

# Kirklees Council

## Draft Annual Governance Statement 2018/19



## Overall Conclusion & Opinion

We have been advised on the implications of the annual review of effectiveness of the governance framework by the Corporate Governance and Audit Committee, and are satisfied that overall the arrangements continue to be regarded as fit for purpose in accordance with our governance framework and Code of Corporate Governance.

We propose over the coming year to take steps to address the issues needed to further enhance our governance arrangements as contained in the Action Plan overleaf. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2019/20 in conjunction with the Corporate Governance & Audit Committee ahead of next year's review.

Signed:

Cllr. Shabir Pandor, Leader of the Council



Jacqui Gedman, Chief Executive



## Significant Governance Issues

The annual review process identifies and evaluates any ongoing or new Issue and if it meets one or more of the following criteria suggested by CIPFA / SOLACE it is regarded as Significant and included in this Statement:

- it undermines / threatens the achievement of organisational objectives (A)
- it is a significant failure to meet the principles (and sub-principles) of good Governance (B)
- it is an area of significant concern to an inspector, external audit or regulator (C)
- the head of internal audit, one of the statutory officers or the corporate governance & audit committee has recommended it be included (D)
- it is an issue of public or stakeholder concern (E)
- it is an issue that cuts across the organisation and requires cooperation to address it (F)

## Progress with the Issues in last year's Statement

The Executive Team and the Corporate Governance & Audit Committee have received reports to monitor progress during 2018/19. Various parts of each Issue have been resolved during the year and where appropriate this has been reflected in what remains ongoing.

