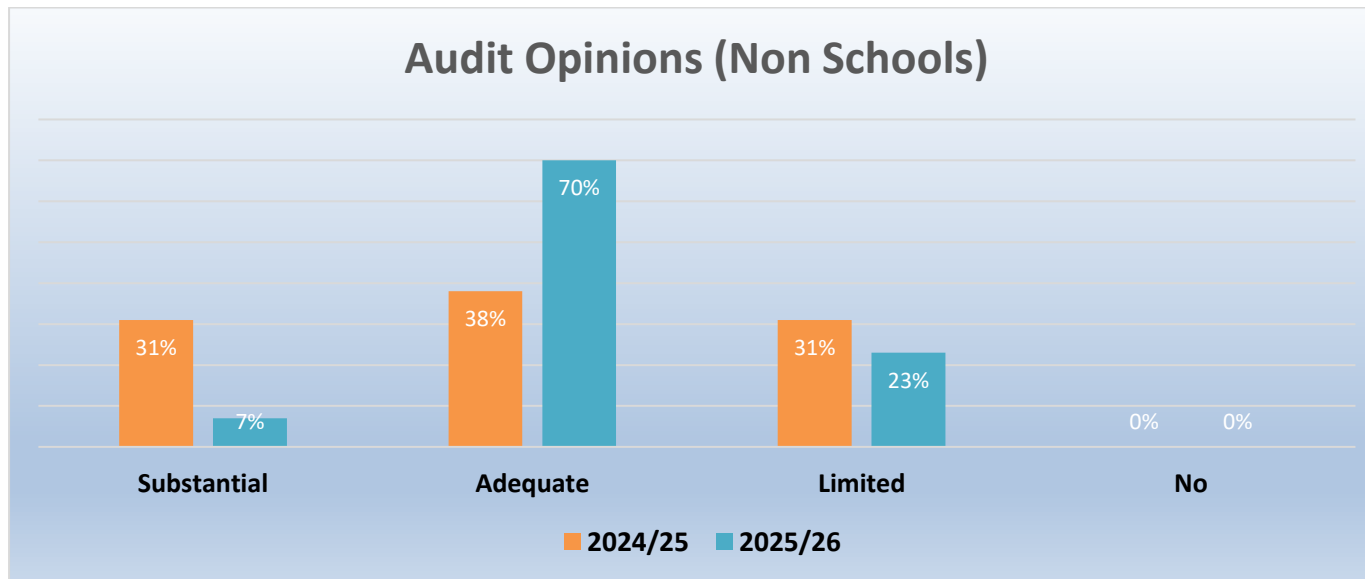
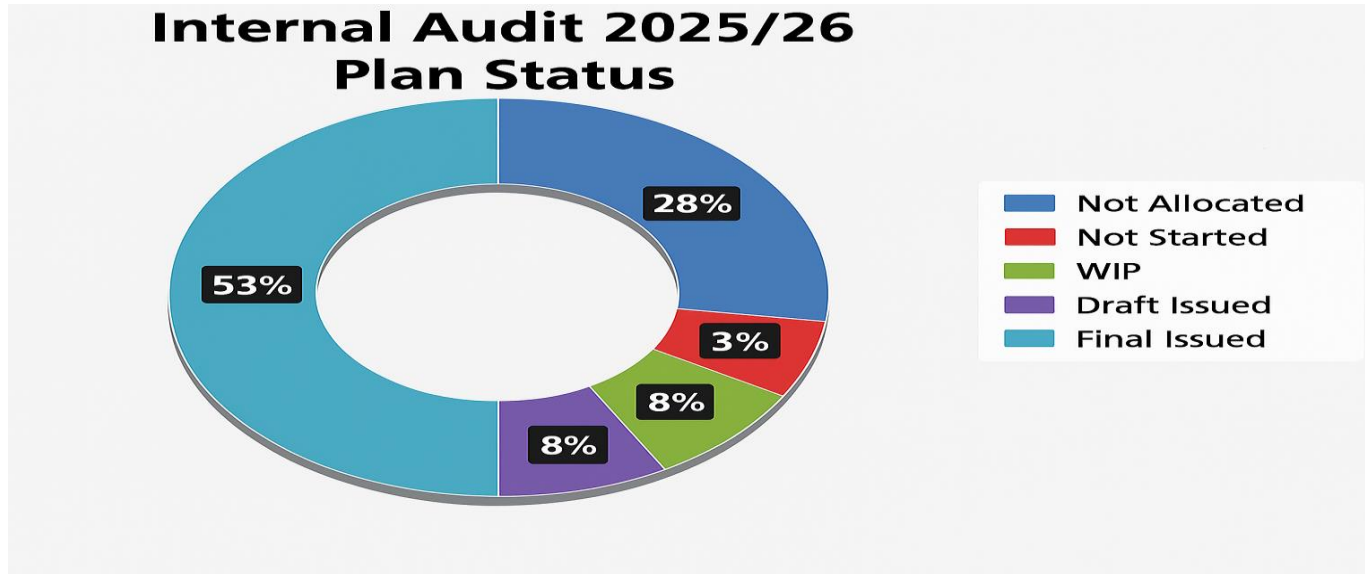
Where an assurance opinion was appropriate these reflected the standard framework below:

Opinion	Definition - Control Adequacy	Definition - Control Application
Substantial Assurance	A robust framework of all key controls exists that is likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
Adequate Assurance	A sufficient framework of key controls exists that is likely to result in objectives being achieved but the overall control framework could be stronger.	Controls are applied but with some lapses.
Limited Assurance	Risk exists of objectives not being achieved due to the absence of a number of key controls in the system.	Significant breakdown in the application of a number of key and/or other controls.
No Assurance	Significant risk exists of objectives not being achieved due to the absence of key controls in the system.	Serious breakdown in the application of key controls.

All audit work attracts recommendations intended to achieve at least an adequate level of control. All audits resulting in a negative - "limited assurance" or "no assurance" - opinion are followed up as a matter of course, whereas confirmation of progress in implementing agreed recommendations in other reports is sought once all the implementation dates have elapsed.

Note on Homes & Neighbourhoods audit – key audit work has been delayed due to management reporting issues and access to document images since the implementation of the new CX software application.

## 2 Internal Audit Dashboard



### **3 Planned Audit Work Completed in the Period**

#### **3.1 Financial System and Service Business Risk Audits**

Reference	Audit / Objectives	Opinion	Recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>• <b><u>Key Financial Systems and Processes</u></b></li> </ul>				
	<b><u>Finance</u></b>				
027	Business Rates Liability & Relief	<p><b><u>Adequate Assurance:</u></b></p> <p>Business Rates represents £98m of the Council's total income. The environment in which many businesses trade has led to lobbying to reduce the burden of business rates. It is important that the liability to pay and receive reliefs that may be available are determined in a fair and transparent way and that the risk of fraud and error is minimised. Overall, the day-to-day processing of reliefs is operating effectively, eligibility decisions were generally well-supported, appropriately assessed and accurately recorded. Staff carried out relevant verification checks, and evidence was available to substantiate the reliefs awarded.</p> <p>However, the audit identified inconsistencies in the way supporting documentation is recorded and stored, resulting in an uneven audit trail. Although no fraud was detected, there are opportunities to strengthen fraud prevention measures. The Team's plans to introduce self-service forms and implement a structured three-year review cycle for all reliefs represent positive steps toward modernising</p>	0	3	0

		processes and improving data quality. Further enhancements, such as in-person business verification visits and maintaining a record of detected fraud attempts, would significantly improve the ability to identify and mitigate fraud risks.			
	<ul style="list-style-type: none"> <li>• <b><u>Other Financial Systems and Processes</u></b></li> </ul>				
	<b><u>Skills &amp; Regeneration</u></b>				
028	Building Control Income	<p><b><u>Limited Assurance:</u></b></p> <p>The Council provides a service in competition with private sector providers. Charges vary depending on the nature of the work and size of the proposal but typically range from £250-750, larger jobs are subject to individual quotation. Fees and charges for building regulations approval is circa £0.9m.</p> <p>The audit found that arrangement for correctly identifying and collecting charges are good. However, the Council is not compliant with a requirement to publish financial information about its Building Control activity, (The Building (Local Authority Charges) Regulations 2010 require authorities to publish a financial statement at the end of each financial year setting out the costs, income and any surplus income or deficit). (The information required will be published in Q1 2026/27).</p>	1	3	2
	<b><u>Environmental Strategy &amp; Climate Change</u></b>				
029	Home to School Transport	<b><u>Limited Assurance (Follow Up)</u></b>	0	7	0

		<p>Control of the financial commitments entered into with largely taxi providers to ensure eligible children and young people are transported to and from special school provision has been hard to achieve. A lack of clarity on overspends and demand pressures has not provided senior management with the level of assurance they require. As part of the 2026/27 budget process completed recently, additional funds have been provided.</p> <p>A follow up audit was undertaken in January 2026 following a Limited Assurance opinion issued in October 2023. While the service has made progress in a number of areas, including route management, financial controls, and the procurement of a dedicated home to school transport system, a significant number of recommendations remain incomplete and important risks persist.</p> <p>Financial pressures continue, with overspends driven by increased demand for post-16 and special school transport. There remain ongoing weaknesses in documentation, consistency of decision making, and compliance with contract procedures. The service has strengthened oversight through the appointment of a permanent finance officer and progress has been made in reducing single use taxis and expanding shared transport and personal travel budgets. However, key controls relating to agency staffing arrangements, invoice verification, record keeping, and personal transport budget management remain under development. There has also been transformation based work, and additional budget allocations.</p> <p>The new transport IT system is scheduled to go live in July 2026 and represents a critical dependency for longer-term improvement. Until remaining actions are fully implemented and embedded, the overall assurance position remains limited.</p>			
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	<ul style="list-style-type: none"> <li>• <b><u>Other Business Controls</u></b></li> </ul>				
	<b><u>Strategy &amp; Innovation</u></b>				
030	Integrated Impact Assessments	<p><b><u>Adequate Assurance:</u></b></p> <p>Integrated Impact Assessments are carried out by Services to understand the actual and/or potential impacts of their activities and decisions on equality, access to services, and the environment. The outcomes from IIAs are used to inform decision making and identify any action required to maximise the positive impacts, and/or mitigate any negative impacts, of Council decisions. This also supports the Council in meeting its obligations under the Equality Act 2010 and the Public Sector Equality Duty by identifying whether a proposed activity or change is likely to disproportionately impact on particular protected groups.</p> <p>Clearly defined arrangements are in place for the completion of IIAs, supported by a comprehensive range of guidance and regular QA checks. However, in practice there was a high level of variation in their quality, indicating that more can be done to improve understanding and capability in this area. Better IIAs should improve the quality and transparency of decision-making.</p> <p>Updates to the IIA form were recommended, alongside improved guidance to staff when carrying out assessments and completing the forms. The IIA Hub could also be enhanced, and IIA e-learning should be re-launched to promote awareness of this among staff.</p>	0	3	6

	<b><u>Place</u></b>				
031	Risk Management	<p><b><u>Adequate Assurance:</u></b></p> <p>The Executive Director requested a review of compliance with corporate risk management processes across the Services in his Directorate. Three areas were reviewed, Transport (within Operational Services), Major projects (Regeneration) and Homes &amp; Neighbourhoods. The former two had positive findings, but whilst arrangements existed within Homes &amp; Neighbourhoods, there was substantial scope for improvement to align with corporate processes and requirements.</p>	0	2	3

### **3.2 Recommendation Follow - up Audit Work Completed in the Period**

See attached Appendix A.

