

# Kirklees Council

Auditor's Annual Report for the  
year ended 31 March 2024

23 January 2025

For Corporate Governance  
and Audit Committee



# Contents

Section	Page
1. Introduction	3
2. Executive summary	4
3. Opinion on the financial statements and use of auditor's powers	9
Value for Money commentary on arrangements:	
4. The current local government landscape	13
5. Financial sustainability	14
6. Governance	22
7. Improving economy, efficiency and effectiveness	27
8. Recommendations raised in 2023-24	34
<b>Appendices</b>	
Appendix A – Responsibilities of the Audited Body	44
Appendix B – Value for Money Auditor responsibilities	45
Appendix C – Follow-up of previous recommendations	46



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.



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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Kirklees Council (the Council) during 2023-24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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 at Appendix A.

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

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023-24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

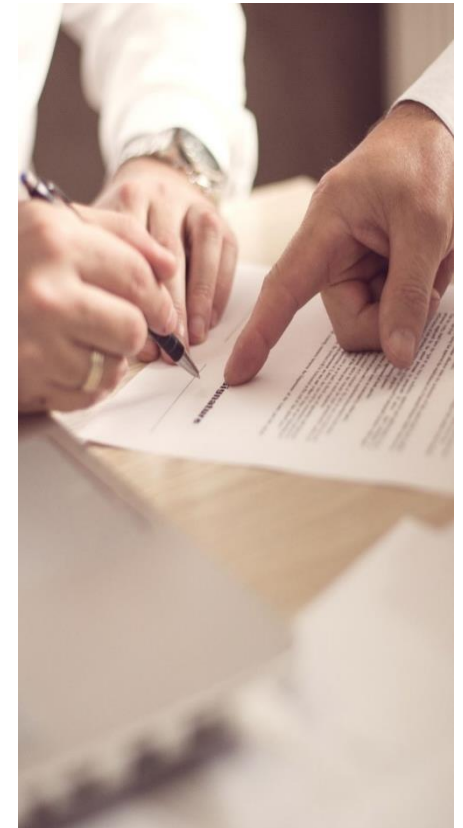
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness.

The Value for Money auditor responsibilities are set out at Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



## 2. Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. Our summary findings are set out below. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 33.



### Financial sustainability

In 2023-24 the Council experienced extensive budget pressures and ended the year with an overspend of £7.3m (representing 2% on a net budget of £359.5m) but delivered all the planned savings of £19.8m. We identified in the Auditor's Annual Report for 2022-23 that the Council had a significant weakness in Financial Sustainability. The Council had an overspend of £7.3m as discussed in 2023-24 and is currently forecasting an overspend of £9.9m at Q2 in 2024-25. The Council has taken action but in our view the weakness remains. The pressures on the Council's budget are not in themselves unique, and are similar to many other authorities, and the responses have generally been designed to reduce overspends – consistent with other authorities we audit, though the Council did not fully anticipate or incorporate the pressures that have become clear in the 2024-25 budget. The overall situation is more acute for the Council as the level of reserves are low, when compared with its peers and upcoming expenditure pressures. A Key Recommendation has been made which has been accepted by Management.

**Key recommendation 1: the Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:**

- taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- reviewing pressures, assumptions and future savings levels in the MTFS
- reviewing the target level of reserves it wishes to achieve in future years of the MTFS.

Further detail can be found on page 18.

The Dedicated Schools Grant (DSG) is a budget allocated in four blocks, including schools, early years, high needs, and central school services. Nationally, a number of councils have experienced increasing costs in the DSG High Needs Block (HNB). The Council has been spending more than the funding provided and has been in an ongoing deficit position, attributable to the HNB and is part of the Department for Education's Safety Valve programme, which allocates additional funds and support to councils to improve DSG financial sustainability. The DSG deficit was identified as a significant weakness in 2022-23. Having completed our detailed work in this area, we consider this remains a significant weakness in arrangements for 2023-24. Whilst the Council has renegotiated its Safety Value management plan with the DfE, this plan is not on track. The deficit stands at £43.7m at 31 March 2024

Councils are at present permitted not to charge the deficit on DSG to their General Reserve, but when this "Statutory Override" ends, currently scheduled to be 2026, then it is likely they will have to meet the ongoing deficit, forecast for Kirklees to be £20m in 2024-25. This would place further pressure on the Council's financial position as noted in Key Recommendation 1 above.

A Key Recommendation has been made which has been accepted by Management. **Key recommendation 2: The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.**

Further detail can be found on page 19.

# Executive summary (continued)



## Governance

The Council had systems in place to identify and manage risks, prevent and detect fraud, and maintain standards within the Council. The internal audit service provided a range of reviews during 2023-24.

