

Auditor's Annual Report on Kirklees Council

2022/23

January 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

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

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

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other councillors and management
- Attendance at Corporate Governance and Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 13 to 32.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and councillors
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Delivering Services in Kirklees



Local context

Kirklees is a metropolitan borough council originally established in 1974 created alongside West Yorkshire, under the local Government Act of 1972 with the Chair of the Council assuming the title of Mayor. Since April 2014 Kirklees has become a constituent council of the West Yorkshire Combined Authority. In recent years, an ambitious devolution deal for West Yorkshire has been secured which will see a historic transfer of investment and central government powers to the region offering local control of at least £1.8 billion of funding. This deal comprises of £38 million per year for 30 years across the five West Yorkshire Councils alongside a set of other key committed deliverables.

The Council is the 3rd largest metropolitan district in the area and ranks 14th out of 318 districts in terms of population in England and Wales (excluding County Councils). The borough covers 157 square miles and is comprised of the eight towns of Batley, Birstall, Cleckheaton, Dewsbury, Heckmondwike, Holmfirth, Huddersfield and Mirfield. Between 2011 and 2021 the population of Kirklees has increased by 2.5%, from around 422,500 to 433,200. This is smaller growth than England overall (6.6% increase) and the wider Yorkshire and Humber region (3.8%). The number of people aged between 65 and 74 rose by around 7,400 (21.2%) with residents aged between 35 and 49 fell by around 6,800 (7.5%) decrease. Overall, the average age of Kirklees is 39 years of age, just slightly lower than the average age in England of 40 years old.

Of Kirklees residents aged 16+, 53.2% are employed, and 2.8% unemployed. The percentage of retired Kirklees residents has increased from 21.2% to 21.9% since 2011. It must be noted the Census was undertaken during the COVID-19 pandemic, which may have affected the measurements of the labor market. The Index of Deprivation 2019 identified that Kirklees is one of the most deprived areas in England for both Income and Employment summary measures, based on absolute numbers (which 'favors' larger areas such as Kirklees). Kirklees has 259 Lower Super Output Areas (LSOAs), of which using the IMD (Combined Index) 31 are in the worst 10% nationally. This is an increase of 8 since 2015, showing that Kirklees has a higher proportion of highly deprived LSOAs compared to the national average.

As of 2022/23, Kirklees is reported by the Government's own admission as having the 3rd lowest funding available to a metropolitan authority and the lowest of the 5 Councils in the West Yorkshire region. There are 23 wards served by a cabinet of 69 Local Councillors with Labour currently as the majority party after many years of there being no overall control. The Council is split into 4 main areas which align with the following focusses; Adults and Health; Children & Families; Corporate Strategy, Commissioning & Public Health; Growth & Regeneration. Kirklees is part of the West Yorkshire Integrated Care System (ICS) along with Bradford, Calderdale, Leeds and Wakefield Councils, local NHS bodies and a range of voluntary, community and social enterprise partners.

The Council has seen a number of changes in leadership during 2023, including a new Leader, a new Chief Executive and Director of Children's Services (following the planned retirement of their predecessors) and two new Chief Finance Officers. Kirklees is facing significant financial pressures alongside an increasing number of Councils across the UK. In 2021/22 our audit raised a significant weakness in the Council's arrangements to secure financial sustainability and it is developing far reaching plans to address what has become a major challenge for the new leadership team, officers and councillors. Part of this financial challenge includes the need to address a large deficit that has accumulated on the schools' budget. Despite this, the Council continues to progress its strategic ambitions for the borough, including key projects such as the Cultural Heart to develop Huddersfield town centre.

Executive summary



Value for money arrangements and key recommendation(s) – 2022/23

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. Please note that the 2021/22 VfM findings were published in July 2023 so there is a comparatively short interval between auditor judgements.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	Risks identified on the Dedicated Schools Grant (DSG) overspend and the Council's Medium Term financial sustainability	R Financial Sustainability is an area of significant weakness carried forward from 2021/22. This remains highly challenging for the Council although progress has been made. In addition, there is a further significant weakness resulting from the Council falling behind on its original plan to manage the deficit on the Council's Dedicated Schools Grant budget (impacted by increasing demand). A revised plan is being developed in dialogue with DfE. The two significant weakness have resulted in 2 key recommendations. We have also raised 3 improvement recommendations.	R Significant weakness on financial sustainability identified. One key recommendation raised on the medium-term financial outlook.	↔
Governance	No risks of significant weakness identified	A No significant weakness in arrangements identified but 2 improvement recommendations.	A No significant weaknesses in arrangements identified, but 3 improvement recommendations raised.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weakness in arrangements identified but 1 improvement recommendation made.	A No significant weaknesses in arrangements identified, but 2 improvement recommendations raised.	↔

G No significant weaknesses in arrangements identified or improvement recommendation made.

A No significant weaknesses in arrangements identified, but improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

Since we last reported to the Council on Financial Sustainability in July 2023 the Council has made good progress in addressing the significant financial challenge it faces. Examples of the progress made by the Council since we last reported in July 2023, include the following:

- Kirklees has been working on the delivery of savings for 2024/25 since March 2023 and has been transparent about its difficult future financial position. This has allowed the Council to focus on the delivery of savings as evidenced in the decisions and consultations to Cabinet during the year.
- In the revised medium term financial strategy in September 2023 the Council agreed to swifter actions including increasing fees and charges and bringing forward savings early from 2024/25 to help improve the Council's overall position.
- Delivery of both in year and 2024/25 savings is receiving equal prioritisation.
- The return of £9.4m of funding from the West Yorkshire Combined Authority has significantly strengthened the resources available in the short-term.
- Reserves have been reviewed with additional resources now available to manage financial risk.
- The increased focus on cost control during 2023/24 can be seen in the reduced in year forecast deficit from £20m in Quarter 1 to £16m in Quarter 2.

Our work continues to indicate that until the measures outlined above have taken full effect, the Council's future financial stability remains at risk in the short and medium term with a challenging savings plan currently being developed in order to enable the Council to set a balanced budget for 2024/25. The financial challenge has worsened during 2023/24, with ongoing cost pressures in areas such as social care, transport and housing driving a significant forecast overspend (currently £c.16m) that is likely to require a further drawdown on reserves. In addition, the revised medium term financial plan (MTFP) has increased the funding gap that must be overcome in setting the budget for 2024/25. Our benchmarking of the Council's available reserves at the end of 2022/23 indicates that these were at the lowest level among metropolitan district councils in proportion to budget.

Much hinges on the success of the Council current savings programme as part of the 2024/25 budget planning round. The Council is aware that it must close the funding gap for 2024/25 of £47.8m (c. 12% of budget), primarily through the delivery of large-scale cost savings. Should it fail to do so, the Chief Finance Officer would have a duty to issue a formal report to councillors under section 114 of the Local Government Act 1988, to the effect that the Council has insufficient resources to meet its expenditure for the forthcoming financial year. We note that with the work that is ongoing and the revision to the available reserves we note that the Chief Executive feels that there is now limited risk of the Council needing to issue a S114 notice in regard to the 2024/25 budget.

The Council is in the process of addressing our key recommendation to strengthen arrangements around financial planning and savings development and needs to deliver a strategy for replenishing reserves to stabilise the overall balance sheet position. We note that to manage the increase in the cost of services there has been continued depletion of reserves throughout 2022 and 2023. However, we also note that the Council has been able to demonstrate a good level of co-operation and engagement between officers and councillors, which will be very important to maintain. We recognise the high level of effort and dedication in seeking to manage the Council's financial pressures that we have seen from Council officers and councillors. The momentum for introducing and enacting a comprehensive savings plan has been maintained following the appointment of the new Chief Executive and S.151 Officer in the summer.

As we issued our key recommendation in July 2023, it is appropriate that the significant weakness in financial sustainability we identified at that point, and the accompanying Key Recommendation remains in place for the current year of audit (2022/23).

Executive summary



Good progress has been made on fulfilling the terms of our key recommendation. However, the Council has had to focus its efforts on shorter term savings options that can be delivered quickly and further developments in the governance of the savings plan and co-ordination with the longer-term transformation programme have not yet been addressed, in addition to a robust solution to rebuilding reserves. We have raised some additional improvement recommendations to further strengthen the Council's financial planning and monitoring processes. In particular, we consider that an enhanced savings development tracker would be a useful addition to the internal monitoring arrangements for 2024/25 savings programme. We also think that savings development would benefit from closer co-operation with the Council's transformation programme. In addition, we recommend that a formal savings challenge process be developed, documented and implemented to properly test and challenge the savings proposals.

In 2021/22, we also reported on the Council's efforts to address the accumulated deficit on its DSG budget. DSG is a ringfenced grant payable to Local Authorities by Government to fund schools and the deficit has arisen due to shortfalls in the funding of young people with 'High Needs'. The Council is participating in the Government's 'Safety Valve' programme which supports the Council with additional funding to help reduce the accumulated deficit, with the Council agreeing to make its own contribution through the use of reserves and savings.

In March 2023 the Department for Education (DfE) raised concerns that the Safety Valve agreement with Kirklees was no longer on track and could not be successful without there being significant changes made. The Council subsequently entered into an Enhanced Monitoring & Support program for its Safety Valve agreement with the intention of formulating a credible plan which works for both parties and ensures the DSG deficit will be eliminated. An opportunity to extend the agreement by one year is being discussed subject to there being no extra funding required from DfE.