### **3.3 School Audits**

Reference	Opinion	No.
032, 033	Substantial Assurance	2
	Adequate Assurance	0
	Limited Assurance	0
	No Assurance	0

### **3.4 Significant and Fundamental Recommendation Themes – cumulative**

<b><u>Fundamental/Significant Recommendation Themes</u></b>	<b><u>No. of audits identified</u></b>
Information management – GDPR	3
Information management – data protection-DPIA	6
Contract Management	8
Cash Handling	4

## **4 Investigations and other Audit Activity**

### **4.1 Corporate**

#### National Fraud Initiative 2024/25

Following legislative action to address data protection concerns, a supplementary exercise has been undertaken concerning data relating to adult social care, specifically residential accommodation and direct payments (personal care budgets). Release of exception reports was delayed by the Cabinet Office until just before Christmas 2025. The data has been reviewed and follow up action taken concerning a small number of anomalies that resulted in an overpayment to a client of almost £8,000 and to suppliers for three unreported deaths that totalled just over £61,000. Recovery proceedings are in progress for the sums overpaid.

### **4.2 Corporate**

#### Replacement Enterprise Resource Planning (ERP) System Procurement

Internal Audit provides ongoing risk and control input and assurance to the ER Project Board chaired by the Service Director of Strategy & Innovation. Following demonstrations of their product from leading software suppliers, including the incumbent -SAP, the appointed consultant has produced a procurement options report.

Risk management support to the Programme involves review and feedback of programme level risk registers, ensuring that the risk register records all known risks, identifies potential consequences and appropriate mitigations are put in place. In a programme of this duration the proximity of the risks (e.g. risks relating to procurement vs risks relating to implementation) needs specific focus. Linked to this risk, ownership is also being reviewed to ensure there is clarity on project vs “business as usual” (BAU) ownership. Work has also been undertaken to review Service Risk Registers to ensure the risks associated with ERP replacement are in view and reviewed on a quarterly basis, for example these risks may relate to resource availability to maintain BAU activities and provide appropriate professional input to the project; undertaking required process redesign / service change activity and specific business readiness activity such as data cleansing.

### **4.3 Highways & Streetscene**

#### WYCA Grant Verification

Work has concluded in auditing grant claims where the Combined Authority have funded various highway and transportation projects delivered by the Council and which the Authority requires certification by the Head of Audit, prior to sign-off by the Director of Finance.

### **4.4 People Services**

#### Construction Industry Scheme

HMRC expressed concern that the Council may not be fulfilling its obligation to apply the Scheme as an employer, whereby payments to registered contractors are made net of corporation tax. Sample testing of higher risk suppliers found that the large majority were exempt from the Scheme and a small number of queries are still being resolved with HMRC.

### **4.5 Corporate**

#### Review of Project Management arrangements of Capital Project.

The Annual Governance Statement for 2024/25 identified that the council needs to consider if its Project Management arrangements represent best practice, so an internal audit was carried out during 2025/26 to seek to identify the project management practices - in relation to capital projects such as construction and IT- that operate across the council and to identify if there is scope to better deliver projects in a timely and cost effective way. The council also uses project management to review organisations and operations ("Transformation") projects, which is well documented but involves at some stages different techniques. The aim was to assess governance, project delivery, the role of project managers, compliance, financial control and Training.

The overall assessment is that the council has an inconsistent approach to delivery of capital projects and this can lead to poor risk management and cost control. The work has resulted in recommendations about greater clarity of scope and objectives, better business planning and budgeting, enhanced project management and governance with advice about key areas that every capital project should have. The key messages and action required are to be discussed at the Capital Assurance Board.

## **4.6 Learning & Support**

### **Schools Financial Value Standard**

Maintained school submissions have been compiled and validated into an annual assurance statement to the DfE by the Director of Finance. These self-assessments also provide assurance and a starting point for further enquiry into aspects of school audits noted above and reported in private.

## **4.7 Family Help, Safeguarding & Permanence**

### **Adult Services Provider Investigation**

This was an attempt by a fraudulent actor to change banking details to fraudulently extract funds from the Council. A positive outcome resulted as procedures and training addressed this threat

## **4.8 Culture & Visitor Economy**

### **Woven25 Grant Claim 2025/26**

Confirmation was provided to the Arts Council that grant monies had been paid to the preferred supplier to deliver this project.

## **4.9 People Services**

### **Resourcing process review**

A review of the existing 'Request to Fill' resourcing process was requested by the Head of People Services, to ensure planned revisions to the process addressed areas of weakness or dissatisfaction. Interviews with a range of stakeholders from across the council were undertaken and feedback identified four core findings. The revised Resourcing Panel was launched in April 2026, addressing the key finding of lack of process clarity and transparency, through publication of process flow charts, exception lists, updated templates, Resourcing Panel meeting dates etc. Additional findings related to the required level of corporate oversight, which will be considered as part of ongoing assessment of the adequacy and performance of budget management controls, and opportunities to ensure that there is engagement with senior management to consider recruitment challenges and strategic responses at a corporate level.

## **5. Counter Fraud Work**

### **5.1 Housing Fraud**

<b>Investigation Type</b>	<b>Cases Brought Forward</b>	<b>New Referrals</b>	<b>Ongoing</b>	<b>Closed Prosecutions</b>	<b>Closed: No Fraud Proven or Warning Issued</b>	<b>Applications Cancelled</b>	<b>Properties Returned and Application Cancelled</b>
Right To Buy	12	3	11	-	4	0	0
Tenancy Fraud	19	4	18	-	2	0	3
Multi-Agency/Service Cases	3	0	3	-	0	0	0

Fraud referrals have stabilised largely due to the reduction in Right to Buy discount thus making it less attractive for tenants to make an application. However, Tenancy Fraud seems to be increasing, and it is important that these cases do not later re-present themselves as Right to Buy fraud. The frauds being encountered are becoming more complex, and cases are becoming longer. Often investigations suggest fraud is being committed in other aspects of the suspects lives, resulting in increasing referrals to the Police and other government agencies. Overall, the year to date position for properties returned equates to a total of 7 (Q1: 1 property, Q2: 3 properties, Q4: 3 properties) and highlights effective housing fraud prevention and detection methods being utilised by the Investigation Team.

### **5.2 Council Tax and Business Rate Fraud**

<b>Investigation Type</b>	<b>Cases Brought Forward</b>	<b>New Referrals</b>	<b>Ongoing</b>	<b>Closed Prosecutions</b>	<b>Closed: No Fraud Proven</b>	<b>Closed: Referred to Other Government Agency</b>
Council Tax	3	0	3	0	0	0
Business Rates	4	0	4	0	0	0
COVID Grants	1	0	1	0	0	0

### **5.3 Accounts Payable Fraud**

Investigation Type	Q4	YTD	Ongoing	YTD Fraud Attempted	YTD Fraud Successful	YTD Monies Reclaimed
Payment Fraud	1	3	0	4	0	-

### **5.4 Adult Social Care – West Yorkshire Financial Exploitation and Financial Abuse Team**

#### **WYFEAT – Adult Social Care (April 2025 – March 2026 cumulative)**

Investigations	Pre-Investigations	Safeguarding Only	Yet to be designated	Closed	Value (£): YTD
1	3	3	0	-	103,041

### **5.5 Blue (Parking) Badge Fraud**

Cases Brought Forward	New Referrals	Ongoing	Closed - Prosecutions	Closed: No Fraud Proven or Warning Issued
48	40	50	22	16

### **5.6 Other Investigative Work**

Investigation Type	YTD
Money Laundering Cases	0
HR Investigations	2

## **6. Regulation of Investigatory Powers Act investigations**

None this period.

## **APPENDIX A**

### **RISK SERVICES - INTERNAL AUDIT**

#### **PROGRESS WITH IMPLEMENTING INTERNAL AUDIT RECOMMENDATIONS (re Q4 2526)**

At the conclusion of each audit, recommendations are made where necessary to improve the control environment and /or manage the level of risk involved to an acceptable level. Recommendations are classified threefold as follows:

##### **Fundamental –**

A recommendation, often requiring immediate action that is key to maintaining an appropriate control environment and thereby avoiding exposure to a significant risk to the achievement of the objectives of the system, process or location under review. Any single fundamental recommendation leads to a Limited Assurance opinion.

##### **Significant –**

A recommendation requiring action that is necessary to improve the control environment and thereby avoid exposure to a risk to the achievement of the objectives of the system, process or location under review. More than 4 significant recommendation leads to a Limited Assurance opinion.

##### **Merits Attention –**

A recommendation where action is advised to enhance control or improve operational efficiency.

Service Directors / Heads of Service are asked to agree recommendations contained within an Action Plan and identify an owner to oversee implementation by a specific date.