The 2024-25 budget was agreed by Cabinet in February 2024 and Full Council in March 2024. The 2024-25 budget included the outcome of the budget process in terms of pressures from pay, demography and demand. This process included the identification of savings and efficiencies for each department. The Council engaged with residents, business and local people; and with scrutiny on the budget, but spend in 2024-25 has been higher than anticipated. Financial performance was reported quarterly to Cabinet. The reports included information on revenue, capital, HRA, reserves, achievement of savings and treasury information. The reports were clear and highlighted key messages. However, we became aware of an area – district heating where the Council was not recovering the full cost of energy supplied to it. The detailed budgetary control arrangements did not highlight the problem. Accordingly, we have raised an improvement recommendation on page 24.

We consider that the Council has sufficient arrangements in place to make informed decisions, but we have identified improvements, on page 25, which could be made for the following decisions agreed in 2023-24:

1. Kirklees Stadium Development Ltd (KSDL, the decision by Cabinet in October 2023 to progress the shareholder restructure
2. the change in the Council's Minimum Revenue Provision (MRP) charge, which was not clearly communicated to members or presented to Full Council for approval.





# Executive summary (continued)



## Improving economy, efficiency and effectiveness

In 2023-24 the Council did not report its performance against its corporate objectives as set out in its 'Our Council Plan' to formal Cabinet meetings, instead reporting more operational information to the Executive Team, the Executive Leadership Team and informal Cabinet meetings. In our view this limits members ability to challenge performance and have raised an improvement recommendation on page 31.

Throughout 2023-24 the Council has continued to work and develop effective working relationships with its key partners through the Kirklees Partnership Executive, which includes key officers from its key partners, such as Health bodies, Educational establishments and blue light organisations. It aims to joins resources across key agencies to maximise impact on shared outcomes.

The Council operates a central procurement team who provide procurement support for services. The central team facilitate the tender process. At the award of the contract, the team will provide handover documentation to support the services in managing the contract. However, contract management undertaken within the services is not consistent, and varies dependent on the expertise and capacity within the service area. We are aware of a number of areas where contract management could be improved and have raised an improvement recommendation on page 32. Whilst we have not raised a key recommendation, this is an area that the Council needs to demonstrate that actions are implemented at pace to ensure enhanced arrangements are in place.

The Council received an overall rating of 'good' from Ofsted for its Children's Services, an improvement from the previous 'requires improvement to be good' rating. This represented a strong achievement for the Council.

In March 2024, the Social Housing Regulator published a Regulatory Notice identifying that the Council was failing to meet statutory health and safety requirements in some council homes. We have raised the following key recommendation.

**Key recommendation 3: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:**

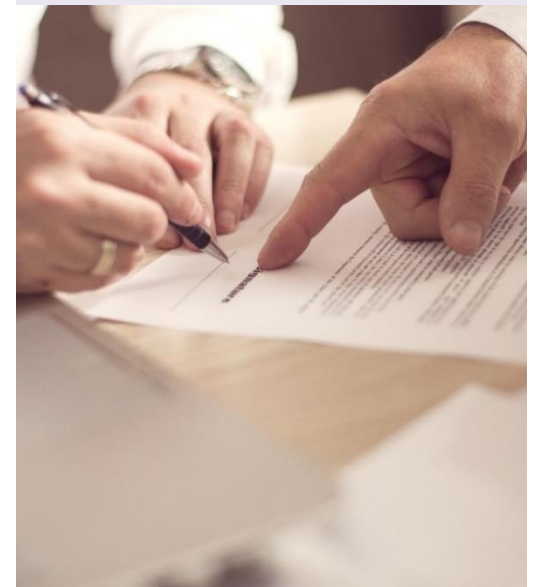
- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould
- water quality testing.

**Progress should be regularly reported to Cabinet in a public meeting.**

Further detail can be found on page 30.



We have substantially completed our audit of your financial statements and are targeting to issue our audit opinion following the Audit Committee meeting on 31 January 2024. Our findings are set out in further detail on page 10.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023-24 is the fourth year that these arrangements have been in place.

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. A summary of our judgements are set out in the table below.

Criteria	2022-23 Auditor judgement on arrangements	2023-24 Risk assessment	2023-24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Two significant weaknesses in arrangements identified and two key and two improvement recommendations made.	Risk of significant weakness identified due to previous years weaknesses.	R Ongoing significant weaknesses in arrangements for financial sustainability in the general fund and in the management of the DSG deficit. We have raised two key recommendations and two improvement recommendations.	↔
Governance	A No significant weaknesses in arrangements identified but two improvement recommendations made.	Risk of significant weakness identified following review of decision making.	A Our work did not identify any areas where we considered that key recommendations were required. We have raised four improvement recommendations.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified but one improvement recommendation made.	Risk of significant weakness identified following Social Housing Regulator report.	R Significant weakness in arrangements in relation to its social housing compliance with the Social Housing Regulator standards. We have raised one key recommendation and four improvement recommendations.	↓

- 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.