The Council's current Safety Valve projections flag that the deficit position is £5.8m adrift so far in 2023/24. On balance, we consider that although the Council's performance on DSG deficit reduction has faltered, the Council has been proactive and is in the process of negotiating a way forward with DfE. We note that slippage on DSG safety valve agreements is a national issue, with a number of councils facing similar challenges. We also note the Council's assertion that DfE are supportive of the measures being taken, including increasing mainstream provision, investing in special school provision, and meeting needs as early as possible.

However, while recognising the mitigating actions being taken by the Council in 2023/24 we now consider the Council's Current DSG deficit position to be a significant weakness for the purposes of our VfM assessment for 2022/23 and we have raised a new key recommendation on this point.

We will continue to monitor the Council's progress over the next few months up to February 2024, which we recognise as a crucial period for the Council's future financial viability.

Key recommendation 1 (Rolled Forward)



Key Recommendation

The councillors and senior officers of the Council must recognise the severity of the Council's medium term financial outlook and the need to take prompt, effective and far-reaching action to restore a sustainable financial position in the medium term. The Council should take the following steps to help this process:

- Review the arrangements for setting savings schemes and monitoring these throughout the financial year to build a greater element of contingency and allowance for slippage. This should include the clear separation of recurrent and one-off savings (e.g. holding staff vacancies) within the savings programme.
- Ensure corporate and councillor oversight and challenge of proposed savings is robust, with responsible managers held to account, to make sure savings are credible, accurately valued, have realistic timing and phasing of delivery, and have been properly assessed for quality impact and risk.
- Ensure corporate and councillor monitoring of savings delivery is sufficiently regular and robust to drive delivery in line with plan and help to develop mitigating actions as soon as possible when delays or risks are met.
- Demonstrate a realistic plan for replenishment of reserves where one-off use is expected to cover budget gaps, to ensure medium term financial plans, demonstrate a realistic prospect of financial sustainability
- Focus financial planning on reducing reliance on one-off measures over the medium term and consider opportunities to review service delivery, particularly in regard to the analysis and prioritisation of statutory vs discretionary spend and modern ways of working (such as early intervention).
- Ensure that savings plans for future years of the MTFs are developed and discussed with councillors as soon as possible to ensure that delivery activities can be started as close to the beginning of the financial year as possible.

Why/impact

The Council's financial position is becoming significantly more challenging due to increased demands and complexity of service provision, along with the impact of inflation and the cost-of-living crisis, combined with workforce pressures. A failure to properly develop and risk assess savings schemes with appropriate contingencies in place will further intensify this pressure. The greatest risk is around the Council's use of reserves in the short to medium term. Reserves are a one-off resource therefore developed plans need to be in place to replenish these or the Council may be forced to curtail non-statutory activities. Whilst this need to build up reserves, has been acknowledged in the most recent MTFs published in September 2023, no active measures appear to have been refined.

Auditor judgement

The Council has not had in place large savings schemes in recent years, so now has a large shift of focus needed in order to achieve planned savings targets to bridge budget gaps. The infancy of the arrangements to develop and monitor savings going forward poses challenges to the Council and it must ensure rigorous monitoring of the position of savings going forward, with key risk assessments and development of mitigating actions on a regular basis. Whilst in 2021/22 the Council's overspend was a marginal £41k, the extremely challenging financial pressures on the budget in 2022/23 and 2023/24 mean that a deficit position appears inevitable without significant use of reserve balances. These two layers of financial risk considered simultaneously present serious concerns with regards to financial sustainability.

Management Comments

The Council acknowledges the severity of its financial position and has put in place arrangements to both deliver a balanced budget in 2023/24, including the delivery of savings, and to develop a range of savings options to reduce its net expenditure to a sustainable level and to replenish its reserves for financial resilience [see Page 13 for further details of these arrangements]. Councillor and cabinet oversight has been strengthened. The Budget Delivery group works closely with the Cabinet and Strategic Directors at the weekly executive board. Quarterly updates are taken to Cabinet and Scrutiny Committee.

Key recommendation 2



Key Recommendation

The Council needs to take action to address the shortfall in the Dedicated Schools Grant (DSG) recovery plan that has been agreed with the Department for Education (DfE).

Why/impact

Action is required to reduce the deficit and remain within the plan agreed with the DfE, to ensure funding is not withdrawn.

Auditor judgement

The Council has an agreed DSG deficit recovery plan in place with the DfE and has received funding on this basis. However, at the end of 2022/23 the Council was behind its agreed recovery plan and in 2023/24 at the end of quarter two, forecasts that it will be £5.8m behind plan. The DfE has raised concerns that the Safety Valve agreement with Kirklees was no longer on track and could not be successful without there being significant changes made. The Council subsequently entered into an Enhanced Monitoring & Support program for its Safety Valve agreement with the intention of formulating a credible plan that will ensure the DSG deficit will be eliminated. An opportunity to extend the agreement by one year is in process of being agreed subject to there being no extra funding required from DfE.

Based on this position we consider that the Council does not have effective arrangements to manage the Dedicated Schools Grant and have identified this as a significant weakness in arrangements.

Management Comments

The Council is working closely with the DfE and its advisors and a revised plan has been submitted for approval. The DfE advisors have acknowledged that nationally many plans are off track due to the demand issues and rising costs in the area. There is robust governance and sequenced plans that have been agreed by DfE are the correct areas of focus to reduce the DSG deficit, however post Covid demand continues to place demand pressures on DSG.

Executive summary (continued)



Governance

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Based on the work performed, review of relevant documentation and conversations with key personnel, we have not identified any evidence that would indicate a potential risk of significant weakness in the governance arrangements within the Council. During the 2022/23 financial year, the Council undertook a review of the current governance structure which was agreed and approved by Council in January 2023. This retained the Cabinet and Leader system of democracy but with recommendations approved to strengthen focus on pre-decision scrutiny. There have also been continued improvements to risk management processes. Our review of the work of the Corporate Governance and Audit Committee (CGAC) has highlighted alignment with CIPFA best practice guidance. This has included the appointment of an independent non-voting member of the Committee to help further bolster the Committee's effectiveness. We have made two improvement recommendations to appoint a further independent member to CGAC and to improve the follow up of internal audit recommendations.



Improving economy, efficiency and effectiveness

We have not identified any significant weaknesses in the Council's arrangements to achieve economy, efficiency and effectiveness in the use of its resources. The performance monitoring arrangements in place provide councillors and the public with sufficient oversight of Council performance. The year-end report highlighted progress against all 9 key delivery areas during 2022/23. The procurement function continues to make improvements both in procurement and in supporting wider improvements in contract management. The Council continues to work closely with partners as is demonstrated by the various partner relationships outlined. These partnerships continue to produce strategies to focus improvement efforts and deliver for local people. The consideration of the impact of future financial decision-making on local organisations and residents will be key looking forward, and maintaining open and transparent communication with partners during this time will also be important. Adult Social Care spend in 2021/22 (latest comparable data available) accounts for 44.1%, and Childrens Social Care 22.5% of total net expenditure (when excluding for public health and education). Increasing social care costs continue to remain a risk for Kirklees, although this is not unique to the Council, and is a key pressure nationally. We have made an improvement recommendation to further improve performance management arrangements.

Acknowledgements

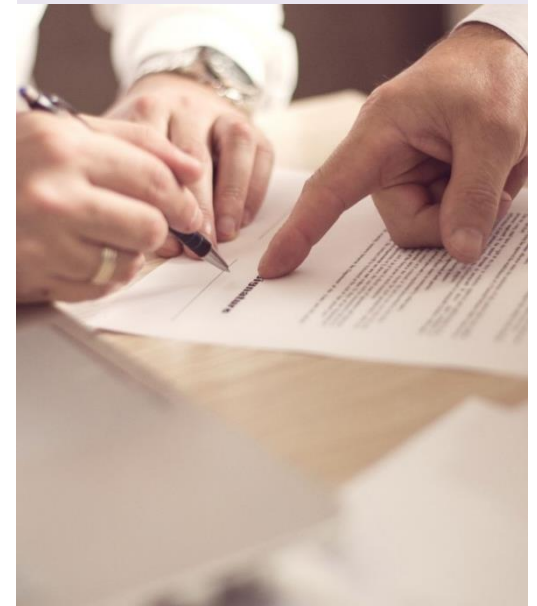
We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Councillors and external stakeholders with whom we have engaged during the course of our review.



Financial Statements opinion

We have completed our audit of your financial statements and we issued an unqualified audit opinion on 07 December 2023.

Our summary findings are set out in further detail on pages 34 to 35.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

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

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview of the Financial Challenge

In our Annual Audit Report for 2021/22 we reported that the Council's future financial sustainability was at risk in the medium term if prompt action is not taken to rebalance the cost of services with the income that is expected to be available over the next 3-5 years. This is challenging in the context of single year government funding settlements which make it difficult to predict future funding pressures.

Prior to 2021/22 the Council had a relatively strong track record of financial and budgetary management. The 2021/22 outturn was a marginal overspend of £41k. The Council has had a number of years in which savings were not at the forefront of councillors' minds. However, following the end of the COVID-19 pandemic. The year 2022 saw financial pressures significantly worsen with inflationary pressures on energy, a pay award that was significantly higher than budgeted and increasing demand for services, particularly Adult Social Care.

In our view, the Council had not reacted sufficiently quickly to develop spending controls, identify sufficient additional savings schemes or other mitigating actions over the summer of 2022 to manage the significant overspend against budget that had developed. It also struggled to incorporate sufficient additional savings schemes into the 2023/24 budget to cover the projected budget gap that was expected to increase over the medium term.

In order to balance the budget for 2022/23 and to bridge the projected funding gap in 2023/24 the Council had to resort to a large draw down on available General Fund reserves across both years. The Council therefore entered the current financial year 2023/24 facing a considerable financial challenge with available uncommitted reserves at dangerously low levels.