Previously, assurance that this has happened has been obtained from follow up audits arising from any audit resulting in a Limited Assurance opinion; updates on recommendations made in other audits typically have had to wait for the next cyclical audit. A greater focus on the overall position has been driven more recently by the requirements of the revised Global Internal Audit professional Standards that applied from April 2025 and further development of the corporate risk management process, whereby implementation of agreed audit recommendations, especially key ones, is a very important part of managing down the residual degree of risk in a system, process or activity. Consequently, recommendation action owners are now asked for positive assurance of implementation on a quarterly basis once agreed timescales have elapsed.

**Status of planned 2024/25 & 2025/26 audits with outstanding Key Recommendations due for implementation by 31 March 2026.**

<b>Key</b>	<b>Overdue</b>	<b>Due this Quarter</b>
------------	----------------	-------------------------

Recommendation Classification	Fundamental				Significant			
	Completion Due	Complete	Partially Complete	No action	Completion Due	Complete	Partially Complete	No action
<b>Directorate</b>								
<b>Children &amp; Families</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>0</b>
Direct Payments	0	0	0	0	4	0	4	0
SENDACT - Education, Healthcare and Care Plan Team	0	0	0	0	4	0	4	0
Special Guardianship Orders	0	0	0	0	4	2	2	0
<b>Public Health &amp; Corporate Resources</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>15</b>	<b>4</b>	<b>11</b>	<b>0</b>
BACS Bureau Accreditation	0	0	0	0	1	0	1	0
External Grant Income	0	0	0	0	2	0	2	0
Data Sharing & Security	2	0	2	0	4	0	4	0

Integrated Wellness Service	0	0	0	0	3	1	2	0
Clients' Property Register	1	1	0	0	5	3	2	0
<b>Place</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>6</b>	<b>12</b>	<b>0</b>
Highway Accident Damage	0	0	0	0	4	0	4	0
Housing Register	0	0	0	0	3	0	3	0
Housing Rent Income	0	0	0	0	4	0	4	0
Planning Fees & Consent	0	0	0	0	4	3	1	0
Winter Maintenance	0	0	0	0	3	3	0	0
<b>Adults &amp; Health</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>
Quality of Care Provision	0	0	0	0	3	0	3	0
<b>#Total – all Directorates</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>48</b>	<b>12</b>	<b>36</b>	<b>0</b>
<b>% Total</b>		<b>33%</b>	<b>67%</b>	<b>0%</b>		<b>25%</b>	<b>75%</b>	<b>0%</b>

In addition to those areas where all fundamental and significant recommendations are now reported as achieved, only two *Fundamental* recommendations made previously were outstanding from their originally agreed completion date. Management have also confirmed that

25% **of Significant** recommendations have been actioned, however 75% remain incomplete and this may be indicative of management under-estimating realistic completion timescales when agreeing the original recommendation action plan.

### **Management update on progress with Incomplete Recommendations**

- **Children & Families**

**Direct Payments** – Four of the original nineteen recommendations remain to be completed, which the Service had proposed would be achieved by the end of 2025. In the long term absence of the recommendation owner, service managers have reviewed the current status of each. The draft direct payments policy is awaiting authorisation from the Service Leadership Team which is due by the end of June, as are detailed guidelines to assist parents and staff in their understanding and how to carry out management of direct payments.

**SENDACT - Education, Health & Care Plan Team** – four significant recommendations are not yet completed. No further update has been provided.

**Special Guardianship Orders** – A plan is in place to ensure a permanent solution to the financial assessments and, to ensure resilience, an additional officer will be identified. It is accepted that oversight is required. Who and where this will sit, is still to be determined and is linked to current capacity in the team. A review of this situation will be conducted by the end of May 2026 now the financial assessments have transferred over from Client Financial Affairs. The process of tracking annual reviews to minimise backpay liability requires further work between the finance and support teams.

- **Public Health & Corporate Resources**

**BACS Bureau Accreditation** – whilst Welfare & Exchequer Services management have agreed new processes and identified officers to approve transactions with HD One, a rollout date has not been agreed which is becoming an issue, as it links to other areas of concern HD One have and the wider issue around how the two Services work better together.

**External Grants Income** – The audit objective was to ensure that all income due from Central Government departments, agencies and other significant providers had been received in full and was accounted for correctly. Assurance that this is the case would be enhanced by closer liaison between Finance and External Funding colleagues in the Policy Unit to identify all successful bids by a tracking process. Management are working on the practicalities of how this can be achieved.

**Corporate Data Sharing & Security** – progress in developing corporate arrangements continues to be made by the Information Governance Team but it is proving to be a considerable undertaking to secure the support and participation of the wide range of Services concerned and is taking longer than anticipated. Specifically, Information Asset Owners (generally Service Directors) need to complete a review of who they share personal data with and ensure an appropriate signed agreement exists in each instance.

**Integrated Wellness Service** – Key performance indicators for the services are in the final stages of being confirmed following receipt of some end of financial year data to set appropriate benchmarks and will be shared with the Heads of Service for sign-off. A conversation regarding unique identifier details to provide greater assurance about numbers of cases managed is ongoing with the NHS.

**Clients' Property Register** - The existing Service Procedure guide has been updated to reflect this best practice for future application concerning CPR selection of choice of jewellers but still needs sign off from Adult Social Care colleagues. The keys to the properties we hold are stored in the safe. These properties are currently on the market to be sold. The keys will be provided to the new owners, and the disposal log / Caspar will be updated accordingly. The completion date of July 2026 reflects the expected sales dates as a prompt to update this log.

- **Place**

#### **Highway Accident Damage Recovery**

The procurement to replace the current application is nearing completion with the successful supplier soon to be announced. The work around planning the installation can commence soon afterwards. The monitoring of accounts raised and paid continues by the Recharge Team prior to amending the current approach to recovery. In 2026, invoices totalled £108k with £41k recovered. It has been agreed that more staff in the Recharge Team would improve outcomes and the process of recruiting three new business support officers whose duties will include income recovery has commenced, as has a review of reporting lines to management in the two Service areas served by the Recharge Team.

**Housing Register** – A joint working group has been set up (comprising both Housing Services (Development Service) and Homes & Neighbourhoods staff), to take forward all the recommendations. That group has undertaken a lot of work to review and implement the audit recommendations, alongside other related actions to improve compliance, consistency and efficiencies in the way in which allocations and lettings are delivered jointly.

The Group met in the middle of January 2026, and Service management confirmed that the recommendations from the audit have all either been completed (4) or are underway (3). A further check back on the delivery of the recommendations has been scheduled for September 2026.

**Housing Rent Income** – No further update provided. Improved arrangements for the monitoring and management of suspense accounts as well as clarification of roles and responsibilities were the key outcomes from the audit.

**Planning Fees & Consent** – the Service fraud risk assessment is still to be completed.

- **Adults & Health**

**Quality of Care Provision** – three significant recommendations were set a timescale of March 2026. Each is in-train. The contracts function has been supporting the monitoring of Ings Grove House following recent CQC regulatory notices – this approach can be scaled out to wider internal services where needed on a proportionate basis. The Head of In-House Provider Services will liaise with the Head of Commissioning to scope out the areas where a ‘critical friend’ model would add best value to ensure that services provided by the Council are reviewed in a manner consistent with private providers. A recruitment exercise is underway to ensure Learning Disability Supported Accommodation is held to the same quality and safeguarding expectations as other care settings through a proportionate and risk-based framework. A return to a diarised approach to domiciliary care provider reviews (whilst retaining the flexibility to undertake urgent reviews as required) is to be included in a forward plan for the new contract to start on 22<sup>nd</sup> June 2026 when the contractors are known.



**REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT FOR 2025/26**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>19 May 2026</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No</b> <b>No – Information report</b>
<p><b>Purpose of Report</b> To provide a report of Internal Audit activity during 2025/26, and assurance opinion from the Head of Internal Audit &amp; Risk.</p>	
<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• That the report and Head of Internal Audit opinion be noted</li> <li>• The Committee determine if any action is required because of this report</li> </ul> <p><b>Reasons for Recommendations</b></p> <ul style="list-style-type: none"> <li>• This report and opinion are an important part of understanding the level of assurance provided by the systems and processes in the organisation and contributes to strong governance</li> </ul>	
<p><b>Resource Implications:</b></p> <ul style="list-style-type: none"> <li>• None from this report, other than the extent to which it influences activity in future years.</li> </ul>	
<p><b>Date signed off by Executive Director &amp; name.</b></p> <p><b>Is it also signed off by the Service Director for Finance?</b></p> <p><b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b></p>	Not applicable

**Electoral wards affected:** all

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** yes

**1. Executive Summary**

The Council has to have an Internal Audit function, operated in accordance with the Global Internal Audit Standards (adjusted to reflect UK public sector requirements). The standards require that each year the Head of Internal Audit provides an opinion to the Council about the level of assurance that is provided through system of governance, risk management and internal control. The report concludes that in these areas, there is just sufficient evidence to demonstrate that the Council's systems are largely effective.

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

2.1 The information required is included in the attached report.

**3. Implications for the Council**

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. As resources are limited it is important that the deployment of resources is effective.

**3.1 Working with People**

No directly applicable.

**3.2 Working with Partners**

No directly applicable.

**3.3 Place Based Working**

No directly applicable.

**3.4 Climate Change and Air Quality**

No directly applicable.

**3.5 Improving outcomes for children**

No directly applicable.

**3.6 Financial Implications**

Refers in part to improving strategic and operational financial controls.

**3.7 Legal Implications**

No directly applicable.

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

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

**4. Consultation**

There have been discussions with Executive Leadership Team (ELT)

**5. Engagement**

ELT have seen and are aware of the content of this report

**6. Options**

Not applicable

**7. Next steps and timelines**

Contributes to the Annual Governance Statement preparation.