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



# 3. Opinion on the financial statements



## Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements following approval of the updated financial statements, and the presentation of this Auditor's Annual Report and our Audit Findings (ISA260) Report at Corporate Governance and Audit Committee on 31 January 2025.

The full opinion will be included in the Council's Signed Financial Statements for 2023-24, which can be obtained from the Council's website following upload expected in early February 2025.

## Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- 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 Findings (ISA260) Report

We report the detailed findings from our audit in our Audit Findings Report. Our Audit Findings (ISA260) report is to be presented alongside this report on 31 January 2025 to the Corporate Governance and Audit Committee. Requests for this Audit Findings Report should be directed to the Council.

## Findings from the audit of the financial statements

We received the group and Council's draft 2023-24 accounts on 28 June 2024. This puts the Council slightly behind the 41% of local government that produced their accounts by the statutory deadline of 31 May 2024 but still represents a good achievement for the Council. We would also note that the Council has continued to work with appropriate focus on the accounts closedown and audit to ensure that the Council does not become part of the LG accounts opinion backlog.

Draft financial statements were of a good standard and supported by detailed working papers. We did not encounter any significant difficulties and there has been a good level of engagement from finance officers throughout the audit process.

We did identify a number of misstatements, many of which related to the valuation of land & buildings, including source data and the robustness of the process in place including carrying out appropriate stand back / challenge on the valuations prior to publication of draft accounts. Our work identified an impairment to a school of £16.7m, which had been closed and earmarked for demolition – this has been adjusted given it was material. An extrapolated misstatement of £3.3m in respect of gross internal areas (floor areas) used in the valuation of specialised land and buildings (unadjusted), and our Audit Findings report details that a verification and cleansing exercise is required on the Council's buildings records to resolve the variances identified. Our work on valuations also detected one former day care centre that should have been reclassified as a surplus asset and valued at its fair value at year end – an impairment of £1.2m which remained unadjusted on the grounds of materiality. None of these findings impact on the Council's usable reserves.

Separate from the valuations findings, we noted an additional misstatement of £1.1m that impacted between cash, debtors & creditors on the Council's balance sheet but had no overall impact on the total value of the balance sheet or reserves (unadjusted).

We also identified a number of presentational and disclosure amendments, which are set out in detail in the Audit Findings (ISA260) report.

We reported a total of ten recommendations, none of which were considered high priority. In addition to responding to the land and buildings matters discussed above, these recommendations set out a number of important 'housekeeping' exercises that the finance function should aim to progress over the remainder of the 2024-25 financial year to enhance the quality, overall true and fairness, and understandability of financial statements for the upcoming year end.

# Use of auditor's powers

We bring the following matters to your attention:

2023-24

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make 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.

# **Value for Money Commentary on arrangements**



# 4. The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023-24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk
- Twenty councils being with government approval for exceptional financial support during 2024-25, totalling approximately £1.5bn. Only six of these councils had previously issued a section 114 notice
- The Local Government Association warning that councils in England face a funding gap of £4bn over 2023-24 and 2024-25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the then Chancellor in March 2024 for public sector productivity to deliver up to £1.8bn worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



## Local context

The Council is a metropolitan borough council formed in 1974 with an estimated population of 442,033 residents, making it the fifth most densely populated local authority in Yorkshire and the Humber (ONS 2023). It experienced a population growth of 2.6% since 2011; whilst England's population grew by 6.6% in that time. The Council is a member of the West Yorkshire Combined Authority (WYCA) which was established in 2014. The Council covers approximately 157.74 square miles and has Huddersfield as its largest population.

Pupils within the Council area achieve grades (GCSEs grade 5 and above) on par with the national average; however, 29.1% are educated to degree level or above, which is below the national level (36.9%). The unemployment rate reported on March 2024 is 3.7%, which is the same as the national average.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet).

The Council has 69 councillors, and the next election is due in May 2026. The most recent elections in May 2024 left the Council operating under a Labour minority administration, with 24 Labour councillors. The Leader of the Council had remained stable until July 2023 but has since had two further changes.

# 5. Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

The Council built additional funds into its budget planning and Medium Term Financial Strategy. For both 2023-24 and 2024-25 children's services and homelessness had very high demand pressures, as has occurred in a large number of other authorities. The Council has a fixed funding envelope from central government and limits on the amount Council tax can go up by and in recent years costs have been increasing at a higher rate than these items.

In our previous Auditor's Annual Report we identified two significant weaknesses with regard to financial sustainability and both of these remain in place for 2023-24.

The first of these related to the Council's overall General fund financial position. Whilst, as recommended in the last Auditor's Annual Report, the Council has improved the process for generating and monitoring savings, having changed the focus from one off items (though there is still some use of one off reserves), and the Council has a plan to increase reserves, there are still significant budget pressures and available reserves have reduced. **A Key Recommendation is made (see page 18) that the Council should build on its work identifying its financial position and risks to it by:**

- **taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25**
- **reviewing pressures, assumptions and future savings levels in the MTFS**
- **reviewing the target level of reserves it wishes to achieve in future years of the MTFS.**

We have discussed the work already underway with officers.