The current 2022/23 outturn of a £27m deficit combined with the projected 2023/24 budget deficit of £24.6m within the 2023/24 MTFs, reflected a higher level of reduction in reserves than we consider prudent and has left the Council with limited capacity to absorb further shocks in 2023/24 or beyond. This increases the importance of the 2024/25 budget setting process and the delivery in full of the planned savings for 2023/24, which are fundamental to the Council's ability to set a balanced budget.

Financial control and performance in 2022/23

In June 2023 the Council reported its Q4 outturn for 2022/23 as an overspend of £27m. This was attributed to cost of living pressures and inflationary pressures over and above what had been included in the core financial assumptions.

As a response to the worsening financial situation during the year, the Chief Executive of the Council at that time implemented a number of short-term spending control measures including:

- A short-term freeze on recruitment;
- Reduction in agency staff;
- Rationalising use of Council buildings;
- Increased scrutiny on all new expenditure; and
- Reductions in non-essential expenditure across services.

This was in addition to ongoing work to review in-year demand forecasts, continued exploration of external funding opportunities, ongoing review of fees and charges and a corporate led capital plan review. The Council had also undertaken a review of Earmarked Reserves to optimise the level of reserves available to manage the overspend.

In our view, these were appropriate measures to take, however we note that they were not sufficiently timely or far reaching to prevent a significant overspend at year end reflecting 7.7% of the Council's net revenue budget.

We note that significant overspends occurred across all service directorates, with the largest values occurring in Children and Families and Environment and Climate Change.

Financial sustainability

The most significant drivers of the £27m overspend in 2022/23 included:

- £8.6m cost pressure related to the nationally agreed pay award for Council employees.
- £5.6m of energy inflation including on central budgets, schools and Kirklees Active Leisure (KAL).
- £3.6m Children and Families relating primarily to High Needs, SEND and other Learning services and Family Support services.
- £1.4m on Adults and Health which included home care, residential and nursing placements and self-directed support.
- £2.9m on schools transport
- £3.2m on Highways and street scene, including a £1.1m shortfall on parking income
- £2.6m of other primarily income shortfalls including Schools Catering and Markets

The total overspend partly offset by £4m of corporate budget contingency set aside to cover income shortfalls along with some additional one-off benefits and grants. The Council also made use of £2.9m through the flexible use of capital receipts to fund transformation related activity. These and other measures helped limit the overspend to £27m.

The £27m overspend for the year was funded through the unplanned use of reserves. This unplanned use of reserves added to the planned use of reserves of £27.7m already agreed to help balance the 2022/23 budget. Along with some smaller drawdowns, this contributed to an overall reduction in usable general fund reserves (excluding schools and public health) of £65.8m, a 44% reduction since the start of the year ending 31 March 2023. We look at the consequences of this for financial resilience in the following sections.

Financial planning and performance to date in 2023/24

The Council set its 2023/24 budget in February 2023 and at the same time, revised its MTFS. This included the planned use of general fund reserves of £24.6m and savings in year of £18.6m. In the first half of 2023/24 a further challenging budget overspend has emerged. At Q1 this was forecast to be £20.3m by year end, however by Q2 this had improved to a forecast £16.1m overspend at year end. This reflects the impact of the additional grant funding for social care, emergency budgetary controls currently operating and measures such as the holding of staff vacancies. As had been the case in 2022/23 the overspends have occurred across all directorates. The most significant areas of overspend in 2022/23 and include:

- £5.3m in Children and families – including pressure on demand and unit cost for external placements, the disability service and looked after children.
- £2.2m in Adults and Health – including demand and unit cost inflation for home care and self-directed support.
- £2.7m Growth and Regeneration - across transport repair costs, waste, income shortfalls on parking and planning and increased staffing costs.
- £4m Corporate Strategy, Commissioning and Public Health – where spending on homelessness that is not supported by housing benefit subsidy is the main pressure.
- £1.9 Central budgets – primarily due to the increased cost of debt.

The forecast overspend in 2023/24 is being closely monitored and efforts are being made to continue the improved trajectory seen since Q1. Approximately £19m of savings have been delivered within the budget, slightly ahead of the original target. However, at present, the remaining £16.1m forecast overspend will again need to be funded from core unallocated reserves.

Taken together with the planned use of earmarked reserves and the anticipated drawdown on general unallocated reserves for 2023/24 of £24.6m, that was agreed in the budget, reserves currently available to fund future unplanned pressures are currently forecast to reduce to £35m by year end, including the £15m minimum working balance. This would reflect a 76% reduction in usable reserves since 1 April 2022.

Financial sustainability

Short and medium term financial planning

The Council produced a revised MTFS alongside its annual budget in March 2023. This set out a projected funding gap for 2023/24 of £43.2m rising to £71.4m by 2027/28. This position assumed that there would be no further draw down of reserves and that the funding gap would be closed by savings, with up to £40.6m of savings proposals already identified for delivery over the MTFS period.

We looked at the underpinning assumptions around funding and cost inflation and found these to be reasonable. Business rates income is assumed to recover to pre-pandemic levels, with a 97.4% collection rate. Funding for 2023/24 assumes a 4.99% Council Tax rise. The majority of other funding envisaged for 2023/24 prudently assume these to be at the same level as achieved during 2022/23. However, the significant overspends incurred in both 2022/23 and 2023/24 indicate that the financial planning assumptions have been overly optimistic in relation to the Council ability to control costs. We note that the overspends are specific to particular areas of service across the directorates – for example in regard to social care demand and unit costs, and other areas such as rising transport maintenance costs for an aging fleet of vehicles. For 2023/24 the pay-award was budgeted at 6%, which concluded as being 6.2%, equating to an estimated £1.2m adverse variance. This gap for the next year ahead could widen depending on what is agreed with the Unions and adds more pressure to the Council to seek new areas of savings. It can be argued that 2022/23 was exceptional in regard to inflationary pressures and would have been difficult to predict. While still the case to an extent, this argument is less justifiable moving into 2023/24. Although challenging to action in the Council's current financial predicament, it is important that the Council guards against optimism bias in its financial planning assumptions in the 2025/26 budget planning round and builds in sufficiently prudent mitigations to avoid such large unplanned overspends in the future years of the MTFS.

In September 2023, the Council produced an updated MTFS in its Budget Strategy update which extended the planning horizon to five years up to 2027/28. The new MTFS reflected significant revisions following a fundamental review by the new Director of Finance. The funding gap was increased in the early years to £47.8m in 2024/25 but then reduced slightly in later years from the previous iteration (£59m in 2027/28 and £57.9m in 2028/29). The September MTFS also gave approval for increasing fees and charges and early delivery of 2024/25 savings which had been agreed up to March 2023. The MTFS paper presented a more detailed analysis of the assumptions and risks than had been the case previously. The additional narrative and analysis provides a useful basis for councillors and the public to be able to fully understand and engage with the Council's future financial agenda.



Financial sustainability

Bridging the fundings gap - the savings programme

In order to close the forecast funding gap over the MTFS period, the Council is wholly reliant on an ambitious savings programme to strip sufficient cost from the 2024/25 budget and generating additional income to enable it to be balanced in line with statutory responsibilities. With regard to the Council's track record on savings, we note that the target for current year is £19.8m with £19.2m of this considered achievable by year end. There is some risk contained within this. However, in general the Council is confident that the planned savings can be delivered to a tolerable level of completion by the year end.

The Council has been introducing cost saving and income generating proposals for 2024/25 through individual Cabinet papers throughout the year. For example, a paper on a revised Leisure Centre Offer in September 2023 and car parking tariffs and charges went to Cabinet in November 2023. Our discussions with officers indicates that approximately £36m of savings proposals have been added to the pipeline and are currently being worked up into fully risk assessed proposals. Whilst schemes are at varying stages of development, we can see that progress is being made. For example, the capital savings review is likely to render £3m of savings and other proposals that have gone to Cabinet for decision include the closure of care homes and leisure centre subsidy. The remaining gap of £10m is expected to be closed on a one-off basis by a rebate from the West Yorkshire Combined Authority for the purposes of balancing the 2024/25 budget.

	2023/24	2024/25
Planned savings	£19.8m	£37.0m
Planned savings as a % of income	5%	10%

It is of vital importance that the Council continues to make progress on the savings programme for 2024/25. This will undoubtedly require some difficult decisions to be made on services. The level of savings required to balance the 2024/25 budget is in our view very high at almost 10% of the net service budget. At the date of this report we can see that good progress has been made, however the next few weeks and months will be crucial to the Council's future financial sustainability, as it now has very little scope to use reserves to close the gap, especially in the context of the significant forecast overspend for 2023/24. We note that the Council has had to focus its efforts on shorter term savings options that can be delivered quickly and co-ordination with the longer-term transformation programme has not been a key focus. We think that the Council would benefit from realigning savings development with a revitalised and re-focused longer term transformation programme, building on the arrangements already in place.

The Council needs to be equipped to challenge savings plans robustly for deliverability. Currently, savings development for 2024/25 is not being formally reported in terms of assessment for risk. We think that the introduction of an enhanced savings development tracker would be a useful addition to the internal monitoring arrangements, including a RAG (red amber green) rating or similar system that also captures the results of the corporate challenge process and mitigating actions. This should enable effective peer challenge and encourage the development of additional headroom in the plan to manage slippage.

In addition, we recommend that a formal savings challenge process be embedded, documented and implemented to properly test and challenge the savings proposals to ensure that the timing of delivery and true financial impact can be properly assessed and project-managed. This will help the Council to avoid optimism bias that results in it relying on savings plans that are found to be undeliverable later down the line. This challenge process should ensure that there is sufficient headroom to absorb any potential for slippage identified by the process or that other mitigating strategies are in place – such as alternative short-term savings plans.