- 8. Contact officer**  
Martin Dearnley Head of Audit & Risk.
- 9. Background Papers and History of Decisions**  
None.
- 10. Appendices**  
Annual Internal Audit Report 2025/26
- 11. Service Director responsible**  
The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.  
The statutory officers with a responsibility for overseeing the internal audit function are  
Samantha Lawton Director of Legal Governances & Monitoring  
Kevin Mulvaney Director of Finance

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**KIRKLEES COUNCIL  
CORPORATE SERVICES:  
RISK SERVICE  
INTERNAL AUDIT**

**Annual Report of the Head of Risk and Internal Audit  
about Internal Audit  
Year ended 31<sup>st</sup> March 2026**

## 1. **Introduction**

This is the annual report of the Head of Internal Audit (KMC: Head of Risk & Internal Audit) .It provides a summary of the activities and performance of Internal Audit during the year and assesses the adequacy and effectiveness of the Council's governance, risk management and control environment arrangements during the financial year 2025/26, and recognises the requirements of the Global Internal Audit Standards (& UK public sector requirements), which applied throughout the year.

## 2. **About Internal Audit**

2.1 The scope of Internal Audit's activity is established by the 2025/26 Internal Audit Charter and Mandate, and 2025/26 Internal Audit Strategy, and operationally in the Council's Financial Procedure Rules. These rules include a right for Internal Audit to have free and unrestricted access to conduct work as is considered appropriate by the Head of Risk and Internal Audit.

2.2 Internal Audit reviews the Council's assurance framework for governance, risk management and business systems and controls. Assurance can also be obtained through the work of other parts of the council- such as Health & Safety and Customer Complaints.

Internal Audit time is spent on:

Assurance:

- (a) Assessing arrangements for financial control.
- (b) Assessing arrangements for other business and organisational controls – such as data management.

Consultancy and other activity

- (c) Resolving a range of finance, control, governance and risk related issues
  - (d) Assessing grant claims made to other agencies (principally WYCA)
  - (e) Appraisal of contractors and contributing to more complex contract strategies
  - (f) On fraud investigation, detection and prevention
- And, to a more limited extent,
- (g) Investigating allegations that the Council's business activities may not be operating in the ways intended.
  - (h) Value for money related work.

Whilst Internal Audit work can provide assurance about business processes, it does not assess the judgement of other professionals.

2.3 Quarterly Reports on the activities of Internal Audit have been provided to the Corporate Governance and Audit Committee.

These reports provide:

- (i) An opinion about the level of assurance that can be taken from each planned audit on the arrangements in operation at the time of each audit.
  - (ii) An opinion about follow-up of earlier Internal Audit work.
  - (iii) Information about investigations, and other Internal Audit activity.
- Implementation of the agreed recommendations should provide a satisfactory degree of control in all cases.

2.4 The Internal Audit Charter sets out the extent to which wider management responsibilities of the Head of Risk & Internal Audit, and consulting activities are in potential conflict with the requirements of the Global Internal Audit Standard and how these are mitigated.

### 3. Summary of Audit Work in 2025/26

3.1 The Kirklees audit plan included 58 general assurance audits. The completion rate of this planned work was 55%. The low completion was disappointing, but partly reflected work delayed by clients, or not yet fully agreed, and inability to recruit additional staff.

Area	Opinion:					
	Positive Assurance %			Negative Assurance %		
	Total	<i>Substantial</i>	<i>Adequate</i>	Total	<i>Limited</i>	<i>No</i>
<b>OVERALL</b>	82	30	52	18	18	0
Core Financial	100	25	75		0	0
Other Financial and Business	60	0	60	40	40	0
Business Controls	88	0	88	12	12	0
Excluding schools	77	5	72	23	23	0
Schools	91	82	9	9	0	0

Historically a typical year would have involved a negative assurance rate of about 20%, This has been gradually drifting upwards to around 30% but has improved at overall level to the historical position.

3.2 As reported in the quarterly reports, the 4 core financial systems reviewed all provided adequate assurance. In other areas there were concerns about Home to School transport, (follow up), and specific aspects of the Building Control and Building Cleaning service, and clients property register. In respect of business controls not having a direct financial element, areas of concern included the housing register, and data sharing arrangements.

3.3 Common themes from audit (and other work) that reflect a degree of risk to the council, include information and data management, contract management issues- which has been subject during the year to transformation work, and the need to improve cash handling (albeit this relates to a relatively small range of areas now).

3.4 Audit time has also been spent on more routine projects and activities such as:

- Support to governance and control arrangements generally.
- Preparation of the Annual Governance Statement, although with only limited monitoring
- Monitoring and updating Financial Procedure Rules (FPRs).
- Financial appraisal and scoring of applicants for contracts and other aspects of assessing or approving the Council's contractual arrangements.

- Support to the Information Governance Board, and implementation of GDPR /Data Protection Act
  - Support to corporate projects (such as waste management)
  - Sign off (by Head of Internal Audit) of grant claims made to WYCA and certain government departments or agencies
- 3.5 Understanding arrangements for risk management is an important aspect of gaining assurance. The risk management function is linked to internal audit through management. The council has continued to enhance its risk management arrangements.
- 3.6 Although the Council used a risk-based audit plan in achieving the coverage of business and activity areas on which this opinion is based, the assurance framework delivered by Internal Audit is necessarily not comprehensive. Whilst coverage of financial (and commercial) business processes and governance is risk based, it does not assess the areas that involve professional judgement, particularly in relation to care related services and assessments that relate to individual needs.
- 3.7 The Corporate Governance & Audit Committee can also gain wider governance assurance from other sources, (E.g., health & safety, information governance and corporate complaints/ombudsman) although this could be more structured:
- 3.8 Internal Audit looks after fraud investigation, The team investigated areas of customer fraud, and positive outcomes in terms of right to buy refusals, and tenancy recoveries were achieved, alongside routine pursuit of those misusing blue badges. Whilst most fraud risk assessments have been completed, further work is needed recognising the obligations within the Economic Crime and Corporate Transparency Act 2023,
- 3.9 Work continues to be performed for Kirklees Active Leisure (KAL). Outcomes are reported to KAL's own Audit Committee. Audit work is also undertaken for West Yorkshire Fire & Rescue Service (WYFRS), who make substantial use of Kirklees financial systems. WYFRS has its own Audit Committee.
- 3.10 The staffing position in the Internal Audit team remains difficult. IA staffing at the year-end was about five full time equivalent staff (after taking account of work performed for other clients), and whilst attempts continue to fill vacancies, there is limited interest from suitable candidates. Over the years work performed has become more complex and sophisticated, which also impacts on the volume of tasks. There was an underachievement of the Audit Plan.
- 3.11 Internal Audit, and the Head of Internal Audit, operated independently throughout the year. No Officer or Member sought to influence or restrict the scope or areas of activity of any piece of work. The conclusions reached in all the work presented are those of Internal Audit.
- 3.12 There are no areas where, following audit recommendations and discussion, management have formally chosen to refuse to implement recommendations for action (and accordingly overtly accepted the potential consequences as a risk). In some cases, actions have not been taken in accordance with the timescales

contained in agreed action plans. These matters are now escalated through reporting to this Committee.

- 3.13 The information that exists to reach an opinion on the overall control environment that applied in 2025/26 is:
- (a) The assurance work was 77% positive (82% if schools are included)
  - (b) Other assurance information provided to the Committee during the year, e.g. from the external auditor regarding their work on the 2024/25 accounts and internally re Information Governance, Health & Safety and Customer Complaints.
  - (c) The Head of Internal Audit's wider knowledge- heavily subordinated to the other aspects above- about the broad operation of the control environment of the organisation, supported by assessments that basic financial procedures such as reconciliations are being operated.
- 3.14 The Council has an adequate system of financial control. Audit work suggests there is scope for improvement in several areas of financial and business control arrangements to ensure that the objective continue to be met.
- 3.15 The assessment of processes for risk management and governance is more judgement based, although there has also been some specific audit work. The council has taken significant steps to improve its risk management arrangements. As regards governance, this is around clarity of decision making, operations within frameworks of delegation, the constitution and procedure rules.

#### 4. **Performance Measures of Internal Audit**

- 4.1 There is little comparative benchmarking available about the size or costs of Internal Audit. Comparison of staffing numbers locally suggest that taking account of Council (and other) activity, the Kirklees IA team is smaller than might be typical based on functions and size of the organisation
- 4.2 The targets for performance, and those achieved were:

<b><u>Objectives</u></b>	<b><u>Performance Measures- target</u></b>	<b><u>Performance Measures - achieved</u></b>
Achieve planned audit work as adjusted	80% of planned audits achieved	55% of planned audit achieved
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget	63%
Achieve high level of work quality and customer satisfaction.	90% good or better responses to customer questionnaires	Insufficient response; No negative feedback from senior managers
Delivery of completed audit work	85% of draft reports issued within 10 (working) days of completion of site work	86%

- 4.3 A quality assessment based on the consistent assessment criteria did find that all the work was compliant, with some minor omissions noted against the Standards. These are being addressed within the Internal Audit team.

## **5 Effectiveness of the System of Internal Control- Internal Audit**

- 5.1 The Accounts & Audit Regulations (England) require an Authority to conduct an annual review of the effectiveness of their system of internal control. An understanding of the arrangements of Internal Audit supports the ability to use the opinion of the Head of Internal Audit on the internal control environment as a key source of evidence in the Annual Governance Statement. As noted previously, the systems of assurance about internal control come from a wider source than just Internal Audit, although it is a primary source of assurance.
- 5.2 The Global Internal Audit Standards (GIAS) (prepared by the Institute of Internal Auditors) and UK Public Sector Internal Audit Standard took effect in UK public bodies from 1<sup>st</sup> April 2025. These set down the way in which IA services should be provided. As well as the continued requirement for five yearly external assessment (next required in 2027/28) there is a requirement to conduct annual internal assessments. An assessment has been conducted at the end of 2025/26, to assess compliance with the 5 core domain standards which relate to purpose, ethics, governance, management and performance, split down across 54 separate standards. There are principles and requirements that relate to conformance, independence and objectivity, the role of the chief audit executive (Head of Audit), evidence and about the contents of certain audits. (topical requirement). These suggest that the activity is broadly compliant, (which is the highest standard) but further, more detailed, work will be undertaken and reported in due course. (Appendix A)
- 5.3 During 2025/26 the Head of Risk & Internal Audit carried out some wider organisational duties that might be considered to conflict with the purely independent role of the Head of Internal Audit. These relate to roles in relation to Council corporate risk management processes, supervision of the insurance and complaints functions and limited contract and project advice. Any conflicts are managed by independent reporting, and the conflict is stated in any Internal Audit reports- such as the quarterly reports. Whilst the Global Internal Audit Standard (GIAS) expects “purity” of independence from operational duties, the GIAS does accept that a degree of non-conformance with the pure standards may be necessary. (This position was acknowledged by the Committee in approving the Charter at the start of the year)

## **6. Conclusions**

- 6.1 This report has summarised the activities of Internal Audit during 2025/26. Detailed information has been provided to the Corporate Governance & Audit Committee during the year.
- 6.2 Assurance coverage is sample based and not absolute across the entire range of organisational activity, and the very limited resourcing further emphasises this caveat. The proportion of audit work which resulted in an assessment providing

at least adequate assurance is 77%. The remaining were of “limited assurance.” No area had “no assurance.” On the basis of the evidence available (provided in more detail above, specifically 3.13-3.15) the organisation appears to have.