The Council also has a significant weakness with regard to the Dedicated Schools Grant deficit, reflecting the national picture across the country. The Council had a cumulative DSG deficit of £43.7m at the end of 2023-24, and in 2024-25 the forecast at quarter one for the year was for an overspend of £20m. The Council did agree a new plan to improve this called a Safety Valve Management Plan with the Department for Education at the end of 2023-24 but this plan is not on track. **A Key Recommendation is made that Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.** Set out on page 19.

As well as the Council's challenges with its level of General Fund reserves, and the DSG Safety Valve, the Council also needs to continue the work it is doing to keep its HRA financially sustainable and an improvement recommendation regarding this is also discussed on page 26.

R

- 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.



# Financial sustainability (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

plans to bridge its funding gaps and identifies achievable savings

The Council has been successful in delivering a savings programme of £19.8m for 2023-24 but has a higher target for 2024-25 of £42.6m (11.6% of the 24-25 budget) which will require a coordinated organisational effort. The savings identified have bridged the budget gaps identified at budget setting stage for 2023-24 and 2024-25, however, during 2023-24 there were significant in year pressures in addition to this. £10.3m of additional full year effects of the 2024-25 savings are planned to occur in 2025-26, partly to replace £2.3m of the 2024-25 savings that are non recurrent.

At present the monitoring for 2024-25, at Q2 shows a shortfall of £9m in terms of savings delivery. In subsequent years, the budget gap as reported in the February 2024 report is £7.9m for 2025-26 and £5.6m for 2026-27, so any shortfall on delivery of savings will create further pressures in future years. The Council is carrying out transformation work across all areas and is intending to feed outcomes into future MTFS plans. An improvement recommendation is made to continue and enhance the Transformation work.

A

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has a Council Plan, four top tier partnership strategies around economy, health, environment and communities and below that supporting strategies.

The Council Plan has three ambitions - to make Kirklees a greener place, to continue the journey to excellence in Children's Services and making sure residents can live healthier and independent lives for longer. The Council's MTFS and the work around it reflect the Council's approach and strategy, as shown in the Council Plan. The Council's is designed to support the delivery of Council Plan aims, and very specifically the objective regarding financial stability.

The Council has looked at its costs using information from the Local Government Association, and its own work in comparing itself with other West Yorkshire and similar authorities, but not as part of its decision making on budget options. An Improvement Recommendation is made that the Council should utilise more benchmarking information.

A

- 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.

# Financial sustainability (continued)



## We considered how the audited body:

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

## Commentary on arrangements

The Council's financial plans were consistent with other key plans that the Council produces.

The Capital Programme outturn showed slippage of spend at 13% of a capital programme of £170.6m, but the Council has been reviewing budgets to ensure they are more aligned to likely actual spend, and also so that the programme was aligned with objectives and the Council's financial position. The Council shifted spend into future years to accommodate key priorities and is planning to spend more in 2024-25 and 2025-26 than in 2023-24. This high level of programme does create some risks of revenue costs if there is overspending on projects. For the General Fund all of the costs of borrowing are accommodated. For the HRA Capital programme some reprogramming is still required as discussed in the Improvement Recommendation on page 26.

Our work did lead us to challenge senior management on the rationale for continuing to hold onto its £90m Investment Property portfolio at a time when additional capital borrowing is planned for regeneration schemes and in view of its aim to generate additional capital receipts. Capital receipts obtained can be used to progress the Council's transformation programmes. Inquires highlighted that there is a Council Corporate Property Strategy with the disposals programme supported by the work of the Corporate Property Board. Officers communicated that Investment Property assets may form part of the capital disposals subject to an appropriate business case and Cabinet decision, and at this time, officers are drawing up plans for consideration.

The Council's Treasury strategy for 2023-24 was aligned with the capital programme, and the interest and principal (through the Minimum Revenue Provision (MRP)) repayments are reflected in the budget. The Council has reviewed its MRP allocation and reduced the amount it puts aside for this. We comment on this further in the ISA260 Report and elsewhere in this report on pages 22 and 25, where we discuss that the changes were not approved by members. The Council had clear policies for treasury management and has reviewed the balance between risk and reward in borrowing and investment decisions.

## Assessment

A

- 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.

# Financial sustainability (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

The Council has identified risks to its budget and its Medium Term Financial Strategy and is still experiencing pressures in 2024-25.

The financial monitoring reports reported to Cabinet on a quarterly basis give commentary on variations, discuss overspends and reasons for them, and actions to be taken. The reports included forecasts of the current expected position and detail on proposed mitigating actions, and can be seen to be dealing with the key issues that face the Council by, for example, discussion of a review of the VfM of payments to an adoption service and reopening of a children's home. There is also extensive discussion of risks to the Council's financial sustainability as part of the Council's risk management reporting.

