

Kirklees Council

# Draft Annual Governance Statement 2021/22

July 2022

## Overall Conclusion & Opinion

We have considered carefully the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended in the Action Plan that follows this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation during 2022/23 in conjunction with the Corporate Governance & Audit Committee.

Signed:



Cllr. Shabir Pandor, Leader of the Council



Jacqui Gedman, Chief Executive

## Significant Governance Issues during 2021/22

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2020/21 Statement and some new areas of potential concern. Any of these that meets one or more of the following criteria (suggested by CIPFA / SOLACE) has been regarded as significant and included in this Statement:

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

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

Our previous Statements recognise that many issues are complex, and sometimes not solely entirely under the Council's direct control. These often take longer than one year to address and embed remedial action. Therefore, some of these may feature in one form or another for a longer period, even if some aspects can be resolved during the year. This has been reflected in what remains to be done, as shown in the table over the page.

Good progress has been made since the last Statement in addressing several of the Issues highlighted and these have been omitted from the current Statement, as they no longer represent a threat to the organisation. Similarly, where there has been a change of focus or circumstance this has resulted in several being combined and revised herein.

| No. | Governance Issue / Theme   | Reason for Inclusion   | Direction of Travel / Progress in 2021/22  | Further Action in 2022/23   |
|-----|--|--|--|---|
| 1   | <p>The Corporate Planning process needs further strengthening with improved linkages to both revenue and capital resource allocation and performance measures to ensure delivery of key Council objectives.</p> <p>(A, B, F)</p> | <p>Delivery of key Council objectives could be undermined.</p> | <p>The refreshed Corporate Plan, <i>Our Council Plan 2021/23</i>, was agreed as a roadmap for recovery in Kirklees. At its heart is a determination to build a fairer and more equal place for people to live, work and grow up in. It includes clear statements of priorities and actions to achieve them and is subject to regular performance reporting on which the Leader and Cabinet are held to account by Scrutiny.</p> <p>The Medium-Term Financial Plan 2020-23 (revenue), Capital Plan (2020-25) and the subsequent budget planning cycles for the financial years 2021/22 and 2022/23 have been aligned to Corporate Plan ambition and priorities. Reviewing budget setting arrangements regarding outcome-based budgeting remains a “work in progress” in the 2022/23 budget exercise (early 2022).</p> | <p>An Annual Planning Cycle has been agreed, which will lead to the publishing of the next revision to the Council Plan in January 2023. This will reflect the Administration’s priorities and the impact on the organisation and its finances post pandemic. It will recognise other national and international pressures -particularly inflation and the impact of the Cost of Living Crisis for residents and staff. Ongoing work is already informing the 2023/24 budget process.</p> <p>To develop a more robust, intelligence-led performance management mechanism (using quantitative and qualitative indicators) across the organisation aligned with the annual planning cycle to drive resource allocation aligned to priority outcomes and to monitor their delivery.</p> <p>An aligned Communications Strategy will be further developed and agreed, including the engagement of all Members.</p> |

| No. | Governance Issue / Theme  | Reason for Inclusion  | Direction of Travel / Progress in 2021/22  | Further Action in 2022/23   |
|-----|---|---|--|---|
| 2   | Delivery of the Council's Transformation Activities.<br><br>(A, F)                    | Work is ongoing corporately to embed innovation and change to help ensure key priorities can be achieved. | The priority transformation programmes, to which transformation resources are allocated, have been updated to reflect known areas of need.   | The focus is on ensuring these priorities are further shaped and delivered over the coming years to produce better outcomes and increasing prioritisation focus on the delivery of future significant cashable savings / cost avoidance.  |
| 3   | Strengthen and develop Partnership Governance and new relationships.<br><br>(A, E, F) | Key outcomes require significant input from partners and others.  | Partnership governance has improved at an Executive and 'anchor institution' (key public and private sector partners) level.<br><br>Uncertainties have arisen associated with changed ways of working with newly emerging / re-shaped anchor /strategic partnerships and our influence in helping shape these from a strategic partnership /influencing /integration perspective, especially regional funders and partners, including the West Yorkshire Mayor and Combined Authority. Competitive bidding is one such case and also the impact on Integrated Care Plans and the role of the Health & Wellbeing Board and matters arising from the Integrated Care Strategy. | Continue to develop further developments to partnership working, recognising the different perspective of those partners with their own resources, and those who are dependent partially, or wholly, on the council for funding, and to reflect these developing relationships with increased visibility at Cabinet level through six monthly assurance reporting on the Council's key partnerships and associated parties. |
| 4   | Continue to Strengthen Risk Management.<br><br>(B, C, D)                              | To ensure sufficient organisational resilience to resist the type of failings experienced in the          | Work has been ongoing to improve the quality of directorate-based risk arrangements and risk elevation.<br>An initial corporate Assurance Framework and culture has been developed in connection with all  | Embed the changes made during the year and new assurance arrangements to deliver greater knowledge and active choices about risk, appetite and options.   |