- a. Adequate arrangements for sound governance.
- b. Good arrangements for risk management.
- c. Adequate systems for financial control.

6.3 There is just sufficient evidence to demonstrate that the Council’s system of governance, risk management and internal control is largely effective and that the opinion of the Head of Internal Audit on the internal control environment can be relied upon as a source of evidence in the compilation of the Annual Governance Statement, for the reasons explained in the report.

## 7. **Annual Governance Statement**

7.1 Information generated by Internal Audit forms a key part of the Council’s assessment of the quality of its organisational and business controls and the degree of assurance that can be placed upon their operational effectiveness. This information is used in preparing the Council’s Annual Governance Statement which accompanies the Statement of Accounts.

7.2 The positive opinion that the Council’s arrangements provide an adequate and effective control environment needs to be considered in the context of the breadth of assurance provided by Internal Audit, and the comments contained in this report.

Contact Officer

M E Dearnley – Head of Risk and Internal Audit; – 01484 221000 - x 73672

## Appendix 1 Annual Review of Internal Audit- Internal assessment – 2025 & 2026

The Global Internal Audit Standards (GIAS) took effect from 1<sup>st</sup> April 2025 for UK Public Bodies. It requires a periodic internal assessment of performance. It codifies in detail what is good practice is and includes both “must” and “should” areas, although there is opportunity to determine that certain areas are modified, or mitigated due to elements such as size, capacity, resourcing, and local circumstance.

Table 1 shows last years assessment(against the new standard), and progress. Table 2 shows further items identified in the 2026 assessment.

**TABLE 1 -2025**

	<b>GIAS Source</b>	<b>Recommendations</b>	<b>Actions</b>	<b>Update</b>
1	D2 1.1 1.2 4.3	Importance that Internal Audit practitioners demonstrate inquisitiveness, and professional scepticism, and “professional courage”, and maintain ethical standards (e.g. honesty)	Reminder training to be carried out of all IA staff re these areas of required practice	Staff reminded about the need to exercise professional curiosity, and where appropriate courage in executing work
2	D2 4.2 D5 14.2	All internal audit work requires clear scoping as to objectives; Objectives to set judgement criteria for assessment.	Managers and auditors to be reminded to prepare clear briefs for discussion/agreement with client, and auditors/managers to set judgement criteria	All audit work now has a clear specific brief and scope, although more work required in some areas to clearly communicate to client.
3	D5 13.1	Clarity of communication with client about engagement (as 2 above)		
4	D3 6.3	Head of Audit should meet with CGAC without management presence once per year	To discuss with CGAC	CGAC has not requested such a meeting
5	D3 8.2	Ensure continued awareness of CGAC and management about resourcing position of IA	Head of Audit to ensure addressed in all quarterly reporting	Various reports about resourcing position
6		Monitor IIA launch of “topical requirements” to determine extent to which these should be used in IA work	Head of Audit to monitor	As required
	In GIAS report D= domain; n.n=paragraph:			

**TABLE 2 2026**

	<b>GIAS Source</b>	<b>Recommendations</b>	<b>Actions</b>	<b>Update</b>
1	Various D2: 1.1,1.2.1. 3	Training to emphasise honesty, courage, ethics, evidence	Training to Audit team. PRD assessment	June 2026-reminders to team
2	D2 5.	Reminders about confidential information	Training to Audit team. PRD assessment	June 2026-reminders to team
3	D3 8.2	Resourcing may be inadequate	Monitoring by HIA with CGAC	
4	D3 8.3 D4 11.1	Quality- assessment metrics are not really adequate. May be scope for more stakeholder engagement	Additional work to see if any meaningful quality assessment criteria can be identified	
5	D3 8.4	NOTE	External Quality assessment required in 2027/28	
	In GIAS report D= domain; n.n=paragraph:			

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**REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2025/26**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>19 June 2026</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No</b> <b>No – Information report</b>
<b>Purpose of Report</b> To provide an Annual Governance Statement (AGS)	
<b>Recommendations</b> <ul style="list-style-type: none"> <li>That the draft Annual Governance Statement be approved</li> </ul> <b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>This amended version of the AGS identifies the council arrangements, and areas for improvement, in a revised format</li> </ul>	
<b>Resource Implications:</b> <ul style="list-style-type: none"> <li>None from this report.</li> </ul>	
<b>Date signed off by Executive Director &amp; name.</b>	Rachel Spencer Henshall (3 June 2026)
<b>Is it also signed off by the Service Director for Finance?</b>	Yes
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Yes

**Electoral wards affected:** all

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** yes

**1. Executive Summary**

The Council has to produce an Annual Governance Statement as a compulsory part of its accounts. This draft Annual Governance Statement for the financial year 2025/26 needs to be formally submitted to the external auditor alongside the Accounts for 2025/26. A final version will need to reflect any significant findings by the external auditor and any other matters that have arisen up to the point of accounts finalisation.

- 2. Information required to take a decision**
  - 2.1 Is contained in the attached Annual Governance Statement.
  - 2.2 All local authorities are required to submit an annual governance statement alongside their accounts.
  
- 3. Implications for the Council**

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

  - 3.1 **Working with People**  
Not directly applicable.
  - 3.2 **Working with Partners**  
Not directly applicable.
  - 3.3 **Place Based Working**  
Not directly applicable.
  - 3.4 **Climate Change and Air Quality**  
Not directly applicable.
  - 3.5 **Improving outcomes for children**  
Not directly applicable.
  - 3.6 **Financial Implications**  
Not directly, but financial matters are addressed in the statement.
  - 3.7 **Legal Implications**  
Not directly applicable.
  - 3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**  
Implementation of actions should promote good governance.
  
- 4. Consultation**

There have been discussions with Executive Leadership Team and Executive Board.
  
- 5. Engagement**

As above
  
- 6. Options**

Not applicable
  
- 7. Next steps and timelines**

The document is a part of the formal final accounts
  
- 8. Contact officer**

Martin Dearnley Head of Audit & Risk.
  
- 9. Background Papers and History of Decisions**

AGS 2024/2025 : CGAC Report 30 January 2026

**10. Appendices**

**11. Service Director responsible**

Steve Mawson Chief Executive

Rachel Spencer Henshall Deputy Chief Executive/Executive Director for Public Health & Corporate resources

Samantha Lawton Service Director for Legal Governances & Commissioning

Kevin Mulvaney Service Director for Finance

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Kirklees Council

# Draft Annual Governance Statement 2025/26

June 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 2025/26 and will continue to do so in conjunction with the Corporate Governance & Audit Committee.

Signed:

[ Leader of the Council (to be added when selected)]

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.

In 2024/25 we identified

Actions required	Status
Housing property issues not compliant with requirements, with regulatory intervention	In progress
Ensuring a sustainable medium term financial plan and annual budget	In progress
Better governance, management and use of data to enhance services	In progress
Implementation of a programme to address financial challenges caused by special education needs and disability.	In progress
Improvement to contract and project management arrangements	In progress

Issues identified from 2025/26 and subsequently

Actions required	Status
The absence of a Leader and Cabinet following the May 2026 elections may create issues about direction for the organisation	

## **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 2025/26, 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 2025/26, 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 2026/27.

## **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.( The Chief Executive is Acting Leader until a formal Leader is appointed)
- 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).

## **2025/26 Review of effectiveness**

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by several sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees.

The Council believes that its processes and arrangements effectively deliver the key elements of the governance framework and continue to be regarded as fit for purpose.

The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

The main parts of the review process are described below:

### 1. Annual Review of effectiveness of the system of internal control

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 2026. The Head of Audit confirmed that audit practices remain 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 were similar to previous years, although overall assurance levels had improved over 2024/25. 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. Some concerns persist in contract management, data and information management, and cash handling.

4. External Auditor's Review

The audit of the Council's 2025/26 financial statements and Annual Report (VFM Review) is scheduled for approval by the CGAC in November 2026. The 2024/25 financial statements, approved in January 2026, received an unqualified opinion, and the Annual Report was presented at the same meeting. The report highlighted the work the external auditors had undertaken with Kirklees Council during 2024-25, including commentary on the Value for Money (VFM) arrangements, the responsibilities of the Council and the VFM auditor's responsibilities. With regards to the VFM assessment, the three key recommendations had been retained from the previous year, acknowledging, however, that progress had been made/was continuing to be made by the Council. There had been positive improvements in the Council's overall financial position.

There was recognition that the report provided a retrospective view, as at 31 March 2025, and the management actions in the report did not impact on the assessment; there had been ongoing and robust engagement between Council officers and the External Auditor. It was anticipated that the positive changes would be reflected in the 2025/26 report. The external auditor continued to identify the issues of financial sustainability, SEND and Housing Regulatory as valid at the end of 2025/26.

5. Cabinet

No new significant governance issues arose from the Cabinet's work during 2025/26.

6. Corporate Governance & Audit Committee

In 2025/26, the 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 2025/26, the 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 Monitoring Officer reviewed a small number of Standards complaints. Only one of these- which did not relate to Kirklees Council resulted in any formal outcome. A Government consultation on Standards during early 2025 indicated reform of the current regime, but the legislation to progress this has not yet been submitted to Parliament.