Original Issue / Inclusion Criteria	Progress	Further Action
Strengthen the Corporate Plan with improved linkages to resource allocation and performance measures.  (A, B, F)	<p>A new strengthened Corporate Plan has been produced for 2018-20 which explains the journey from <i>New Council</i> to <i>We're Kirklees</i>, focussed on the whole Borough and seven shared outcomes for residents.</p> <p>3 key principles underpin this</p> <ul style="list-style-type: none"> <li>• Working with our partners</li> <li>• Working with (and not doing to) residents</li> <li>• Working better in places</li> </ul> <p>A shift to longer term strategic planning made in 2018/19 means only relatively minor changes will be made to the Corporate Plan for 2019/20.</p> <p>Reviewing budget setting arrangements for 2019/20 and beyond regarding outcome based budgeting is acknowledged to be a</p>	<p>To develop a more robust, intelligence led performance management mechanism across the organisation aligned with the annual planning cycle to drive resource allocation decisions that are better aligned to priority outcomes and to monitor their delivery.</p> <p>The performance management system needs embedding for both business critical indicators and other service measures used, including the development of more relevant qualitative indicators alongside quantitative ones to better measure outcomes and impacts.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
	<p>work in progress as regards the most recent budget round.</p> <p>A revised quarterly performance monitoring system has been introduced.</p>	
<p>Manage delivery of the Council's Transformation Activities.</p> <p>(A, F)</p>	<p>Dedicated council resources were allocated to add quality, assurance and organisation. The input of an external partner added skills and further rigour.</p> <p>An assessment of the impact of transformation activities in the summer of 2018 also illustrated a number of areas for learning and potential re-focus.</p> <p>The Transformation Team clarified and enhanced its offer to respond to changing demands for a mix of robust project management, innovative business change skills and the ability to challenge and offer new insights.</p> <p>The Council achieved its 2018/19 savings targets, including those associated with the majority of the transformation efforts.</p> <p>Transformation is now focused on the ongoing development and sustainability of public services, which means continuing change and innovation. It is less driven by the large savings targets that will come through services and overall budget monitoring.</p>	<p>Focus on the following areas of priority for allocation of transformation resources:</p> <ol style="list-style-type: none"> <li>1. Organisation Design - Work has started to consider the future shape of the organisation.</li> <li>2. Development of Place-based working - Working with communities and delivering services that recognise the diversity of the different places across Kirklees and their needs.</li> <li>3. Strengthening enabling services.</li> <li>4. High Needs, Placements &amp; Waste - Existing areas of work within services, where Executive Team has identified that a broader approach may be beneficial, hence the input of transformation resources.</li> <li>5. Adult Social Care, Children's Improvement - These are moving beyond transformation into a 'business as usual' state. Transformation resources are being gradually withdrawn as change is embedded into working practice.</li> </ol>
<p>Strengthen Partnership Governance</p> <p>(A, B, F)</p>	<p>The light touch governance review has been completed and is leading to more solid governance structures for the Partnership Executive: a revised executive arrangement is in place with themed meetings throughout the year that draw the partner together on a topic basis.</p>	<p>New governance control and management arrangements have been implemented at KNH. These interim changes need to be embedded effectively and will be reviewed in 12-18 months.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
	<p>Revised governance framework and Partnership agreement with KNH.</p> <p>The Children's Partnership Board arrangements have re-launched recently.</p> <p>Recruited and realigned resources to support partnership working.</p>	<p>There is still scope to increase the effectiveness of some partnership arrangements.</p> <p>Arrangements for the Health &amp; Wellbeing Board are being refreshed with engagement including other local authorities.</p>
<p>Strengthen Risk Management</p> <p>(A, B, D, F)</p>	<p>New Strategy &amp; Risk Panel established.</p> <p>The Corporate Matrix has been regularly updated along with an emerging risk report, and this has been discussed by the Executive Team and Leadership Management Team. The CGAC has commented positively on the Corporate Matrix but expressed concerns about the quality and consistency of the directorate based risk management processes.</p>	<p>This still needs more work, as the quality of directorate based risk arrangements requires improvement, as does risk elevation.</p>
<p>Implement &amp; embed the Children Improvement Plan.</p> <p>(A, C, E)</p>	<p>The new Strategic Director has taken up her role, and following a positive Ofsted outcome the Department for Education have indicated a willingness for the Director to take statutory control, currently held by officers of Leeds CC. Consistency of leadership is very important and there will be a significant handover period with current temporary leaders through the next phase of the improvement plan.</p> <p>Ofsted's latest monitoring visit in December 2018 found significant progress has been made in improving its initial response to children and young people who need help and protection. Improvement is gathering pace and there is now increasing focus on quality as well as ensuring that</p>	<p>Ensure that consistency and quality improves in relation to a timely initial response to cases where children need a social work assessment, and in relation to ensuring that children's records are comprehensive and up to date.</p> <p>A comprehensive core skills programme of training for social workers and managers has commenced in order to support good-quality improvements across the workforce.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
	statutory compliance is met.	
<p>Meeting the challenge of delivering the Council's Medium Term Financial Plan within available resources.</p> <p>(A, D, F)</p>	<p>General fund revenue budget £191m. On track to deliver 77% against planned savings (£12.4m from £16.2m planned). Demand led forecast volatility accurately forecast through the year. Overall forecast overspend at Q3 of just £1.1m (0.4%) but expected to break-even by year end.</p> <p>HRA on track to deliver £2.8m planned savings in-year.</p>	<p>General fund planned savings £10.9m, and HRA planned savings £2.4m in 2019/20.</p> <p>Continuous improvement in the quality and timeliness of financial monitoring information presented at operational management and corporate member levels across the organisation.</p> <p>Ongoing development of more sophisticated modelling and impact analysis across a range of complex demand management activity.</p> <p>Review and strengthening of overall Council capital project management and governance oversight, monitoring and review to ensure it remains fit for purpose in light of the significant scaling up of Council capital investment and other major projects over the medium term, from current.</p>
<p>Improve Information Governance to manage GDPR compliance and Cyber Security.</p> <p>(All)</p>	<p>Work is ongoing with the aim of Data Protection Act 2018 / GDPR compliance by May 2019.</p> <p>Cyber Security Strategy approved.</p> <p>Lead councillor briefed and engaged.</p> <p>Tactical investments have been made around perimeter security and cyber training.</p>	<p>Undertake a second round of Service Director self-assessments to assess progress corporately and identify any Services requiring further support and training from the IG Team.</p> <p>An ongoing programme of work is being pulled together for briefing at IG Board and update for ET.</p>
<p>Improve effectiveness and challenge in governance</p>	<p>CGAC training delivered (Chair in role of audit committee, and all Members in treasury management and effectiveness of audit</p>	<p>Local Government Association Peer Review in July will review our arrangements and provide a challenge to their robustness.</p>