| No. | Governance Issue / Theme                                 | Reason for Inclusion  | Direction of Travel / Progress in 2021/22  | Further Action in 2022/23  |
|-----|--|---|--|--|
|     |  | local authority sector and beyond.  | key and emerging business risks, including learning the lessons from historically different service delivery   | Establish and embed a corporate assurance process to provide oversight of the corporate risk management process.   |
| 5.  | Employee recruitment & retention pressures<br><br>(A, F) | People resources is a vital part of being able to deliver the key outcomes for the Council. | <p>National and local challenges continue in one of the toughest labour markets for 50 years. There are many hard to fill roles, including highways engineering, social workers and care staff, and HGV drivers, where additional focus and support over and above the People Strategy programme of work has been introduced.</p> <p>The refreshed People Strategy work programme has continued aiming at various retention related initiatives and market supplements, plus a longer term “grow your own” approach via apprenticeships etc.</p> | <p>Recognising the labour market challenges the budget identified £4.7m for workforce planning. Action plans at service level needs to be completed and consolidated into a coherent arrangement.</p> <p>To ensure that budgets to support workforce planning are prioritised, an assurance process will require fully costed, evidence based business cases to be scrutinised, prioritised and approved by the Executive Team.</p> <p>Personnel Committee will maintain oversight of this activity and receive updates and assurance on the effectiveness of relevant strategies adopted.</p> <p>Retention strategies need to be embedded and deployed effectively.</p> |

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|-----|--|--|---|---|
| 6.  | <p>Continue to develop and strengthen the governance arrangements for decision-making and place-based working, including greater clarity to the roles and responsibilities of Members and officers.</p> <p>(B, C, F)</p> | <p>Having the right structures and mechanisms in place is key to achieving delivery of the Council's priorities.</p> | <p>Ongoing consolidation of governance arrangements identified last year to enhance the Constitution, in particular working with Members to look at some of the issues that came from the consultation and make any changes that may be required to the current Standards process. The Council considered the adoption of the LGA Model Code of Conduct. Following a thorough analysis, the Standards Committee concluded the best fit for the Council would be to produce our own hybrid version and this was adopted by the Council in December 2021.</p> <p>Consideration of proposals to review options around committee structures.</p> <p>Implementation of the reviews.</p> <p>Work has been ongoing to develop and embed place based working.</p> | <p>A programme of Member Training to reflect on the New Code and work of the Standards Committee.</p> <p>Consolidate findings from internal and external sources into an options paper for decision.</p> <p>Implementing a new operating model that takes us to service delivery at a less centralised level, and; Making sure that all staff understand the role they play in Place-Based Working as council officers.</p> |

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|-----|--|--|---|--|
| 7.  | <p>Address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.</p> <p>(A, C, E)</p> | <p>Work is ongoing to embed innovation and change but it has not yet reached a <i>business as usual</i> state.</p> | <p>Following transfer of the ALMO, a report from an external consultant in summer 2021 identified a number of areas of improvement placing significant risk on the Council, namely:</p> <ul style="list-style-type: none"> <li>• Poor data integrity and lack of system integration</li> <li>• Overdue delivery of fire safety remedial actions</li> <li>• Water Hygiene: lack of visibility of risk across domestic dwellings, completion of communal re-inspection programmes and review dwellings included, completion of remedial actions</li> <li>• Asbestos management: poor data management, completion of inspection and re-inspection programme.</li> </ul> <p>An Action Plan of 55 recommendations was formulated, of which 76% had been implemented by the end of 2021. Cabinet was informed that overall the improvement plan remained on programme as we continue to complete recommendations by priority and key areas of the improvement plan. The remaining actions due to their scale and complexity are being progressed with support from corporate enablers e.g. IT, Data and Intelligence and Transformation colleagues. The estimated completion date of the overall plan is March 24. Given the priority relating to overdue</p> | <p>Continue prioritised delivery of the Action Plan to ensure completion by the programmed date of March 2024.</p> |



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|-----|--------------------------|----------------------|--|---------------------------|
|     |                          |                      | <p>Fire Risk Assessment (FRAs) remedial actions, we also track the completion of every high priority action and those to high rise blocks notified to the Regulator. Of the outstanding 1,164 high risk remediation actions at the time of the review, 1,118 have been completed with the balance in procurement or in contract. The low and medium rise FRA actions are currently at the early stages of contract negotiation. The outcome of these will determine the programme.</p> <p>Discussions with the Regulator in summer 2022 recognised the good progress being made, at a challenging time for the housing sector, that there was still work to be done to deliver the recommendations of the review and agreed to continue to receive monthly updates on progress. Good progress is being made and there are regular programmes of inspection and re-inspection for all 6 building safety workstreams including asbestos and water hygiene whilst, the early work on strengthening processes and data integrity is supporting a stronger internal framework of assurance.</p> |                           |