Financial sustainability

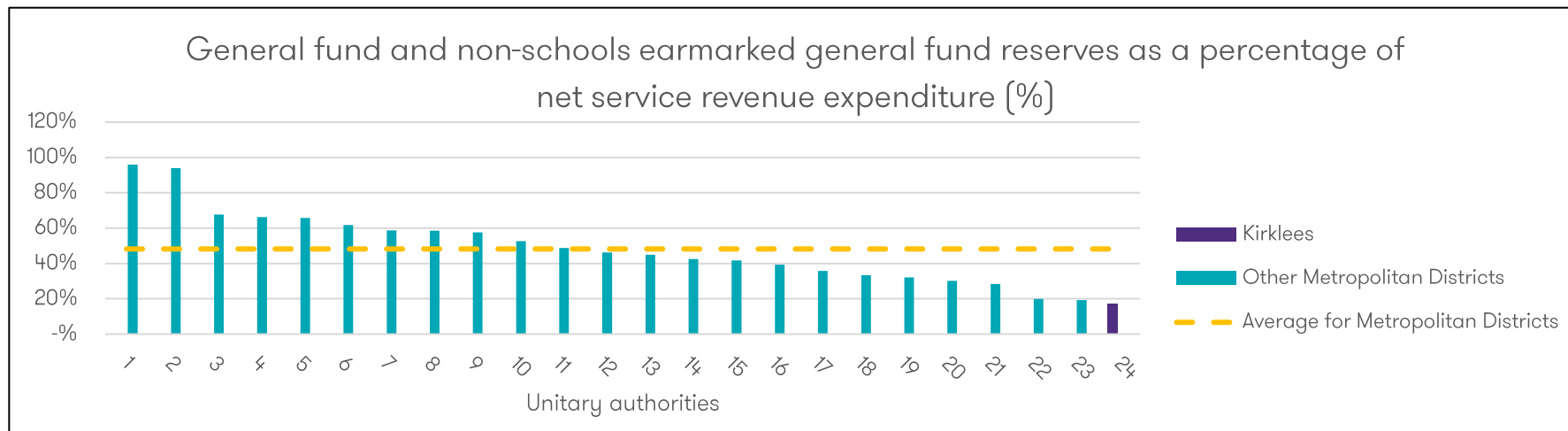
Councillor engagement

We note from discussion with Cabinet members and officers that there is an ongoing discussion on savings for 2024/25 and beyond that is not yet complete. We observe that councillors have recognised the importance of the savings programme to the future of the Council and are effectively engaged with officers in addressing the issues. It is of vital importance that the constructive and proactive nature of these discussions continues and that officers and councillors continue to work together on restoring financial sustainability to the Council. We note that the new Chief Executive and Leader are in the process of reforming a cross party budget working group to support this.

Managing financial resilience - Reserves

As noted in our 2022/23 report and earlier in this report, the Council is now in a precarious position in regard to the level of available reserves. Over the last 2 years the Council’s usable general fund and earmarked reserves have reduced by approximately 76% and are projected to stand at only £35m by the end of 2023/24. Within this, a minimum of £15m must be maintained in order for the Council to remain financially sustainable according to the Council policies. Of the remainder, a significant proportion is earmarked for specific purposes and may not be available for use to cover unplanned spend or unfulfilled savings targets. It remains critical that the Council delivers a medium-term strategy to rebuild reserves to a safer level.

Using data available from local authority financial statements for 2022/23, we have compared Kirklees Council’s general fund and non-schools earmarked reserves to other metropolitan districts. Kirklees own general fund reserves at the end of 2022/23 accounted for 17% of its net cost of services, and therefore the Council shows as having the lowest level of reserves compared to other similar councils. Low levels of reserves mean that the Council is more exposed to the risk that unplanned cost pressures become unaffordable. The further significant reduction in reserves planned for 2023/24 and the need to cover the cost of the overspend in the current year, means that the Council’s position is likely to further worsen in comparison to its peers by the end of 2023/24.



1: Data is sourced directly from Local Authority draft Statement of Accounts for 2022/23 published on Council websites as of September 2023. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all Local Authorities due to some delays in publications.

Financial sustainability

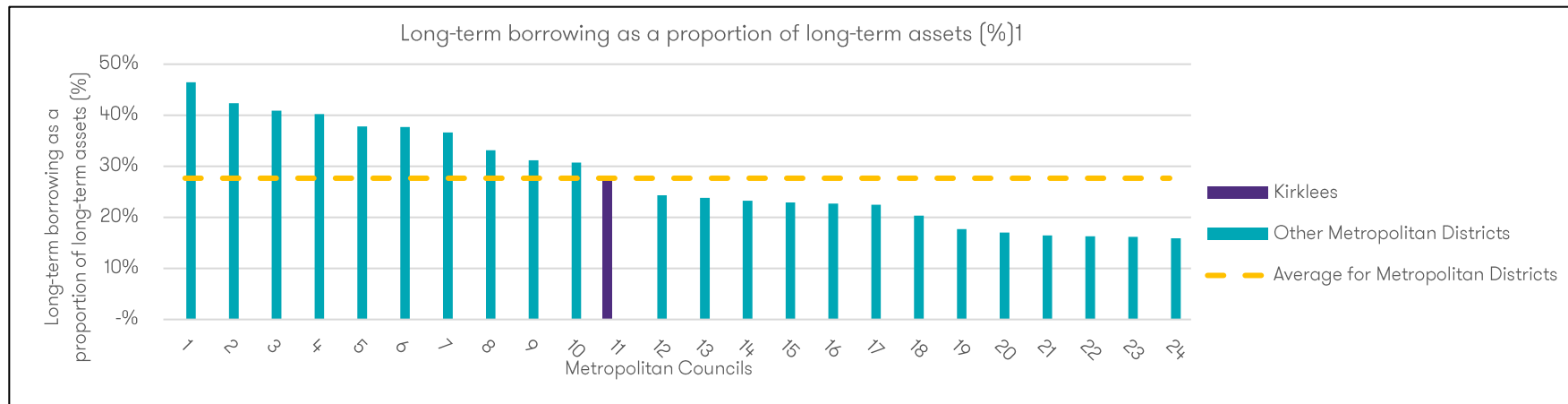
Other areas of financial performance (Capital and HRA)

The Council underspent on its revised Capital budget for 2022/23 by £33.1m on a total budget of £179.3m, meaning that 82% of the budget was delivered. We note that the Council has been working to revise down the capital budget in year in order to reduce the revenue impact of the cost of borrowing. However, the Council did continue to invest in programmes that it considered important for the future of the Borough, especially where work was already underway and there were contractual commitments to proceed. The key variance was in regard to 'Sustainable Economy' badged projects including Cultural Heart (where the gateway 3 process had been pushed back), Huddersfield Town Centre Action plan and Dewsbury Town Centre. There were also underspends in Highways and Landlord asset management, partly attributable to shortages of materials and capacity. While not ideal, the level of slippage has been contained and is in the context of the Council's efforts to reduce or defer borrowing costs.

The Council has been able to manage pressures in the HRA, delivering relatively a modest deficit in 2022/23. HRA financial sustainability is a national issue at present due to the need to comply with legislation on fire safety and damp and mould, and the need to meet the standards set by the housing regulator. In 2022/23 the HRA delivered a deficit of £1.7m after the use of £4.5m from the HRA reserve. The slippage was primarily driven by higher than expected repairs and maintenance costs and a decision to fund a greater proportion of the capital programme from revenue. HRA reserve levels remain relatively healthy (£44.4m as presented in the Q4 outturn report for 2023/24).

Borrowing

The Council benchmarks at the average for its level of borrowing, although there is some scope to reduce this to help reduce revenue financing costs, which is a consideration within the current savings programme, as set out below. The higher that levels of borrowing are relative to long-term assets, the more risk this poses to a local authority. This is not a significant area of concern for Kirklees, at the moment, however as interest rates have risen, the cost of borrowing has continued to increase. Therefore, this should be an area the Council continues to keep under consideration due to the impact on both revenue and capital spend.



1: Data is sourced directly from Local Authority draft Statement of Accounts for 2022/23 published on Council websites as of September 2023. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all Local Authorities due to some delays in publications.

Financial sustainability

Dedicated Schools Grant (DSG) deficit – Monitoring & Support program

We note that the Council has been managing an accumulated deficit on the Dedicated Schools Grant (DSG) budget. DSG is a ringfenced grant payable to Local Authorities by Government through the Department for Education (DfE) for the funding of both maintained schools and academies. Due to shortfalls in the funding of support services provided to young people categorised as ‘High Needs’ the Council has accumulated a deficit on its DSG budget. The Council is participating in the Government’s ‘Safety Valve’ programme which supports the Council with additional funding to help reduce the accumulated deficit with the Council agreeing to make its own contribution through the use of reserves and savings. An initial £13.5m was awarded in 2021/22 with the balance of agreed £20m government funding contribution to the Council’s DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target. Quarterly reports are submitted to the Education and Skills Funding Agency (ESFA) Safety Valve team to highlight the progress towards the safety valve planned position and the management plan also allows for some flexibility to review spend and funding profiles over its lifetime. It is noted that the original agreement with DfE aims to bring back into balance the annual budget to reduce the historic deficit to nil, the Council will receive funding of £33.5m over 5-years before 2026/27.