Original Issue / Inclusion Criteria	Progress	Further Action
<p>arrangements.</p> <p>(B)</p>	<p>committee challenge).</p> <p>Corporate Scrutiny Panel member training on the Council's finances.</p> <p>Work on progressing the work streams arising from the Democracy Commission recommendations is continuing at pace, including:</p> <ul style="list-style-type: none"> <li>• The changing role of the councillor and how it is supported,</li> <li>• Putting councillors at the heart of the organisation;</li> <li>• Citizen engagement in the context of place based working,</li> <li>• Networked councillors,</li> <li>• decision making processes, practice and culture and</li> <li>• Improving electoral registration.</li> </ul> <p>This does not currently include a programmed approach to Member Training over and above new councillor induction, core training and specific requests from political groups.</p> <p>A robust governance structure is in place which sees the cross party Member Working Group meeting regularly to oversee the work, supported by an officer Programme Board and a Theme Leads Working Group.</p>	<p>Review the Code of Corporate Governance.</p> <p>Planned externally facilitated Scrutiny Panel training on commercialisation approaches, and refresher training to CGAC on financial statements, treasury management and other training needs as identified by the Committee.</p> <p>Steps / actions from Democracy Commission</p>
<p>Ensure Procurement Rule Awareness and Compliance</p>	<p>Centralised function now almost fully resourced.</p> <p>Training and awareness raising of CPRs continued to be delivered</p>	<p>Work continues on increasing the transparency and visibility of the Council's contracts.</p> <p>Progress continues with the implementation of the new</p>



Original Issue / Inclusion Criteria	Progress	Further Action
(B, F)	<p>throughout the year.</p> <p>All EU procurement evaluations are chaired / overseen by Procurement staff to mitigate risk.</p>	<p>procurement model which continues to highlight compliance and value for money challenges (with plans being put in place to improve this within the categories of spend).</p>
<p>Improve manager capacity and skill base.</p> <p>(A, F)</p>	<p>Work continues on the 3 key strands of the People Strategy (Attraction, Development and Wellbeing). A specific focus is on the 'Development' strand which addresses cultural transformation, developing our workforce, leadership and management and performance. Key activities to date include</p> <ul style="list-style-type: none"> <li>• delivering workshops on promoting emotional intelligence, and</li> <li>• the design of a performance framework based around outcomes based accountability.</li> <li>• a cohort of existing employees that are being developed in a "grown our own" Aspiring Managers programme.</li> </ul>	<p>Complete implementation of the People Strategy and embed across the manager base.</p>
<p>Improve Income Collection</p> <p>(D)</p>	<p>Staff recruitment completed to address historic debt.</p> <p>The need for a more formalised and structured approach and greater Service Director ownership has been identified.</p> <p>Initial analysis of debt created and recovered has identified some key areas to revise process and introduce electronic payment at the point of order as the norm.</p>	<p>Pursue all debt wherever possible, or cancel or write-off if not, in accordance with existing procedures.</p> <p>Revise Financial Procedure Rules to clarify responsibilities and strengthen overall control.</p> <p>Target key areas for improved income collection procedures with regard to commercial activity.</p>



Original Issue / Inclusion Criteria	Progress	Further Action
Some key Medium Term Risks require Decisions in the Short Term, such as Waste Strategy & Management.  (A)	ET has discussed a number of matters contained within the corporate matrix and emerging risk matrix. Management actions are already underway where appropriate, although they are interlinked, in some cases towards wider decisions about policy and strategy (e.g. waste management contract and waste strategy).	Continue to monitor medium term risks and ensure an effective combination of pace and thorough consideration of those with significant long term impact, of which the Waste Strategy, and the renewal on waste disposal arrangements (2023-2028) is one of the most significant.