9. Role of the Chief Financial Officer

The Service Director of Finance 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 & Impact Reports

Quarterly Corporate Performance and Impact reports were produced throughout 2025/26, 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 Action & 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 September 2025. The LGA Peer Team notes that 'working relationships between the leader and cabinet, and the chief executive and senior management team have matured further and collectively they have brought stability, clarity, grip and more energy to the council'. They also noted 'greater confidence, tempered with realism, from the collective senior political and managerial team about how they will address current and future challenges'. The full report is available online here: <https://www.kirklees.gov.uk/beta/delivering-services/peer-challenge.aspx>

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 2025/26.

#### **What would be a Significant Governance Issue?**

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2024/25 Statement and some new areas. Those issues that meet one or more of the following criteria (suggested by CIPFA / SOLACE) have been regarded as *significant* and are included in this Statement:

- A) It undermines / threatens the achievement of our four key Council priorities:
  - to address our financial position in a fair and balanced way.
  - to strive to transform council services to become more efficient, effective, and modern.
  - to continue to deliver a greener, healthier Kirklees and address the challenges of climate change.
  - to continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.
- B) It is a significant failure to meet the principles of good governance.
- C) It is an area of significant concern to an inspector, regulator, or external audit.
- D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee has recommended it be included.
- E) It is an issue of public or stakeholder concern.
- F) It is an issue that cuts across the organisation and requires cooperation to address it.

## Progress with the Significant Governance Issues in last year's (2024/25) 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. It is anticipated that several of the matters from the 2024/25 Annual Governance Statement will have made sufficient progress by later this year to be treated as largely resolved and become a feature of the organisations normal operational business.

### Issues from the 2024/25 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 date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
1	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>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>The number of outstanding damp, mould, and condensation cases was reduced from 1200 in March 2025 to 400 in March 2026. The service has strong assurance with respect to Awaabs Law and the required Phase 1 outcomes that commenced in October 2025.</p> <p>A fire risk assessment programme across all blocks which concluded in November 2025 ahead of the target date of January 2026, with 850 separate Fire</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 Improvement Board, Portfolio Briefing and Cabinet.</p> <p>The Regulator currently receives monthly performance reports only. During the period of inspection meetings have been suspended. The Regulator will make a decision on the lifting of the Regulatory Notice as part of the inspection process.</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
		<p>Risk assessments (FRAs) requiring 9,750 actions to be undertaken.</p> <p>At the end of March 2026 there were 3,015 outstanding actions of which 1,624 are overdue</p> <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 risk assessment was completed in September 2025.</p>	<p>The service is currently preparing for the second phase of Awaabs law that requires all landlords to address serious health hazards. This applies from October 2026. A revised programme will see all fire risk actions delivered by March 2028. The Council is upgrading its repairs and assets information systems to enable improved reporting, data management, and agile working.</p>
	A, C, E	<p>The Council met the requirements of Awaab's Law - that relates to responses regarding damp and mould - from September 2025. The service is now preparing for Phase 2 which creates new requirements regarding any "serious hazard" and introduces enforceable statutory deadlines for landlords to prevent or mitigate these risks. This will commence by the October 2026 deadline.</p> <p>The new housing management system, Cx was introduced 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>	<p><b><u>Responsible:</u></b> Director of Homes &amp; Neighbourhoods</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
		<p>An Improvement Board which is independently chaired, to address all areas of activity subject to oversight by the Regulator, reports directly to a Cabinet committee.</p> <p>The Scrutiny Committee for Growth &amp; Regeneration also has Homes and Neighbourhoods standards within its remit, and it receives updates.</p> <p>Progress against the Regulator’s concerns, was reported to the Cabinet committee in July 2025 and March 2026.</p> <p>The Service has confirmed the necessary financial and operational resources are in place to deliver programme over a minimum period of 3 years.</p> <p>The Council was informed of a planned inspection in April 2026, which will commence at the end of June 2026, with grading likely to be reported in September 2026.</p>	

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
2.	<p>Robust governance oversight and management of progress in implementing the significant changes that underpinned the 2024/25 budget that has been of key importance to ensuring the financial stability of the Council.</p> <p>A,C,E,F</p>	<p><b>MTFP:</b> Completion of a review of the MTFP in September 2025 ensured that it fully reflects both the anticipated income and expenditure of the Council in the period 2026/27 to 2030/31 to ensure a more robust base budget going forward. This will be updated in late summer 2026.</p> <p><b>Revenue Budget:</b> The approved budget for 2025/26 included savings of £30m and these were tracked each month as part of the suite of corporate reports.</p> <p>Quarterly reports to Members continued to highlight the in-year financial position and the need to further use reserves in the short term to balance the budget.</p> <p>The projected overspend of £4.1m at Q3 was managed down to an Outturn position of £1.8m overspend, with 63% of the planned savings being achieved in year. However, there remain significant pressures in social care.</p> <p>A balanced budget was approved by Council in February 2026 with £41m additional budgeted spend, and £10.5m of budgeted savings, £7m of which are new. It also incorporated the effects of Fair Funding 2.0.</p> <p><b>Capital investment:</b> there is an ongoing review of capital programme to ensure it remains affordable. The</p>	<p>The 2026/27 budget provided significant additional funding for demand pressures and other areas where Services have overspent. This is expected to reduce the number and scale of budget variations in year.</p> <p>Regular Monitoring of revenue and capital budgets will continue with monthly updates to Executive Leadership, Cabinet and (annually) to Council.</p> <p>The MTFP is undergoing its annual refresh and will be reported to Cabinet and Council in late summer 2026. Work is ongoing to develop a sustainable Capital investment plan.</p> <p>The DfE has indicated that a “proportionate” contribution will be made by the DfE towards in year DSG deficits during 2026/2027 and 2027/2028. It is expected that the Council will be responsible for the remaining 10%.</p> <p>The Council will need to set aside funds for the remaining 10% and this will be included in the 2026 MTFS The deficit will need to be</p>

2025/26 capital plan had an initial budgeted expenditure of £300m (General Fund plus HRA) but this fell to £209m of actual expenditure.

A further refresh of the Capital Plan will be undertaken as part of the MTFP update in late summer 2026.

Report presented to CGAC on Minimum Reserve Provision policy April 2025.

**SEND Finances (see also section 4 below):** In February 2026 we were informed that the Safety Valve Programme would end and 90% of the Dedicated Schools Grant (DSG) deficit would be paid off by the Department for education (DfE) during 2026 through the High Needs Stability **Grant**. 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 at 31<sup>st</sup> March 2026 was £81.3m (£63.8m at 31/3/25). The estimated cost to the General Fund is £4m pa in servicing this deficit.

eradicated by March 2028 when the override ends.

**Responsible:**

Director of Finance

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
3	<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 (2024/25), alongside continuing Technology and Information Governance Strategies, was recognised to be insufficient for the councils needs. With the intent of creating a clear strategic direction for 'digital' (and data within that), in 2025/26 the council took the opportunity to work with a third party to assess its strengths, weaknesses, and areas of opportunity in the related fields, current approaches, tools and skills. This 'digital review' was completed in quarter 4 2025/26, with the findings informing the shape of a further draft Digital Strategy and the associated Digital Transformation Programme. 'Better data, better decisions'-with data management, and the use of robust data to support management decision-making is an area of priority within the draft Digital Strategy /Transformation Programme.</p>	<p>The draft Digital Strategy is now subject to wider engagement with staff, councillors, key partners and residents. The intent is to seek approval of the final strategy in quarter 3 2026/27 (Governance date to be confirmed).</p> <p>The Digital Transformation Programme, aligns with the draft strategy, but is flexible to adjust to the final agreed content. Activities are underway, including prioritised projects in the areas of 'Better data, better decisions', 'Modernised infrastructure and systems' and 'A digital organisation and workforce'. Through the latter managers and staff will be further supported in the skills to govern and manage data to inform decision-making.</p>
	A, F	<p>Performance dashboards and robust quarterly reporting on key indicators was introduced in 2024/25 and continued to be further developed throughout 2025/26. This has increased the visibility, ownership and accountability for service performance at senior officer and member levels.</p>	<p><b>Responsible:</b> Director of Strategy &amp; Innovation</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
4	<p>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>	<p>The Safety Valve programme and associated delivery plan are no longer being used as the primary framework for managing Dedicated Schools Grant (DSG) recovery.</p> <p>The council is required by June 2026 to prepare a plan for consideration by the Department for Education and NHS England, with outcomes expected in September 2026. However, the financial trajectories developed through the Safety Valve agreement remain an important baseline and have informed the Council’s current approach.</p> <p>The Council is now developing refreshed DSG recovery trajectories as part of its wider SEND and financial reform programme. These trajectories build on the assumptions and direction of travel established through Safety Valve, but are being updated to reflect current demand, complexity, and the evolving national policy context.</p> <p>Work is ongoing to ensure that spend is brought back into line through a combination of:</p> <ul style="list-style-type: none"> <li>• increasing local sufficiency and reducing reliance on high-cost placements</li> </ul>	<p>Actions include: Submission of a SEND plan to DfE (which if accepted should result in a grant to fund 90% of the historical SEND deficit) A decision on the plan is anticipated as being in September 2026.</p> <p>The main areas of focus for the reform plan are: + Ensuring early, integrated and timely support is in place, + establishing the multiagency “experts at hand model” + strengthening the graduated approach, expanding inclusion capacity integrated health support &amp; INHT + develop inclusion bases particularly in secondary schools to support further mainstream provision + strong system leadership and governance New Special schools will open in 2027, enabling greater local provision.</p>
	A, E, F	<ul style="list-style-type: none"> <li>• strengthening financial control and decision-making across the system</li> </ul>	<p><b>Responsible:</b> Executive Director of Children’s Services</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
		<ul style="list-style-type: none"> <li>aligning resource use with revised models of provision under SEND reforms</li> </ul> <p>The DfE continues to provide support and challenge through existing engagement arrangements, and recognises the progress made to date.</p> <p>The Government has announcement intended changes to the treatment of DSG deficits following the end of the statutory override. Further detail is expected through the forthcoming White Paper, which will inform the next phase of the Council's approach.</p>	
5	<p>Ensuring that the Council effectively manages contracts and projects.</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</p>	<p>With Transformation team support, best practice arrangements in contract management were identified with new training package developed and a contract management framework/guidance rolled out to provide contract managers with appropriate skill development, and instruction.</p> <p>The Contract Register dashboard has been developed and shared with all SLTs via Tableau to improve visibility of current contracts and renewals.</p>	<p>Further phase will assess compliance and resourcing to improve contract management.</p> <p>There will be work to ensure if there are sufficient controls on new suppliers.</p> <p>CGAC will be presented with a first report of exemptions and breaches in during 2026</p> <p><b>Responsible:</b> Service Director of Legal, Governance &amp; Commissioning</p>

No	Original Governance Issue / Theme & Reason for Inclusion	Direction of Travel / Progress to date	Further Action Planned in 2026/27 and beyond, target date for implementation, and Person Responsible
	delivery of (typically) construction projects.  A, C, D, F		

## **New Issues**

The annual review of the effectiveness of our governance arrangements in 2025/26 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response.