In March 2023 the Department for Education (DfE) raised concerns that the Safety Valve agreement with Kirklees was no longer on track and could not be successful without there being significant changes made. The estimated DSG deficit for 2022-23 declared was £28.9m against a target of £19m. Kirklees Council subsequently entered into an Enhanced Monitoring & Support program for its Safety Valve agreement with the intention of formulating a credible plan which works for both parties and ensures the DSG deficit will be eliminated. An opportunity to extend the agreement by one year is in process of being agreed subject to there being no extra funding required from DfE.

The DfE has recently raised further concerns around the timeliness and backlog of Education, Health and Care (EHC) needs’ assessments, the accuracy of some data capture and submissions. Following on from these detailed discussions with the DfE, at the end of September 2023, Kirklees Council committed to providing feedback and submission of revised plans. There is acknowledgement that the Council’s plans are ambitious but should allow them to achieve a positive outcome.

The Special Educational Needs and Disabilities (SEND) transformation programme is well advanced and progressing as intended, and a statement has been issued stipulating no additional funding will be requested from the DfE. However, the Council’s current Safety Valve projections flag that the deficit position is £5.8m adrift so far in 2023/24 and the risk that future Safety Valve funding is not forthcoming is already included on the Corporate risk register, with a Cabinet paper being drafted for Nov 2023 to bring councillors up to date. We also note that the planned use of reserves is included in part of the Safety Valve Management Plan which commits £10.75m of Council reserves to the reduction of the DSG Deficit with £8.6m of this being contributed in 2025/26.

Notwithstanding these matters, the Council considers that its historic deficit can be cleared by 2027/28 but this assumes a one-year extension to the arrangement is given. On balance, we consider that although the Council’s performance on DSG deficit reduction has faltered, the Council has been proactive and is in the process of negotiating a way forward with DfE. However, we now consider the Council’s Current DSG deficit position to be a significant risk for the purposes of our VfM assessment.

Conclusion

Since we last reported to the Council on Financial Sustainability in July 2023 the Council has made good progress in addressing the significant financial challenge it faces. However, our work indicates that the Council’s future financial stability continues to be at risk in the short and medium term with a highly challenging savings plan target for 2024/25 currently being developed in order to enable the Council to meet its statutory obligation to set a balanced budget for 2024/25. The Council is working hard to resolve the financial challenges and is aware that should it fail to achieve this through the delivery of large-scale cost savings, the Chief Finance Officer will be required to issue a formal report to councillors under section 114 of the Local Government Act 1988, to the effect that the Council has insufficient resources to meet its expenditure for the forthcoming financial year. The Council is in the process of addressing our key recommendation to strengthen arrangements around financial planning and savings development and needs to deliver a strategy for replenishing reserves to stabilise the overall position. We note that to manage the increase in the cost of services there has been continued depletion of reserves throughout 2022 and 2023. However, we also note that the Council has been able to demonstrate a good level of co-operation and engagement between officers and councillors which will be very important to maintain.

Improvement recommendation 1

Improvement Recommendation 1

A formal savings challenge process should be developed, documented and implemented to properly test and challenge the savings proposals to ensure that the timing of delivery and true financial impact can be properly assessed and project managed.


Improvement opportunity identified

This will help the Council to avoid optimism bias and placing reliance on savings plans that are found to be undeliverable later down the line. This should incorporate a process for ensuring that there is sufficient headroom to absorb any potential for slippage identified by the process or that other mitigating strategies are in place – such as alternative short-term savings plans.

Summary findings

It is of vital importance that the Council continues to make progress on the savings programme for 2024/25. This will undoubtedly require some difficult decisions to be made on services. The level of savings required to balance the 2024/25 budget is in our view very high at almost 10% of the net service budget. At the date of this report we can see that good progress has been made, however the next few weeks and months will be crucial to the Council's future financial sustainability, as it now has very little scope to use reserves to close the gap, especially in the context of the significant forecast overspend for 2023/24.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has identified a weakness in arrangements which we do not consider to be significant but we have raised a recommendation to support management in making appropriate improvements.

Management comments

The development of savings for 2024/25 has been worked on since March 2023 and following agreement of the MTFs in September 2023 is also starting some early deliver such as leisure centre's, care homes and parking charges. The Council does have a Budget Delivery Group which is regularly discussed at Cabinet.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation 2

Improvement Recommendation 2

The Council should develop an enhanced savings development tracker that used RAG ratings or similar means to capture the level of risk associated with the delivery of savings.


Improvement opportunity identified

We consider that a formal savings development tracker would be a useful addition to the internal monitoring arrangements for 2024/25 savings programme, including a RAG (red amber green) rating that also captures the results of the corporate challenge process and mitigating actions. This should enable effective peer challenge and encourage the development of additional headroom in the plan to manage slippage.

Summary findings

Currently, the Council's £37m savings programme is being developed through informal means and communicated in the form of slide decks. We have had verbal assurance that a spreadsheet of opportunities is being maintained and used, however as the Council enters a crucial phase of development we consider a more formalised tracker used for internal communication and possibly summarised for Cabinet would be a useful addition.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has identified a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council already reports on savings to Cabinet. This can be reviewed to consider how this can be enhanced with the quarterly monitoring reports.

Improvement recommendation 3

Improvement Recommendation 3

The Council should ensure that the ongoing Transformation programme is properly integrated with and supports the short-term budget saving development process.

Identified significant weakness in arrangements

The validation of savings and opportunities sought does not refer-back to what has previously been identified within the transformation remit. Tactical savings sought have potential of being subsumed within the transformation process without going through the same validation process being managed by the Finance function.

Summary findings

We note that the Council has had to focus its efforts on shorter term savings options that can be delivered quickly and co-ordination with the longer-term transformation programme has not been a key focus. We think that the Council would benefit from realigning savings development with a revitalised and re-focused longer term transformation programme, building on the arrangements already in place.

Criteria impacted by the significant weakness



Financial sustainability

Auditor judgement

Our work has identified a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed - the Council has kept track of both short term and long-term savings and will need to make sure all savings and mitigations are considered.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management

The Council has a risk management system in place, which at the corporate level shows clear documentation and discussion of risks. The risk management arrangements incorporate service and directorate risk registers, which are informed by an assessment of the key risks impacting each area. The corporate risk register was reviewed by Cabinet during 2022/23.

At corporate level, the Council documents its risks through a risk register, which applies a risk score both before and after mitigations measures, enabling the Council to manage the risk and act where necessary. The assessment and scoring of the risks is based on the likelihood of the risk being realised and the impact it would have. This document ensures that the Council recognises the role that risk management has in delivering services.

The risk management process within the Council, if fully utilised, clearly sets out the risk owner and strategy in a clear and detailed format, providing councillors and officers with sufficient and appropriate detail. Reporting includes relevant management actions, control opportunities and trends in a digestible format for corporate level risks.

The Council has a structure in place to manage risks, but there is a lack of consistency for risk management at individual directorate level. More regular discussions and increased awareness of risk is needed across the Council to ensure risk management is fully embedded. We raised this as an improvement recommendation in the previous year.

There is no specific bespoke risk management tool in place within Kirklees, as this is still managed through the use of spreadsheets. Whilst this is acceptable if used effectively, embedding risk management across the organisation may be easier with the use of a specific risk management tool which remains live and available for accountable officers. The Authority needs to continue focussing on embedding a risk management culture throughout the organisation as currently risk management is not prioritised.

Internal control

The Council has a team of internal auditors, led by the Head of Risk and Internal Audit, that provides assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit Plan is agreed with management at the start of the financial year and is reviewed by the Corporate Governance and Audit Committee (CGAC) prior to final approval. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. For 2023/24 the Council has adopted 6-monthly, rather than annual Internal Audit plans to be able to adapt better to the needs of the Council.

As with many public internal audit teams, available people-resource continues to be a challenge. Despite this, the team was able to complete 57 out of the 85 planned reviews in 2022/23 alongside 10 unplanned pieces. This was an increase on the 47 total planned and unplanned pieces of work in 2021/2. Internal audit was also involved in updates to Contract and Financial Procedure Rules.

The service underwent an external assessment during 2022/23 which concluded that the service “generally conforms” to the Public Sector Internal Audit Standards (PSIAS), building on the internal assessment which took place in 2021/22. This did highlight that reporting requirements could be improved, which the Council is currently undertaking. Our discussions with the Head of Internal Audit highlighted that follow-up on previous internal audit recommendations continues to highlight slow progress on implementation. The Council needs to ensure continued emphasis on actioning internal audit recommendations in a timely manner. Failure to address this opens the organisation up to continued risk. Future reporting to the CGAC should emphasise progress against follow up recommendations so that councillors are aware and can insist on officers' attendance to explain the reasons for slow progress, where necessary.

Governance

Investigation of fraud and corruption

We consider that there are adequate arrangements in place in respect to the prevention and detection of fraud. The Council's constitution, code and conduct and whistleblowing policy specifically outline the Council's commitment to identifying and preventing fraud and corruption. Furthermore, employees must observe the employee handbook which includes fraud and corruption items, setting out learning on best practice examples and remedies.

From discussions with Internal Audit, it was apparent that within 2022/23 there were capacity issues within the team. The team did attempt recruitment of a fraud specialist, however, given the current market, was not successful in finding the correct candidate. Instead, the team recruited a general role that could undertake anti-fraud activities.

From April 2022, Internal Audit and Risk Service took full responsibility for fraud investigation and management of the fraud team from the Welfare and Exchequer Service. The initial focus was on customer fraud with the establishment of a fraud risk panel. There were a number of positive outcomes in relation to right to buy refusals, and tenancy recoveries were achieved, as well as the pursuit of people misusing blue badges. One case of abuse of the COVID-19 grant scheme resulted in a criminal conviction. There is also regular quarterly reporting to the Corporate Governance and Audit Committee in relation to the fraud work that is being carried out. The Council should ensure it builds a Fraud Strategy and associated Fraud Action Plan which aligns with this and takes into consideration the change in responsibility for fraud work from the Welfare & Exchange Team to the Risk Service areas. This was raised as an improvement recommendation in our 2021/22 work.