## New Issues identified in the 2018/19 Review

The current review of governance effectiveness has identified these additional issues:

Issue / Inclusion Criteria	Review Source	Managed Action
Compliance with new Local Government Ethical Standards.  (B, C)	CGAC / Standards Committee	Proposal for addressing best practice advocated by the Committee for Standards in Public Life has been approved by the Standards Committee and changes to some practice and some amendments to strengthen the Code of Conduct in Kirklees will be considered by CGAC and Annual Council. If adopted, further work will keep this under review and monitor compliance.
Governance arrangements need developing to identify and manage circumstances when previous service delivery did not conform with current day expectations and practice, one particular example being historic child sexual exploitation.  To learn from the lessons arising and make sure the issues	Various	Develop a corporate approach that satisfies initial management of such issues and enables organisational reflection and learning.

are addressed.		
Corporate health and safety assurance needs developing. (D)	ARIA / Risk Management	Additional resources have been provided to the Corporate Health & Safety function to enable more frequent and thorough assurance based inspections and advice and support.
School Governance arrangements need review and development (D, E)	ARIA / Whistleblowing	Look to understand what is causing a (historically) large number of complaints about governance and management in schools, and look to identify potential solutions.
SAP Security and User Access Controls need strengthening. (C, D)	External auditor / Annual Report of Internal Audit (ARIA)	While there has been some progress to date from previous recommendations from KPMG, Grant Thornton, the current external auditor's SAP controls review has identified a number of outstanding SAP access control issues that IT, in conjunction with HD-One, have determined to prioritise and resolve by the completion of this year's audit.

A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly.

## Statement Scope

Kirklees Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016*. A copy of the Code is available from the Monitoring Officer.

<https://democracy.kirklees.gov.uk/documents/s20587/Item%208D.%20Draft%20Amended%20Code%20of%20Corp%20Governance%2017%20Nov%2017.pdf>

This Statement explains how the Council has complied with the Code during 2018/19 and up to the date that the Statement of Accounts was approved and thus meets the requirements of Accounts and Audit Regulations 2015. It provides assurance about the Council's governance framework, including the other entities in the Group Accounts, a wholly owned subsidiary, Kirklees Neighbourhood Housing Limited and a joint venture, Kirklees Stadium Development

Limited, to enable readers of the consolidated Accounts to be satisfied that proper arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2018/19. A more detailed Action Plan is provided at the end.

## The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its' activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its' strategic objectives as set out in the Corporate Plan and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

## The key parts of the governance framework

- a Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- a Leader and Cabinet model of governance.
- a governance and scrutiny process as set out 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. During the year the Acting S151 Officer became substantive. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- a Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objectives  
<https://www.kirklees.gov.uk/beta/delivering-services/pdf/corporate-plan-201820.pdf>
- oversight and delivery of the Council Transformation Programme, including a number of officer boards as described in the Constitution
- a Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- a 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 Government (2010)*.
- codes of conduct defining the standards of behaviour for Members and employees
- an Anti-Fraud & Corruption Policy
- a Risk Management Strategy

- systems of financial and business internal control
- an internal audit section, that is compliant with the Public Sector Internal Audit Standards and Code of Ethics
- whistle blowing arrangements
- a complaints system for residents and service users
- business continuity arrangements
- a senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information
- arrangements to manage other parts of the Council's Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

During the year the governance arrangements of Kirklees Neighbourhood Housing (KNH) Limited were revised. The Board was strengthened to oversee housing operations and to act as a single purpose vehicle to deliver the housing management and maintenance service. Housing Policy and Strategy, housing/asset investment and HRA business planning matters will be determined by the Council, Cabinet or Council officers with advice from KNH officers. The Council will establish a specific Housing Strategy Steering Group with cross-party representation to work with the KNH Board and help guide Cabinet decisions. This group will be supported by the Tenant Panel to ensure the tenants' voice is central to decision making.