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|-----|--|---|--|--|
| 8.  | Develop a more strategic corporate management of the investigation and treatment of cases of suspected fraud & corruption.<br><br>(B, D) | A key pillar to sound financial governance. | The Counter Fraud Strategy is being revised to fully reflect the national recommended approach and CIPFA Code of Practice. The Corporate Fraud Team transferred to Internal Audit on 1 April 2022. | Adopt and embed the revised Strategy.<br><br>Prioritise investigative work and report outcomes to ET and CGAC. |

## **New Issues**

The annual review of the effectiveness of our governance arrangements has identified areas of heightened concern, risk, or significant uncertainty that require a corporate response. Where appropriate, these matters have been incorporated into exiting or slightly refocussed Issues brought forward from last year's Statement.

| Governance Issue / Theme  | Reason for Inclusion                        | Action Required in 2022/23   |
|---|---|--|
| <b>Cost of Living Crisis</b><br><br>The impact on residents and the Council itself from the current and projected levels of price inflation on key commodities is such that many of the key objectives may not be able to be achieved as planned, as the focus of many residents changes to meeting basic | Could prevent achievement of key objectives | There will be an increased focus through the Council's formal decision-making processes on understanding what the impact of any council policy, or change to policy, will have on the financial wellbeing of residents and other stakeholders within the area.<br><br>Ensure timely and effective strategic communication to all residents, prompt delivery of existing support and advice of all aid and benefit take-up that is available, and ensure sufficient capacity and infrastructure |

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| <p>requirements in terms of food, heat and travel in particular and potentially significantly increased resident, business and community demand for Council services.</p> <p>This in turn may impact on the Council’s main income streams and in its expenditure plans to support the most vulnerable members of the community.</p> <p>(A, E, F)</p> |  | <p>within the Council, anchor partner and community support organisations, to deliver timely and effective support to scale.</p> <p>Ensure cost of living pressures are factored into updated financial, performance and risk management reports into the corporate member arena in a timely fashion, and to aid current and future decision-making to respond to emerging and significantly increased organisational challenges accordingly.</p> |
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A detailed Action Plan sits behind this summary and the Executive Team and Corporate Governance & Audit Committee will monitor progress quarterly during 2022/23.

## Statement Scope

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

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016*. A copy of the Code is available from the Monitoring Officer. The current version following annual review can be found at

<https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

This Statement explains how the Council has complied with the Code during 2021/22 and up to the date that the Statement of Accounts is approved and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2021/22.

## **The purpose of the governance framework**

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it engages with, leads and accounts to its communities. Effective governance should enable the Council to monitor the achievement of its strategic objectives and to assess if this has led to the delivery of appropriate services and value for money.

System of internal control are a significant part of any organisations governance framework, designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and provide reasonable, but not absolute, assurance of effectiveness.

## **The key parts of the governance framework**

- A Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- A Council Constitution.
- A Corporate Plan that outlines how officers will seek to run the Council to meet our community commitments and objective
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.

- Oversight and delivery of the Council Transformation Programme, including several officer boards as described in the Constitution, notably the Children's Board.
- Statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Team (ET).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014)*.
- Codes of conduct defining the standards of behaviour for Members and employees
- An Anti-Fraud & Anti-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
- A Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer (Monitoring Officer)
- Arrangements to manage other parts of the Council's (financial) Group. The S151 Officer monitors and reports on the financial effectiveness of the subsidiary and joint venture companies, whose accounts are subject to external audit.

## 2021/22 Review of effectiveness

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

review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

The main parts of the review process are described below:

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

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

2. Head of Audit and Risk's Annual Assurance Opinion

Other than in respect of a small number of control issues that have arisen during the year, the Head of Audit and Risk has provided assurance that overall the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across Services.

3. External Auditor's Review

During the year the External Auditor's Annual Report included

- an unqualified opinion on the Council's 2020/21 financial statements; and
- an unqualified value for money conclusion, 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 considered and approved an updated Local Code of Corporate Governance at its meeting in March 2020.

During 2021/22 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 received assurance from various 2021/22 annual reports such as health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing Complaints that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to carry out their role, training sessions are provided at various intervals and this includes treasury management, over which the Committee has corporate oversight.

#### 5. Overview & Scrutiny Management Committee

During 2021/22 the Committee and its four Panels reviewed a number of aspects of the Council's governance arrangements and key issues faced and strategies and responses to manage these.

#### 6. Standards Committee

During the year the Committee reviewed various aspects of Member conduct in addition to an evaluation of the merits of adopting the LGA Code of Conduct which resulted in a hybrid version being adopted.

#### 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.

The CFO and an Internal Audit assessment have confirmed that the Council is compliant with the CIPFA Financial Management Code and he has undertaken to review how overall arrangements can be strengthened further in line with recommendations made in the report.

8 External Inspections & Peer Reviews

Awaiting confirmation (Michelle Hope).

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 continuing to work on a number of areas where arrangements need to be revised to strengthen and embed the governance framework, as identified in the Action Plan for this Statement.

11 Monitoring Officer / Senior Information Risk Owner

Reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.