Corporate Governance and Audit Committee (CGAC) effectiveness

The purpose of the Corporate Governance & Audit Committee (CGAC) is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Council. The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. There is a general consensus in the Council that the Committee functions well and provides the Council with a sufficient level of support and scrutiny. It remains important that the CGAC does not become overly political.

There are no statutory requirements that determine the composition of audit committees. The CGAC at Kirklees is comprised of nine councillors. CIPFA's recommendation in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight Audit Committee members which the Council only just exceeds. CIPFA recognises that committees of this size should allow sufficient breadth of experience but is small enough to allow the development of a dedicated group.

During 2022/23, the Committee appointed a non-voting independent member. CIPFA guidance and the Redmond Review (2020) recommend the Committee includes two co-opted independent members. We recommend that the Council considers the merits of appointing a second appropriately qualified independent member to the CGAC. The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle. To accommodate this the Council could consider reducing the number of councillors on the Committee. We note that attendance for the meetings has been consistently high and there is representation from each of the political parties. There were 10 meetings during the year, which is more than CIPFA's recommended minimum of 4, with reports from internal audit, external audit, financial statements, annual governance statement and risk management. The Committee also reviewed the recommendations made around the proposed changes in Council governance. The Committee has asked for attendance from key officers throughout the year to present on specific areas such as IT audit controls.

Council decision making and oversight

Within the Council, arrangements are in place to ensure that all relevant information is provided to decision makers before making major decisions. Directors commission heads of service and their teams to produce reports related to the major decision, which are supported where necessary by professional experts. Draft proposals are reviewed by the responsible directorate senior leader teams. All investment decisions within the Council are assessed and approved internally prior to the revenue or capital allocations provided, through the annual budget, which is then signed off by Cabinet. This system allows for segregation of duties regarding financial decisions and enables for healthy deliberation and challenge to be incorporated into the decision-making process.

Governance

The Council's decision-making arrangements are established in the Council's constitution, which is publicly available on the Council's website. Decisions are either made by councillors (Council, cabinet or other decision-making committees) or delegated to Cabinet portfolio leads, or officers. Prior to decision making, the relevant scrutiny committee will provide evidence-based recommendations regarding a decision, which provides effective review as part of the decision and policy making process. These committees have oversight of the key services lines (Health and Adults Social Care, Children, Economy and Neighbourhoods, Corporate), and have an ad hoc function to carry out focussed reviews in order to influence the policies and decisions made by the Council in delivery of public services. The key principles are to proactively and constructively provide 'critical friend' challenge and maximise the use of pre decision scrutiny to influence important decisions before they are made.

During the 2022/23 financial year there was a review of committee structures by the Democracy Commission, with changes approved by the Corporate Governance & Audit Committee (CGAC) in December 2022 and by Full Council in January 2023. The Cabinet and Leader model of governance has been retained, with a number of recommendations to be implemented throughout the 2023/24 year. Following this a review of progress is set for March 2024. The model has a focus on pre-decision scrutiny and training in order to build effective working arrangements between officers and councillors. During 2022/23 the Scrutiny Committee and Panels were also reviewed with revisions at Council in May 2023. This included some changes to focus areas for more effective working.

Budget planning and monitoring

The annual budget setting process at the Council is lead by the Service Director – Finance (s151 Officer) who engages with the Executive Team at numerous staging posts during the budget process. Leadership Management Team (LMT) are also engaged by s151 officer at various points during the process along with discreet Scrutiny sessions. We note that the financial planning process has been further strengthened during 2023/24 including an earlier starting point.

The Council's annual budget for 2023/24 was approved at Budget Council in [March 2023](#), which is also informed by the current approved Council plan to March 2023. This allows for the Council to incorporate both financial and strategic outcomes in its reporting function.

Once the annual budget has been agreed, the financial performance monitoring reports of the Council are presented to senior managers, councillors and Cabinet for approval on a quarterly basis. This enables appropriate scrutiny and oversight of financial performance and any spending pressures that may arise.

Budget performance for revenue and capital is reviewed monthly at director level and by the executive team, with portfolio holders receiving regular updates. Formal budget monitoring reports are taken to Cabinet on a quarterly basis. We note that the level of analysis provided in 2022/23 Q4 and 2023/24 reporting has been extensive, which is appropriate to enable councillors to be fully informed of the latest position. We have covered the effectiveness of the process in addressing the Councils financial challenges earlier in this report under Financial Sustainability.

Gifts, hospitality and declaration of interests

A gifts and hospitality policy is set out in the Council's constitution which provides a clear summary of the Council's policy on how officers should handle gifts and hospitality. It was noted however that within our previous two Value for Money assessments, declarations of interest of councillors are not readily available for public inspection within the Council's website. This is still the case, and the Council should update the documents in a timely manner, as it may obstruct accountability and hinder public inspection both of which are important governance principles for local authorities.

Conclusion

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Based on the work performed, review of relevant documentation and conversations with key personnel in the Council, we have not identified any evidence that would indicate a potential risk of significant weakness in the governance arrangements within the Council.

Improvement recommendation 4

Improvement Recommendation 4

The Council should consider the merits of appointing one additional appropriately qualified independent councillor to the Corporate Governance & Audit Committee (CGAC).

Improvement opportunity identified

The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle.

Summary findings

There is currently only one independent member on Kirklees Council's Corporate Governance & Audit Committee. CIPFA guidance and the Redmond Review (2020) recommend the Committee includes two-coopted independent members.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed - we will consider the merits and work with the Committee.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation 5

Improvement Recommendation 5

The Council should review the arrangements for implementation and follow up of improvement recommendations.

Improvement opportunity identified

Improvements to the tracking and reporting of internal audit recommendations will help to ensure best value obtained from the work of the internal audit team. By regularly reporting progress to the CGAC this will help to improve management accountability and improve implementation in appropriate timescales.

Summary findings

The service underwent an external assessment during 2022/23 which concluded that the service “generally conforms” to the Public Sector Internal Audit Standards (PSIAS), building on the internal assessment which took place in 2021/22. This did highlight that reporting requirements could be improved, which the Council is currently undertaking. Our discussions with the Head of Internal Audit highlighted that follow-ups on previous internal audit recommendations continues to highlight slow progress, however this was not evident from our review of reports. The Council needs to ensure continued emphasis on actioning internal audit recommendations in a timely manner. Otherwise, this opens the organisation up to continued risk. Future reporting to the CGAC should also emphasise progress against follow up recommendations so that councillors are aware and can insist on officers' attendance to explain the reasons for slow progress, where necessary.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements. There is limited evidence of progress against internal improvement recommendations, however our discussions with internal audit have highlighted that this is not consistent and more emphasis is needed to improve implementation progress.

Management comments

Agreed - regular monitoring of audit recommendations is considered crucial.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

The Council Plan outlines the Council's vision, priorities and values, and it is against these that the Council manages performance against desired outcomes. During the previous financial year, the plan was updated which saw the addition of a new shared outcome, 'Shaped by People'. This was developed in conjunction with directorates, councillors and citizens. Within 2022/23 there were various achievements against this including the implementation of the Democracy Friendly Schools programme as well as marked improvement in the call answering rate from the public to the Council's customer service functions.

Performance is reviewed by Cabinet on a biannual basis, via production of a mid-year and year-end performance report. These outline progress against each of the outcomes and summarise key successes and risks for each. The year-end report highlighted progress against all 9 key delivery areas with clear and concise KPIs against each of the areas enabling quick and easy identification of progress.

In the previous few years, the Council has shifted its focus to outcomes in order to drive performance reporting throughout the organisation. Each report begins with key highlights and throughout focusses on areas where the Council is having success and where the key challenges and risks lie, under each of the Council's shared outcomes. This is welcomed and has been continued in 2022/23. We consider there could be further use of data and intelligence and the Council has recognised this with a Data and Insight Strategy, which is currently being implemented and will help to ensure organisational wide consistency.

The current Council Plan was approved in July 2023 and will run until January 2024. It has 4 key areas: 'Our recovery, Our approach, Council priorities and Our vision'. Within the plan there is clear definitions against each of the 4 areas. The 'Our recovery' area makes it clear that Kirklees' focus is regaining financial sustainability improving the transparency between the Council and residents on the difficult challenges the Council is currently facing. It was highlighted during our review that the Council Plan was not established first in order to develop the budget based on these priorities, due to the challenging financial position, but a new Council Plan is under development to ensure a priority-led approach to budgeting in future.

Overall, performance management within the Council is clear, concise and enables scrutiny with officers and councillors. This could be improved with more effective use of data and insights, which has been recognised by the Council, and is an area it is working through overseen by the Modern Organisation Board. In prior years we have also raised that the Council should consider whether bi-annual reporting provides Cabinet with sufficient information in a manner which allows for timely enough action.

Improving economy, efficiency and effectiveness

Procurement and contract management

Procurement and robust contract management are two key management functions that local authorities can use to help ensure value for money in the way that public money is spent. Kirklees Council has been working on embedding improvements in procurement and contract management practices by focussing on a 'Back to Basics' approach. This has included a rollout of training across the Council.

The Council updated its Procurement Strategy and Social Value Policy during the year, which was agreed by Cabinet in November 2022, supported by updated Contract Procedure Rules dated [May 2023](#).