## 2018/19 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 the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

The main parts of the review process are as follows:

1. Annual Review of effectiveness of the system of internal control  
In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS) the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit. The Head of Audit & Risk's self-assessment of current compliance with the Public Sector Internal Audit Standards & Code of Ethics and revised CIPFA Local Government Application Note 2019, concluded that overall Internal Audit does conform to these Standards and an Action Plan has been agreed to further improve compliance and progress with this which will be monitored by the Corporate Governance & Audit Committee.
2. Head of Audit and Risk's Annual Assurance Opinion

Based on the programme of planned Internal Audit work and other than in respect of a small number of significant control issues that have arisen during the year, the Head of

Audit and Risk has provided assurance that overall the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

Concern was expressed about the following key areas about which Limited Assurance opinions were produced and which may warrant Significant Governance Issue status:

New Areas

- SAP Security and User Access Controls
- Corporate Health & Safety Assurance / Bereavement Services – cemetery safety (coupled with tree safety from risk management)

Areas with an Action Plan from 2017/18 Statement

- Child Support & Family Protection Safeguarding
- Performance Indicators
- Risk Management

A common theme behind a number of these opinions was a reduction of control due to resource issues as part of austerity downsizing.

3. External Auditor's Review

During the year the External Auditor's Annual Report

- an unqualified opinion on the Council's 2017/18 financial statements; and
- an unqualified value for money conclusion, except for Children's Services, stating that we have made proper arrangements to secure economy, efficiency and effectiveness in our use of resources.

4. Corporate Governance & Audit Committee (CGAC)

The Committee's terms of reference include agreeing and updating regularly the Council's Code of Corporate Governance, monitoring its operation and compliance with it.

During 2018/19 the CGAC reviewed a number of aspects of the Council's governance arrangements and noted or approved revisions or made recommendations to Council as appropriate. CGAC also receives assurance from various annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate complaints and is informed of peer review activity.

Recognising the need to ensure that members of the Committee have the appropriate support and skills to carry out their role a series of short training sessions were provided through the year looking at Treasury management, the role and expectations of Governance and Audit Committee as well as interpreting financial accounts. The sessions were also offered to other members with an interest in the topics.

5. Overview & Scrutiny Committee

During 2018/19 the Committee reviewed a number of aspects of the Council's governance arrangements.

## 6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct, support and training, the appointment of an Independent Person for the Council and consultation by the Committee on Standards in Public Life to inform review of Local Government Ethical Standards.

## 7. Role of the Chief Financial Officer

The role of the Chief Financial Officer (CFO) continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties as part of the review of the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

## 8. External Inspections & Peer Reviews

The outcomes of each formal inspection and commissioned peer or external review provide assurance about things which are working well and areas requiring further improvement. Activity during 2018/19 is summarised below:

### Inspections

#### Ofsted – Children's Services

A series of monitoring visits has been undertaken this year, the latest being early December 2018, following which HM Inspectors concluded that the Council has made significant progress in improving its initial response to children and young people who need help and protection. Improvement is gathering pace and there is now increasing focus on quality as well as ensuring that statutory compliance is met.

#### Office of Surveillance Commissioners

The Regulation of Investigatory Powers Policy was revised and other key actions agreed.

#### Peer & Other External Review Activity has included:

- Adult Safeguarding Board Peer Challenge
- Assistive Technology External Review
- Public Health Sector Led Improvement Peer Review (of health protection, wellness model and whole systems approach to health improvement).
- Children Leaving Care External Review
- Members' Allowances Independent Review Panel

## 9. Officer Governance

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme within the context of the Medium Term Financial Plan with strategic oversight from the Executive Team and escalation of appropriate issues. These arrangements are subject to both Cabinet and Scrutiny oversight.

## 10 Significant Partnerships

Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is used by senior officers of the Council to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. The Council is working on a number of areas where arrangements need to be revised to strengthen and embed the governance framework.