The absence of a Leader and Cabinet following the May 2026 elections may create issues about direction for the organisation

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The Executive Leadership Team and the Corporate Governance & Audit Committee will monitor progress of all significant governance issues during 2026/27 and beyond.



**REPORT TITLE:** Annual Update of Contract Procedure Rules for the year ending 31 March 2026

<b>Meeting:</b>	<b>Corporate Governance and Audit Committee</b>
<b>Date:</b>	<b>19 June 2026</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No</b> <b>No</b>
<p><b>Purpose of Report</b> To provide an annual summary of the exemptions and breaches to the Contract Procedure Rules (CPRs) for the period 1 April 2025 to 31 March 2026.</p>	
<p><b>Recommendations</b></p> <p>That the Corporate Governance and Audit Committee:</p> <ol style="list-style-type: none"> <li>i. Note the exemption and breaches information recorded for the period 1 April 2025 to 31 March 2026.</li> <li>ii. Note the work undertaken by the Procurement Team to ensure continued compliance with CPRs and procurement legislation.</li> </ol> <p>Agrees that the exemption for withholding information under Schedule 12A of the Local Government Act 1972 applies to Appendix 1 and 2, as these documents contain commercially sensitive information and that the public interest in maintaining this exemption outweighs the public interest in disclosure; and therefore agrees that Appendix 1 and 2 be treated as confidential and that the press and public be excluded from any part of the meeting during which Appendix 1 and 2 is discussed.</p>	
<p><b>Reasons for Recommendations</b></p> <p>This report provides the Corporate Governance and Audit Committee with an overview of the volume, value and rationale for exemptions from the Contract Procedure Rules, along with an outline of identified breaches. This enables the Committee to consider whether any further controls or actions are needed to reduce risk to the Council.</p> <p>Appendix 1 sets out the exemptions that have been approved and Appendix 2 provides detailed information on breaches of the Contract Procedure Rules. As both appendices contain commercially sensitive material, they should be treated as exempt.</p>	
<p><b>Resource Implications:</b></p> <p>There is no specific resource implications.</p>	

<p><b>Date signed off by <u>Executive Director</u> &amp; name</b></p>	<p><b>Rachel Spencer-Henshall</b> – Deputy Chief Executive and Executive Director for Public Health and Corporate Resources (23/04/2026)</p>
<p><b>Is it also signed off by the Service Director for Finance?</b></p>	<p><b>Kevin Mulvaney</b> – Service Director Finance (23/04/2026)</p>
<p><b>Is it also signed off by the Service Director for Legal Governance and Commissioning (Monitoring Officer)?</b></p>	<p><b>Samantha Lawton</b> – Service Director Legal &amp; Commissioning (23/04/2026)</p>

**Electoral wards affected:** All

**Ward councillors consulted:** Not applicable

**Public or private:** Report public, Appendix 1 and 2 private

**Has GDPR been considered?** Yes, Appendix 2 to be treated as exempt information due to commercial confidentiality.

**1. Executive Summary**

- 1.1 As a contracting authority, the Council is required to comply with all relevant procurement legislation when awarding contracts. This includes the Procurement Act 2023, the Public Contracts Regulations 2015 and the Provider Selection Regime, which set out the legal framework for conducting procurement exercises.
- 1.2 These legislative requirements are reflected within the Contract Procedure Rules (CPRs), which ensure that all procurement activity is carried out in accordance with current legislation and wider developments in public sector procurement.
- 1.3 A recommendation from the external auditors' Value for Money report advised that the Council introduce annual reporting to the relevant Committee to help identify trends and any actions required in relation to exemptions and breaches of the CPRs. It is also considered good practice to report on this annually.
- 1.4 The Procurement Team supports service areas in running procurement exercises for contracts valued over £25,000, ensuring that procurement activity is undertaken in line with the CPRs.
- 1.5 Rule 6 of the CPRs permits an exemption from competition where one of the justifications set out within the rule applies, allowing a contract to be awarded without undertaking a competitive process. The exemption route remains fully compliant with the CPRs and procurement legislation. For contracts valued over £100,000, approval must be obtained in advance and agreed by the Head of Procurement and/or the Head of Risk. For contracts below £100,000, Service Directors are authorised to approve exemptions. This approval is granted through completion of a business case, which includes input from the Procurement, Legal and Finance teams before authorisation to award a contract by way of an exemption is given.

- 1.6 A breach of the CPRs is recorded when it is identified that a service area has undertaken procurement activity outside the requirements of the CPRs and therefore has not followed the required process. Such activity is deemed non-compliant with CPRs.
- 1.7 This report provides a summary of the exemptions and breaches recorded by the Procurement Team for the period 1 April 2025 to 31 March 2026.

## 2. Information required to take a decision

### 2.1 Exemptions to CPRs

In accordance with CPR Rule 6, Service Directors can request that a contract is awarded without opening competition if one of the following justifications apply:

<b>CPR Rule</b>	<b>Exemption Justification (as stated in 2025/26 version of CPRs)</b>
6.1.1	Where there is genuinely only one potential Supplier, such as for works of art and copyrighted material or unique technology, where no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement
6.1.2	Items purchased or sold by public auction (in accordance with arrangements agreed by the Head of Risk)
6.1.3	The selection of a supplier whose usage is a condition of a Grant funding approval
6.1.4	The selection of a supplier on the instruction of a third party, providing the whole of the funding is met by the third party
6.1.5	Where CPR 6.11 applies <sup>1</sup>
6.1.6	Counsel or other external legal advice, provided that the Service Director Legal and Commissioning takes steps to ensure that value for money is being obtained
6.1.7	A Supply that is strictly necessary for reasons of extreme and unavoidable urgency, not due to any action or inaction of the Council, with the prior agreement of the Head of Risk
6.1.8	Direct award from an approved Framework (see CPR 5.18) which has validly been set up to be called off on a non-competitive basis and which was set up in accordance with the requirements of these CPR and the Procurement Rules
6.1.9	In respect of the production of a prototype, or supply of other novel goods or services, at the request of the Council
6.1.10	for the supply of goods, services or works by the existing Supplier which are intended as an extension to, or partial replacement of, existing goods, services or works in circumstances where a change in Supplier would result in disproportionate technical difficulties in operation or maintenance or additional cost to the Council
6.3	Trial Purchases; Service Directors may purchase a trial of a Supply which is new to the Council up to £100,000 without competition in order to ascertain if the Supply is of interest to the Council. Where an exception to competition in CPR 6.1 does not apply, a full competition compliant with the CPR must be held following the trial if the Service Director wishes to continue with the type of Supply.
6.4.1	An alternative means of selection of Suppliers to those required by these CPRs is appropriate (e.g. a Supplier shortlist other than described in these CPRs, negotiation with a single supplier not otherwise permitted, etc.) but they must record the reason for their decision and obtain the approval of the Head of Risk.

<sup>1</sup> 6.11 The Head of Procurement may also determine that Supplies of a particular type are to be obtained from Suppliers via a Framework, Dynamic Purchasing System, Dynamic Market or Standing List, and set standards to be established in those arrangements.

6.4.2	Following receipt of Tenders for the Supply, it is appropriate to seek to reduce the overall cost or change other terms of the Supply by negotiation with one or more suppliers which have submitted Tenders.
6.4.3	The use of another local authority as a supplier of services by its own labour or as a procurement agent acting on behalf of the Council without competition as appropriate (although subject to Procurement Rules).
6.4.4	The procuring Service Director and the Head of Procurement may decide that; The use of another local authority as a supplier of services by its own labour or as a procurement agent acting on behalf of the Council without competition is appropriate (although subject to the Procurement Rules).

2.1.1 Exemptions may be applied to contracts valued above £25,000. Service Directors have the authority to approve exemptions for contracts up to £100,000. Certain justifications, such as those relating to urgency or items bought or sold at public auction, must always be approved by the Head of Risk. For contracts exceeding £100,000, Service Directors must also obtain approval from the Head of Procurement before an exemption can be granted.

2.1.2 When an exemption is requested, the service area must complete a business case, which is then reviewed by the Finance, Legal and Procurement teams to ensure that all associated risks are fully considered before a decision is made.

2.1.3 All approved exemptions are reported to the Contract Assurance and Oversight Board monthly. High-value or high-risk exemptions are escalated to this board for consideration before approval by the Head of Procurement, ensuring that the board has corporate oversight of the decision and that any associated risks are fully assessed. The Board reports regularly into Executive Leadership Team to escalate any items that may require further consideration or raise any areas of issue.

2.1.4 The table below provides a summary of the number of exemptions recorded for each directorate during the reporting period. Historic data is included to support comparison.

A summary of each exemption for the financial year covered by this report is provided in Appendix 1:

Directorate	Number of Exemptions Processed		
	01/04/25 – 31/03/26	01/04/24 – 31/03/25	01/04/23 – 31/03/24
Adults & Health	4	1	2
Children's & Families	4	3	2
Public Health & Corporate Resources (PHCR)	8	7	9
Place	23	20	22
<b>Total</b>	<b>38</b>	<b>31</b>	<b>35</b>
Number of competitive procurement processes undertaken	196	257	285
Exemptions as % of all procurement processes undertaken	16.24%	10.76%	10.94%
Total Contracts and Frameworks Awarded	846 <sup>2</sup>	554	390

<sup>2</sup> A number of multi-supplier frameworks were awarded during 2025/26, contributing to the increase in activity, alongside improved visibility of call-off contracts and lower value contracts.