Whilst for larger procurements, procurement plans have always been built, this is now in place for all new procurements to ensure ownership at service levels and to provide information to Heads of Services on the options considered, the timescales and officers involved.

Contract management is an area where there continues to be inconsistency across the Council. This was coupled with limited visibility and assurance over all activity. However, this has been identified by the Council and discussed at Executive Team meetings. Therefore, there are now actions underway to bring about improvements in this area. For example, the Contract Assurance Board is now in place which requires officers to attend to explain the specific contracts where there are concerns around contract management practice or large variations in the contracted spend requested. This also helps to raise awareness on issues more widely and is viewed within the Council as beginning to make small but appreciated impacts.

Additionally, the procurement team has built in an additional step in the handover process. This means when a contract is formally handed over to the contract manager within the directorate, they are provided with clear information dependent on the type of contract which includes the value, extensions, key performance indicators, the expected social value commitments and contract manager responsibilities. Procurement officers are also insisting that contract managers are named before the procurement process begins, so they can handover in a timely manner.

Looking forwards, the Council will be conducting a contract management health check driven by directors and Heads of Service and working with internal audit to look at spend compared to the contract register (for contracts over £10k), in order to understand if any contracts are more expensive than expectations. This will help to provide assurance to management that contracts are driving value for money. Given the concerns regarding the Council's financial position, tight control on expenditure is critical. A lack of control over contract management practices could result in increased costs as contract managers responsible for variations to prices and costs do not have appropriate expertise or support to ensure that they are securing best value for money.

The Council is also signed up to the Government's Continuous Commercial Improvement Assessment Framework (CCIAF) and has been making use of the resources available. The playbooks and training are being used to identify where procurement practices and processes could be improved or run differently.

Improving economy, efficiency and effectiveness

Core Services - Waste

Due to media attention around a comparatively expensive recycling service within the Council, we looked at some of the challenges faced by the Waste Management directorate. The Private Finance Initiative (PFI) program for waste services was approaching the end of its 25-year contract in 2023, which prompted an initial assessment by the Council team to develop a variation to extend the contract for two more years up to 2025 while options for the future of the service were considered. This was approved by a review panel of experienced offices within the directorate and support services. While the Council had started preparing for the PFI re-procurement several years ago, external challenges, including the impact of COVID-19 and the uncertainty in the market, prevented it from going to market at an earlier stage and therefore the extension has been a sensible step to ensure service continuity while the next steps are considered. The Council is continuing to manage performance issues in this area which had previously suffered from recruitment challenges during 2022/23, and we note have now largely been resolved. Plans are now in place to achieve savings, focusing on reducing subsidies, rationalizing centres, and collaborating with re-use partners while a longer-term solution is found.



Core Services - Adult and Children's Social Care

Our conversations with Children's Social Care indicate that the relatively low benchmarked unit cost of the service was driven by changes made in response to the Inadequate Ofsted finding in 2016. A commissioner was previously brought in and a formal partnership developed with Leeds City Council to aid improvement. In 2019 the service was found to no longer be inadequate. One of the main strategies which has helped to reduce costs is to move away from reliance on an agency workforce and there are now very limited numbers of agency workers in Kirklees Children's Services. In addition, there has been increased investment in early help and family support prevention strategies, which has been successful in managing to keep children and young people out of the care system where appropriate and beneficial. However, in 2022/23 and 2023/24 we have seen cost pressures starting to push up the cost of the service, although it remains relatively efficient in comparison to other Councils. We note that the Council has previously had lower levels of looked after Children than its peers, but this is now adding to the cost pressures as demand gradually increases, although still at a comparatively low level. This includes relatively low levels of external placements. However due to the national shortage of places and rapid increase in private provider costs, cost pressures are being driven by a small number of additional placements. The service is continuing to work on managing demand and unit costs through additional controls and managing demand pressures.

In regard to Adult Social Care, although a relatively high-cost service in terms of benchmarking this is reflective of the level of demand and the local provider market. With regard to financial performance, the service has generally been well managed with a relatively small overspend in 2022/23 (approximately 1%) and a small overspend also forecast for 2023/24. The service has made some good progress in integrating adult social care with housing strategy. The service continues to work closely with NHS partners and has good relationships, including in areas such as intermediate care. The service has had some notable success in reviewing social worker pay and reducing the reliance on agency workers, which has helped to maintain stability in the workforce. Work has been ongoing with external consultants to look for **further efficiencies**, opportunities to control costs and demand. The Council has yet to be notified of when the CQC is likely to resume inspections but is making preparations for this.

Improving economy, efficiency and effectiveness

Partnership working

Partnership working is central to the delivery of many local authority services. The Council works with a range of statutory partners, commissioned providers, private businesses, the education sector and the voluntary and community sector (VCS).

Kirklees Council is able to clearly articulate their key strategic partners, which include among others Kirklees Health & Care Partnership, Kirklees College, Huddersfield University, Fire, Police and a range of sector leaders from across the VCS. The Partnership Executive brings together these district wide partners. Current conversations are focussed on outcomes but also on future funding decisions across the locality, particularly how savings decisions of all organisations will impact on partners and how these can have a domino effect throughout the locality. This is particularly important when it comes to the voluntary and community sector as many smaller community organisation depend upon temporary pots of money so any changes to the scale of support via the Council or NHS bodies could have a big impact on the sector and on outcomes for residents. Internally conversations around savings proposals include discussions about the impact on external organisations and partnership arrangements. It is imperative that as part of the continuous financial decision-making, that the partnership working impacts continue to form part of the discussion and the Council is open and transparent with key partners in this area.

The Council's Annual Governance Statement outlines that partnership governance and development of key relationships remains an area for further development. Whilst some partnership working has progressed, particularly within the health arena, partnerships at the local level require continued work, and the Council will focus on ensuring delivery for prioritised community needs, with the understanding that delivery of key outcomes is only possible with input from key partners.

Integrated Care Systems (ICS) were created as part of the Health and Care Act 2022 and became statutory from July 2022. Local authorities are required to be members of the ICS as key partners. Kirklees Health and Care Partnership is one of the five place-based partnerships operating within the West Yorkshire Integrated Care System. Other health and care partnerships within the ICS include Bradford District and Craven, Calderdale, Leeds and Wakefield, who work alongside 4 service specific provider collaboratives. In 2022, the West Yorkshire Integrated Care System was recognised nationally by the Health Service Journal as 'integrated care system' of the year citing that "there was clear evidence of relationships that had been established over a number of years. The trust and respect that system leaders had for one another and the authenticity of the 'in it together' ethos shone through." The Joint Forward Plan was published in June 2023 and links to the 5 local place plans for each of the localities. Our discussion with officers highlighted that relationships with ICB are good, with a focus on more effective ways of working. This has included discussions around complementary working and accountability for tackling cost of living and the future of the Health & Wellbeing Board in delivering best value in the new health landscape.

Conclusion

We have not identified any significant weaknesses in the Council's arrangements to achieve economy, efficiency and effectiveness in the use of its resources. The performance monitoring which is in place provides councillors and the public with sufficient oversight of Council performance. The year-end report highlighted progress against all 9 key delivery areas during 2022/23. The procurement function continues to make improvements both in procurement and in supporting wider improvements in contract management. The Council continues to work closely with partners as is demonstrated by the various partner relationships outlined. These partnerships continue to produce strategies to focus improvement efforts and deliver for local people. The consideration of the impacts of future financial decision-making on local organisations and residents will be key looking forward, and maintaining open and transparent communication with partners during this time is imperative.

Improvement recommendation 6

Improvement Recommendation 6

Performance management could be improved with more effective use of data and insights.

Improvement opportunity identified

The Council has access to a lot of meaningful data but it is currently not presented in the most accessible format to be able to properly interrogate the information. There are currently limited benchmarks or targets against which to measure performance. The data shows what is happening but does not assess whether this performance is 'good' or 'bad.' The Council should put effort toward determining what quality of service it would like to deliver, put arrangements in to review that regularly and then report against that position. The current performance reports demonstrate a good foundation to build on but there is room for improvement.

Summary findings

The use of data and insights such as benchmarking could be improved throughout the Council. This has been recognised and highlighted in the Annual Governance Statement. The Council has approved a Data and Insight Strategy, and the Council are working through implementation of this, overseen by the Modern Organisation Board. As part of this embedding use of data and insights within performance reporting will be important to for understanding further the Council's achievements.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements. There is evidence of some use of data and insights, and the strategy development is a good first step, however this could be improved upon to enable a better understanding of performance.