The Council made it clear its understanding of the dynamic nature of parts of its budget, and looked at the sensitivity of figures. An extensive consideration of variables was carried out in the early part of the planning process, in September 2023, before key variables such as external funding had become clear. The Council looked at how its council taxbase, government funding and interest rates might vary and generated scenarios to support this. This work also identified other areas of uncertainty such as demand for services and inflation, though as discussed in practice there have been pressures in the 2024-25 year which were higher than expected.

One of the ways that councils can manage this difficult environment is by the level of reserves. However, the Council's reserves are low - as discussed in the significant weakness raised on page 18. The Council has low reserves compared to revenue spend when compared with other metropolitan authorities. Figure 1 (overleaf) shows the Council highlighted and other metropolitan authorities. The Council has not based their budget strategy around an unsustainable use of reserves but has needed to use reserves to meet demand led pressures in particular in children's services and homelessness. This has reduced the Council's resilience, making delivery of savings and spending inline with budget more acutely important for Kirklees than it is for many other authorities.

G

- 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.

# Financial sustainability (continued)

## Significant weakness identified

We raised a significant weakness in respect of the Council’s financial sustainability in the 2022-23 Auditor’s Annual Report and this remains the case. This is because, although the Council has taken extensive action, the pressures on the Council in 2023-24 and 2024-25 remain above budget level and the Council’s reserves have reduced.

### Spend, Reserves and Savings

The Council’s spend levels increased in 2023-24 reflecting the high pressures the Council was and is experiencing, and for this year the balancing of the budget required a large planned use of reserves and left the Council needing to make significant savings or use reserves for 2024-25. The Council has focused on making savings with a smaller use of reserves in the 2024-25 budget. It delivered £19.8m of savings in 2023-24 and now needs to deliver £42.6m in 2024-25 and at the time of writing is forecasting to be short of this by £9m (21%). The Council has an adequate process for monitoring progress in delivering savings but given its overall financial position may need to focus on remedial action to get savings back on track.

### Action Being Taken

The Councils short and medium term actions in relation to the budget and MTFS include:

- taking action to reduce the forecast overspend in 2024-25
- ongoing management of pressures in departments (for example in children’s services, the use of special guardianship orders, the low use of external residential placements)

and their medium and long term actions include:

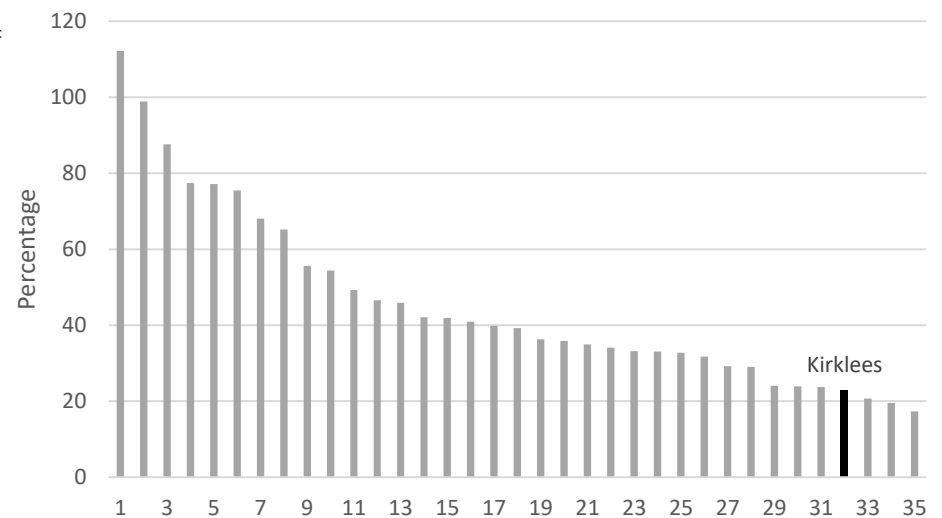
- transformation work (where the Council has put effort into developing a realistic plan and set of activities and is making measured assumptions about project management and progressing plans)
- medium term budget plans which aim to stabilise and increase reserve levels
- use of savings in the Council’s minimum revenue provision.

### Future Plans

At the present time the service pressures seem likely to require significant savings in 2025-26, though on the Council’s planning assumptions the position would then ease. We encourage the Council to review these assumptions to ensure that they are content that the response in terms of savings is adequate.

The Council's future plans will if carried out improve the Council's financial position though this will depend on controlling current pressures, delivering further savings and replenishing reserves, possibly to a higher level than the Council is indicating.

Figure 1 Reserves as a percentage of net Revenue Expenditure for Metropolitan Authorities 2022/23



**Key Recommendation 1: Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:**

- taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- reviewing pressures, assumptions and future savings levels in the MTFS
- reviewing the target level of reserves it wishes to achieve in future years of the MTFS.