% number of exemptions against total Contracts and Frameworks awarded	4.49%	5.6%	9%
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2.1.5 A summary of the exemption justification relied upon during the reporting period are summarised in the following table:

Exemption justification used	Adults & Health	Children & Families	PHCR	Place	Total
6.1.1	1	1	-	2	4
6.1.2	-	-	-	-	-
6.1.3	-	-	-	-	-
6.1.4	-	-	-	-	-
6.1.5	-	-	-	-	-
6.1.6	-	-	-	-	-
6.1.7	-	-	1	4	5
6.1.8	3	3	5	13	24
6.1.9	-	-	-	-	-
6.1.10	-	-	2	2	4
6.3	-	-	-	-	-
6.4.1	-	-	-	1	1
6.4.2	-	-	-	-	-
6.4.3	-	-	-	-	-
6.4.4	-	-	-	-	-
					<b>38</b>

2.1.6 There is currently no national benchmark that enables a comparison of the number of exemptions processed with those processed by other local authorities. This is because each authority's Contract Procedure Rules and governance arrangements differ and exemptions are defined, recorded and approved in different ways depending on local policy and the circumstances of each case.

2.1.7 Although the number of exemptions processed during the reporting period is broadly consistent with previous years, it is notable that the largest proportion relates to approvals for direct awards made under approved third-party frameworks (Rule 6.1.8 (CPR 2025)). These frameworks are lawfully established to allow non-competitive contracts to be awarded in accordance with procurement legislation. Evidence of this is set out in the table below:

	01/04/25 – 31/03/26	01/04/24 – 31/03/25	01/04/23 – 31/03/24
Number of times CPR 6.1.8 used	24	13	12
Number of exemptions process if CPR 6.1.8 removed	14	18	23
% use of 6.1.8 compared to other exemption justifications	61.5%	42%	34%
Number of competitive procurement processes undertaken (including exemptions undertaken using 6.1.8)	220	270	297
Exemptions as % of all competitive procurement processes undertaken if 6.1.8 not considered as an exemption	5.98%	6.25%	7.19%

% number of exemptions against total Contracts and Frameworks awarded if 6.1.8 removed	1.65%	5.1%	5.89%
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2.1.8 From 1 April 2026, the CPRs have been updated to remove the justification that allowed direct awards from approved frameworks to be treated as exemptions. As frameworks are competitively established at the outset, direct awards made under them will no longer be classified as an exemption from the CPRs. Approval from the Head of Procurement is now required when using an external framework in this way for all contract values. A robust business case must be submitted demonstrating that the proposed award will deliver value for money without reopening competition based on Council specific requirements. This change is expected to reduce the number of exemptions recorded in future years, as the previous approach had artificially inflated the overall volume.

## 2.2 Breach of CPRs

In the 2026 version of CPRs a Breach is defined as a failure to comply with CPRs, either wholly or partially, this could include (but not limited to):

- i Awarding a contract or making a purchase outside of the prescribed process.
- ii Failing to obtain necessary governance approvals and authorisations.
- iii Failing to disclose a conflict of interest.
- iv Informing bidders of the procurement outcome before the decision has been formally approved.
- v Agreeing significant contract modifications outside of the required process.

2.2.1 The Procurement Team has been informally recording identified breaches of the CPRs since the 2024-25 Financial Year. From April 2026, all breaches will be recorded centrally as the breach process is now embedded into the CPRs.

2.2.2 All breaches of the Contract Procedure Rules are reported monthly to the Contract Assurance and Oversight Board, with summary reports also provided to the Executive Leadership Team.

2.2.3 When a breach is identified, the Procurement Team works with the relevant service area to understand the cause of the breach, ensure staff are aware of the issue and support the service in putting a compliant contract in place. Training is also provided on application of the CPRs as required.

2.2.4 A summary of the number of breaches recorded during the 2024-25 and 2025-26 financial years, along with an overview of the breaches identified during the reporting period, is provided in Appendix 2

## 2.3 Procurement Arrangements

The Procurement Team work across all Directorates to ensure that procurement processes are undertaken robust and compliant with CPRs and procurement legislation.

2.3.1 The team provides training to officers involved in procurement as required, particularly on running evaluation processes and, where requested, delivering briefing sessions on the CPRs. The team is also responsible for maintaining up-to-date resources on the intranet to support both the procurement and contract management processes.

2.3.2 Work has recently been undertaken to develop the contracts register dashboard to improve visibility of contract expiries and upcoming renewals. This has been rolled out

across the Council and should support timely completion of contract renewal activity.

2.3.3 A training package on the CPRs is currently in development via the My Learning platform which will be available by Summer 2026. This will complement the contract management training package that was launched in 2025.

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

#### **3.1 Council Plan**

Reporting exemptions and breaches of the CPRs strengthens transparency and accountability across the Council's procurement activity. It supports delivery of the Council Plan by ensuring procurement is conducted in a fair, compliant and value-driven way, enabling better oversight, informed decision-making and continuous improvement in how public money is spent.

#### **3.2 Financial Implications**

None directly

#### **3.3 Legal Implications**

The Council is required to maintain Contract Procedure Rules under section 135 of the Local Government Act 1972. The Public Contracts Regulations 2015, the Health Care Services (Provider Selection Regime) Regulations 2023 and the Procurement Act 2023 provide the legal framework for the procurement of goods, works and services with which the Council must comply. Any exemption from the CPRs must be considered and approved strictly in accordance with the CPRs and the relevant legislative framework. Any breach of the CPRs may expose the Council to legal, governance and reputational risk and should be recorded, reported and addressed through appropriate remedial action.

#### **3.4 Climate Change and Air Quality**

None directly

#### **3.5 Risk, Integrated Impact Assessment (IIA) or Human Resources**

None directly

### **4. Consultation**

Members of the Contract Assurance and Oversight Board have been consulted on the contents of this report.

### **5. Engagement**

None directly

### **6. Options**

#### **6.1 Options considered**

No alternative options were considered. The Council is required to ensure that all exemptions from the CPRs are carried out in full compliance with the CPRs and procurement legislation. Any breaches of the CPRs should be recorded to maintain accountability and transparency in the use of public funds.

#### **6.2 Reasons for recommended option**

The recommended option ensures the Council meets its statutory and regulatory obligations by maintaining transparent oversight of all exemptions and breaches of the

CPRs. This approach strengthens accountability, supports effective governance and promotes consistent compliance with procurement legislation, safeguarding the proper use of public funds.

**7. Next steps and timelines**

The Procurement training package will be developed and finalised over the coming months. Once complete, it will be rolled out to officers across the organisation via the My Learning platform and promoted to ensure wide awareness and uptake.

In future, information on exemptions and any identified breaches of the CPRs will be reported to the Corporate Governance and Audit Committee annually.

**8. Contact officer**

Ruth Calladine, Head of Procurement (01484 221000, email – [ruth.calladine@kirklees.gov.uk](mailto:ruth.calladine@kirklees.gov.uk))

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

[Contract Procedure Rules](#)

**10. Appendices**

Appendix 1 – Summary of Exemptions April 2025 to March 2026 PRIVATE

Appendix 2 – Summary of Breaches April 2025 to March 2026 PRIVATE

**11. Service Director responsible**

Samantha Lawton, Service Director Legal & Commissioning

# Agenda Item 12

## Corporate Governance and Audit Committee – Outline Agenda Plan – 2026/27

MEETING DATE	ITEMS FOR CONSIDERATION
19 June 2026	<ol style="list-style-type: none"> <li>1. Treasury Outturn Report (Reference to Council)</li> <li>2. Annual Governance Statement (draft)</li> <li>3. QR4 of Internal Audit 2025-26</li> <li>4. Annual Report of Internal Audit 2025-26</li> <li>5. Procurement Compliance Report</li> </ol>
7 August 2026	<ol style="list-style-type: none"> <li>1. Health and Safety Report</li> <li>2. Annual report of the Committee (Reference to Council)</li> <li>3. Q1 of Internal Audit - April – June 2026</li> <li>4. Community Governance Review</li> </ol>
25 September 2026	<ol style="list-style-type: none"> <li>1. Annual Report on bad debt write offs 2025/26</li> <li>2. External Auditors progress Report</li> <li>3. Internal Audit Plan</li> <li>4. Outside Bodies Nominations</li> <li>5. Members Allowances</li> <li>6. Information Governance Annual Report</li> <li>7. Information Governance Update</li> </ol>
27 <sup>th</sup> November 2026	<ol style="list-style-type: none"> <li>1. Treasury 6-month Outturn Report</li> <li>2. Q2 of IA -July – September 2026</li> <li>3. Risk Management Update</li> <li>4. Interim Polling district and places review</li> <li>5. Annual Governance Statement</li> <li>6. 2025-26 Auditors Annual Report (Value for Money)</li> <li>7. Audit Findings Report ISA260</li> <li>8. Final Accounts</li> </ol>
29 January 2026	<ol style="list-style-type: none"> <li>1. Dates of Council Meetings (Reference to Council)</li> <li>2. Treasury Strategy Report</li> <li>3. Contract Management Update</li> </ol>
26 February 2027	<ol style="list-style-type: none"> <li>1. Q3 of IA – October – December 2026</li> <li>2. Amendment to Financial Procedure Rules (Reference to Council)</li> <li>3. Amendments to Contract Procedure Rules (Reference to Council)</li> <li>4. Changes to Constitution (Reference to Council)</li> <li>5. External Audit Progress Report and Sector update</li> </ol>
19 March 2027	

**23 April 2027**

- 1. Q4 of IA – January – March 2027**
- 2. Internal Audit Plan 2027/8**
- 3. Informing the Audit Risk Assessment**
- 4. Annual Report of Internal Audit 2026/27**
- 5. 2026-27 External Audit Plan (GT)**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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