Management comments

This will be considered but needs to be balanced with other improvement priorities across the Council.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Optimise outcomes for the Council in the current round of Department for Education Safety Valve Group discussions, including approval for the Special Educational Needs (SEND) Transformation Plan in order to seek a long term solution to the Dedicated Schools Grant (DSG) overspend.	Improvement	March 2022	The position in regard to the DSG deficit has deteriorated and the Council is in discussion with DfE to develop a revised recovery plan. We have therefore raised a significant weakness in this area for 2022/23.	No	See Key Recommendation 2.
2 Consider publishing the Member and Senior Officer's registers of interests and gifts and hospitality more clearly on the Council website.	Improvement	March 2022	These are clearly displayed on the Council's website, with the Gifts & Hospitality register table as one document. The individual declarations of interests for each Councillor are also available to download.	Yes	No
3 We recommend the Council reviews its group company and investment governance arrangements.	Improvement	March 2022	This is ongoing. Our discussion with the Head of Internal Audit highlighted that there have been a number of reports on the Council's associated parties and specifically Kirklees Community Association. At the time of writing specific action against the recommendations of these reviews had not yet been taken. During 2022/23 reports were taken to Cabinet on the governance arrangements of Kirklees Stadium, it is clear work is progressing in this area, but needs to continue.	Partly	Whilst the Council has reviewed some of the arrangements in relation to its arrangements, it is clear that further work is needed in order to ensure governance arrangements are effective and risks are reduced to the Council.
4 We recommend that quarterly performance reporting is reinstated.	Improvement	March 2022	Performance reporting currently takes place bi-annually with a mid-year and year-end report produced. This is an improvement on the prior year where no Corporate Performance reports had been submitted to Cabinet.	Partly	The Council should consider whether its current arrangement of bi-annual reporting is sufficiently often for updating councillors and mitigating poor performance in a timely manner.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council should take a more proactive and committed approach to improving risk management with a particular focus on improving directorate and project-based risk management. The Council should enhance the current level of training and use of better practice to aid the organisations knowledge and practise.	Improvement	July 2023	Whilst there have been some improvements to risk management throughout the year, it is clear that it is not yet fully embedded throughout all areas of the Council, particularly below strategic level. The Council continues to use spreadsheets to manage risk, which our discussions with officers have highlighted are not always well kept and regularly updated.	No.	Yes
6 The Council should focus on updating a centralised version of the declaration of interests/This will aid transparency within the Council and improve ability for public inspection and accountability.	Improvement	July 2023	There is not yet a centralised register of declaration of interests available for public inspection.	No	The Council may consider publishing one complete central register of all declared interests.
7 The Council should focus on creating a revised "Fraud Strategy" that helps to rebuild the processes and policies in place at the Council, alongside a clear Fraud Work Plan to focus their work. This should include improved training for fraud awareness and prevention.	Improvement	July 2023	During the 2022/23 financial year, responsibility for fraud was taken over by the Internal Audit team.	Partly	The fraud strategy and action plan will require further development.
8 The Council has in place a Procurement Action Plan. To ensure this achieved, this needs to be developed further.	Improvement	July 2023	The Procurement Team has been delivering the Procurement Action Plan and has been recognised nationally for its procurement activity.	Yes	Continuation of action plan activities
9 The Council should ensure that procurement and contract management training is rolled out across the Council and all contract managers are aware of their roles and responsibilities, with regular reporting to directorate management teams.	Improvement	July 2023	Central procurement and contract management training have been available. The Council is making use of playbooks and have been taking advantage of national training which is now available, with cohorts signed up to the continuous commercial improvement assessment framework.	Yes	No

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

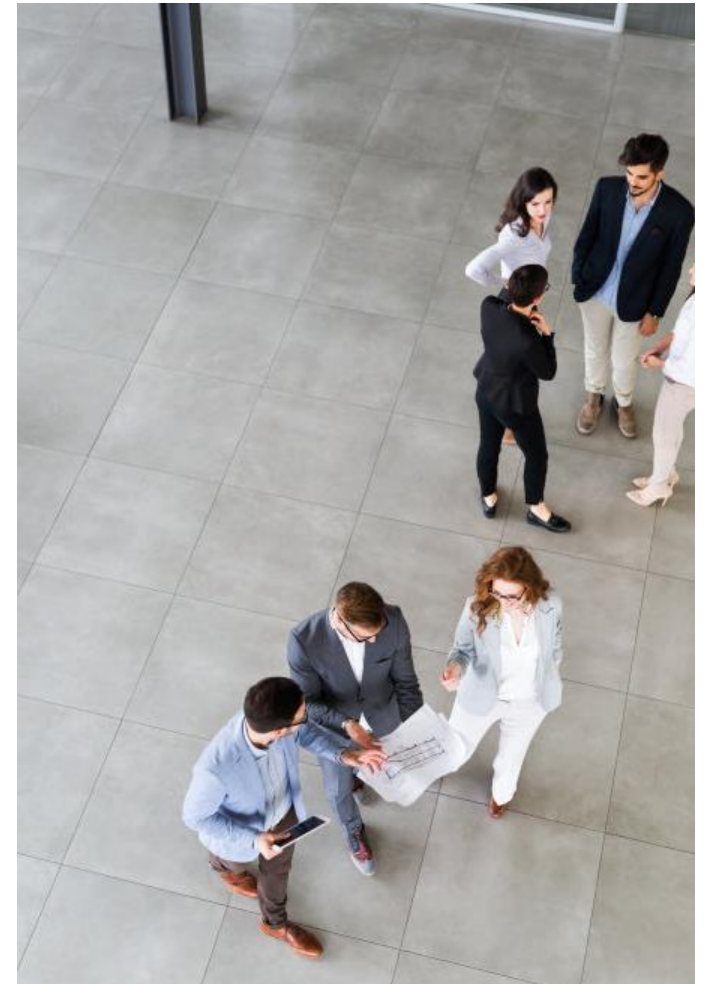
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 07 December 2023.

The full opinion will be included in the Council's Annual Report for 2022/23 and published the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was issued and presented to the Corporate Governance and Audit Committee in July 2023.
- Our audit work took place between July and October, with final procedures and quality control taking place in November.
- The Council provided draft financial statements in line with the internal timetable for June 2023, noting the national deadline had been brought forward to 31 May 2023.
- There were no significant issues that had an impact on the timely completion of the audit that were within the Council's control. In early November 2023 the audit team were awaiting assurances from the Council's HRA valuer and the auditor of the West Yorkshire Pension Fund.
- The opinion on the financial statements was issued on 07 December 2023, following the CGAC meeting in November 2023. We were not able to complete the audit in line with the national deadline of 30 September 2023.

Findings from the audit of the financial statements

We identified significant risks of material misstatement in relation to:

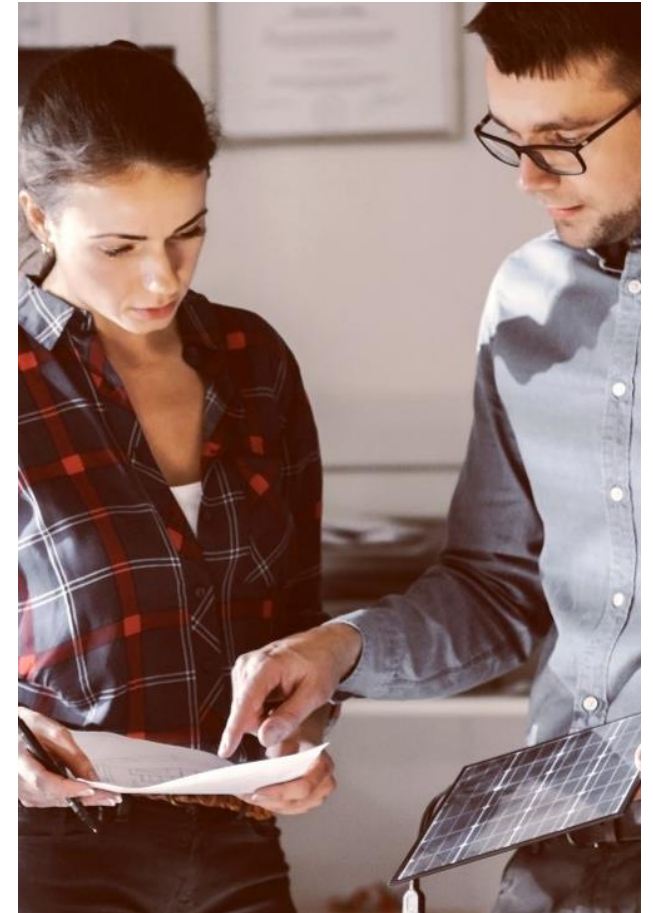
- Management override of control (assumed risk in all entities)
- Valuation of land and buildings, including council dwellings and investment property
- Valuation of the net pension asset relating to the Council's membership of the West Yorkshire Local Government Pension Scheme

At the time of publication of this interim report, audit work was still ongoing in relation to the valuation of council dwellings and the net pension asset.

There have so far been no significant adjustments made to the financial statements submitted for audit.

We have made internal control recommendations arising from the financial statements audit.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Corporate Governance and Audit Committee on 24 November 2023. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work will be completed once our work on the financial statements opinion has concluded.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

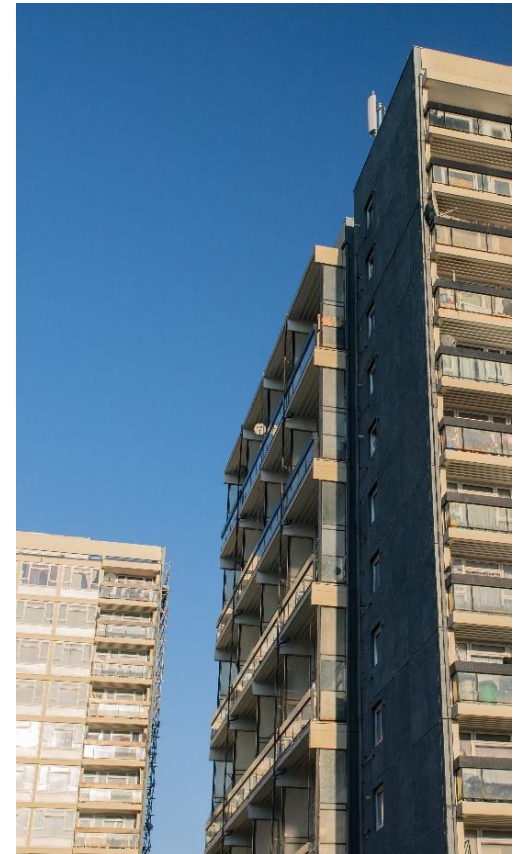
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	9-10
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	20-22, 26-27, 32



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