# Financial sustainability (continued)



## Significant weakness(es) identified

### Dedicated Schools Grant Deficit

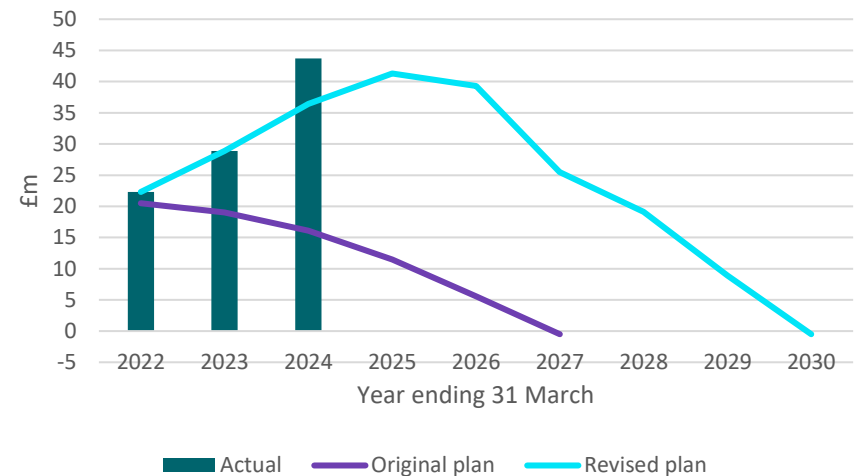
We raised a significant weakness in respect of the Council's financial sustainability in the 2022-23 Auditor's Annual Report regarding the Dedicated Schools Grant deficit and this remains the case. This is because, although the Council has renegotiated its Safety Valve agreement, it is off track in delivering this, leaving the Council exposed to having to accommodate ongoing costs in the budget in the future, and having to meet the cumulative deficit if the Government requires this.

During 2023-24, the Council was in enhanced monitoring measures but concluded a new agreement with DfE which extended the management plan from 2026-27 to 2029-30. In 2023-24, the in-year deficit was £15m (against an original plan of the deficit reducing by £3m), giving a cumulative DSG Deficit of £43.7m at 31 March 2024. This was due to inflationary costs from external providers and increasing complexity of cases. The Council's experience is that additional capacity created is being filled by new children rather than seeing the impact of movement from children currently in high-cost independent placements. In 2024-25, the Q1 forecast was for an overspend of £20m against budget of £64.7m for High needs block, which the Council are currently working on reducing.

Based on the latest forecast, the cumulative deficit at the end of 2024-25 will be £61.3m instead of £50.3m as in the new Safety Valve agreement, and would be still be a £8.2m deficit at the 2029-30 end point instead of zero, or could be higher if current problems do not prove to be one off. If the statutory override is removed the Council may have to meet the ongoing annual deficit, currently at £20m. The Council's plans rely on increases in in-house capacity; including special school capacity and satellite provision, and an additional free school, becoming available and this causes the deficit, shown in Figure 2, to reduce. The DfE have requested that these items are modelled at a later stage in the process.

Based upon the evidence we have reviewed, we are not satisfied that the Council has proper arrangements in place to ensure there is an appropriate plan in place to manage the short to medium term financial risks regarding DSG deficit. This is a significant weakness in arrangements to deliver financial sustainability. We have therefore maintained a key recommendation.

Figure 2 Kirklees DSG cumulative deficit £m



**Key Recommendation 2:** The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.

# Financial sustainability (continued)



## Transformation work

The Council is carrying out transformation work across all areas, with a particular focus in 2024-25 on SEND, Adults services and passenger transportation and is intending to feed outcomes into future MTFS plans. Based upon the evidence we have reviewed, we have concluded that the Council's arrangements are adequate, but we have made an improvement recommendation to continue and enhance the Transformation work.

**Improvement recommendation 1: The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.**

## Benchmarking

The Council has looked at its costs in an ad hoc manner using information from the LGA and its own work comparing itself with other West Yorkshire and similar authorities. It does not look at benchmarking and unit costs as part of its consideration in making decisions on budget options, but it has said that it will use data and insight as part of its transformation work and an improvement recommendation is made that it should do so, either in that work or elsewhere. Based upon the evidence we have reviewed, we have concluded that the Council's insight into areas where it could make changes would be enhanced by greater use of benchmarking. We have therefore raised an improvement recommendation.

**Improvement recommendation 2: The Council should carry out benchmarking work to compare its services and performance with other Local Authorities, for example as part of its Transformation Programme.**



# 6. Governance



**We considered how the Audited Body:**

**Commentary on arrangements**

**Assessment**

<p>monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>Risk Management is reported to members every three months, as part of framework agreed in June 2024, and the key risks were also reported quarterly to members. The Council reported on 10 Key Corporate Risks i.e. a corporate risk register setting out strategic risks as part of the financial monitoring report. The risks were scored and given a RAG (Red Amber Green) rating, with likelihood, impact, responsible officer, controls and actions shown.</p> <p>Internal Audit presented an annual report and regular progress updates to the Corporate Governance and Audit Committee. The Council's audit plan was agreed by the Audit Committee. The 2023-24 Head of Internal Audit's opinion awarded adequate assurance ratings for sound governance, risk management and internal control. The audit team were reviewed externally in line with the Public Sector Internal Audit Standard in 2022-23. There has been an increase in the number of limited assurance reports. The Council is reviewing resources and, in line with our recommendation last year, focusing more attention within departments on ensuring recommendations are implemented.</p> <p>The Council is pursuing a number high value regeneration schemes, centred around the Huddersfield Blueprint and enhancing the town centre, that are currently in their early stages of development which are expected to sum to over £250m. With these schemes in the early stages of development, the quantum of the planned spend gives rise to potential financial risks that requires close monitoring. We have therefore raised on improvement recommendation on page 25 as a forward looking action for the Council.</p>	<p><b>A</b></p>
<p>approaches and carries out its annual budget setting process</p>	<p>The 2024-25 budget was agreed by Cabinet in February 2024 and Full Council in March 2024. For each department the budget report showed the outcome of the budget process in terms of pressures from pay, demography and demand, and efficiencies are identified for each department. The budget was consistent with the MTFS - the MTFS and budget are set at the same time and linked with each other.</p> <p>There was engagement on the budget with residents, business and local people; and with scrutiny. For the public there was engagement on the budget via a 6 week online process which generated 946 responses, and during the year the Council consulted on and changed proposals for leisure centres.</p>	<p><b>G</b></p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Council reported on its financial performance quarterly to Cabinet. The reports included information on revenue, capital, HRA, reserves, achievement of savings and treasury information. The reports were clear, highlighted key messages and identified the pressure areas from early in the year. They showed variations from budget and discussed corrective action. The Council reported on the budget pressures in key areas and continues to do so.</p> <p>We became aware of an area - District Heating where the Council was not recovering the full cost of energy supplied to it. The detailed budgetary control arrangements did not highlight the problem. We have raised an improvement recommendation regarding this on page 24.</p>	<p><b>A</b></p>

- 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.

# Governance (continued)



**We considered how the Audited Body:**

**Commentary on arrangements**

**Assessment**

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council operates under a Cabinet structure and operates four scrutiny committees in addition to joint health scrutiny panels. The Overview and Scrutiny Management Committee met 10 times in 2023-24. One Cabinet decision was called-in in 2023-24 by the Environmental and Climate Change Scrutiny Panel and one delegated decision by the Health and Adult Social Care Scrutiny Panel.

In order to assess effective decision making we have considered two key decisions that occurred during 2023-24, the change in the Council’s Minimum Revenue Provision (MRP) and the decision to progress the shareholder structure of the company which operates the Kirklees Stadium, Kirklees Stadium Development Ltd (KSDL).

We found that the change in the MRP calculation assumptions made by officers, and their medium to long-term budgetary impact had not been clearly communicated to members in 2023/24. A detailed explanation of the changes to assumptions was set out in the mid-year treasury update and was presented to the Corporate Governance and Audit Committee in December 2024.

In our view the papers to support the decision taken by Cabinet in October 2023 relating to KSDL did not clearly set out why the decision was in the best interests of the Council and the costs that could be prevented and savings that might be achieved if the decision was to be made. Members were not provided with information on the financial costs should the Council continue to remain a shareholder, such as maintaining the existing buildings and financial support to KSDL. We found that sufficient information had been provided in December 2022 and in October 2024. Whilst we recognise that members could have accessed previous papers, in our view each decision should stand alone and provide sufficient information to enable informed decision making. In addition, the Cabinet member who was also a Director of KSDL and did not declare their interest at the start of the Cabinet meeting or withdraw from the meeting. A declaration was made during the meeting, but this was not recorded in the minutes of the meeting.

We consider that the Council had adequate arrangements in place to ensure it made properly informed decisions, but that improvements could be made and have raised an improvement recommendation on page 25.

A

- 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.

# Governance (continued)



## We considered how the Audited Body:

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

## Commentary on arrangements

The Council's constitution contains a range of key documents which set out the expected standards and behaviours for officers and members, such as the Member Code of Conduct and the Employee Code of Conduct. The Council's Code of Corporate Governance is not found in the constitution, but is published on the Council website. Procedures are in place and records maintained for members and employees to declare interests and any gifts or hospitality received. As noted on page 22, we have raised concerns where a member declaration was not declared at the start of the meeting.

The contract standing orders and procurement regulations have not yet been updated to ensure compliance with the new Procurement Act 2023. The Procurement Team have developed an action plan to address the changes and training requirements. Training is being delivered to the different directorates and is not yet complete, we have raised an improvement recommendation on page 31.

## Assessment

**A**

- 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.

# Governance (continued)



## Areas for improvement

### Risk Management

The Council is pursuing some high value regeneration schemes that are currently in their early stages of development which are expected to sum to over £250m. These include the Cultural Heart development scheme (est. £250m), full refurbishment and letting of the George Hotel (est. £30m) and re-development of the Huddersfield Open Market (est. £16m). Considering the constricted revenue budget envelope in which the Council is operating there is a risk that any construction overspends or additional interest costs from unplanned borrowing spill over and impact the revenue position, and potentially threaten the overall financial sustainability of the Council.

Across the sector, we have observed high-value schemes being progressed with the business case noting strong commercial interest and anchor tenants subscribing to schemes which include cinemas, food outlets, entertainment venues and shopping centres. Unfortunately for a number of other authorities, there are instances where schemes have been completed but by which point the commercial interest has evaporated based on macro economic factors or changes in the operator's business plans, resulting in adverse financial impact for the local authority concerned. This is relevant to the Kirklees' plans, since schemes such as the George Hotel are expected to be let to a commercial operator.

These risks require close management by the Council, ensuring the business plan and commercial feasibility remains under scrutiny throughout development and the contractual provisions with third parties are appropriate and sufficient to protect the Council's regeneration, commercial and financial interests. We have raised a forward-looking improvement recommendation.

**Improvement Recommendation (forward looking) 3: In relation to its high-value capital regeneration schemes, the Council should ensure these risks are considered during commercial negotiations and ensure contractual provisions with third-parties are such that the Council is protected financially as best as possible from the risks that a third-party operator pulls out. The Council should also ensure that its risk management arrangements enable for the full business case to be kept under review during development and construction to ensure that wider macroeconomic factors continue to support the development of these capital schemes. The Council should also ensure interest from commercial operators to partner with the Council remains throughout the construction stage of each project.**

### Budgetary Control

We became aware of an issue highlighted at Corporate Governance and Audit Committee regarding the District Heating arrangements. The Council was not recovering the full cost of the energy it was consuming from tenants and leaseholders for the specific scheme. The Council's budget monitoring could have highlighted this if the costs and income for this were on the same cost centre without other items, but this was not the case. The cost centre arrangement was not the cause of the problem, but if it had been arranged differently it could have highlighted it. Based upon the evidence we have reviewed, we have concluded that the Council should review and enhance its cost centre structure for more robust budgetary control. We have therefore raised an improvement recommendation.

**Improvement Recommendation 4: The Council should review its internal budgetary control information to ensure that cost centres are appropriate to enable the identification of adverse variations from budget to enable management to take action. This may involve having fewer cost centres in several areas or more in others.**

# Governance (continued)



## Areas for improvement

### Informed decision making

We considered the following decisions:

**Kirklees Stadium Development Limited (KSDL)** - In October 2023, Cabinet made the decision to go ahead and restructure the joint venture KSDL. KSDL owns and manages the Football and Rugby stadium in Huddersfield, also known as the John Smith's or Kirklees Stadium. KSDL shareholders being Kirklees Council (40% shareholding), Huddersfield Town AFC (40%) and Huddersfield Sporting Pride (20%). However, we found that the papers provided to Cabinet, including confidential papers, did not clearly set out why the decision should be made, the risks and opportunities, including the cost benefit for the Council of no longer being a 40% shareholder. Whilst the Council has made it clear that it would no longer contribute to further funding of KSDL, the Council had only included the costs associated from withdrawal and had excluded the future cost benefits. This information had been provided when the Cabinet had previously considered this decision in December 2022. Whilst we recognise that members could access the information provided in 2022, in our view each key decision should stand alone and be supported with sufficient information to ensure the risks and benefits of the decision are clear to make an informed decision.

Cabinet agreed to give the Executive Director delegated authority following discussions with the two other partners to transfer the Council's shareholding to Huddersfield Town AFC (HTAFC). This delegated decision was made in October 2024 to continue to progress the share restructure and we found that this decision did include sufficient information which had been excluded from the October 2023 Cabinet decision.

We have also identified that when Cabinet made this decision Councillor Davies was a member of Cabinet and was also a Director of KSDL. However, Councillor Davies was present at the meeting and this declaration was not made at the start of the meeting but during the discussion on this item. This declaration of interest was also not recorded in the minutes. Potential conflicts should be declared at the start of meetings and ideally ahead of the meeting with the Council's Monitoring Officer to ensure the potential conflict is managed appropriately.

**Minimum Revenue Provision (MRP)** - In 2023, the Council changed its MRP policy which resulted in a reduction in the amount it needed to set aside in 2023-24. The value of this reduction was approximately £10m which it set aside in a reserve. The Council has changed its policy following an external review, this was an officer decision. The 2024-25 budget did mention that changes had been made, but these were not clear. However, any changes in this policy should have been approved by Full Council and this has not taken place. We have also raised this in our Audit Findings ISA260 Report.

#### Improvement Recommendation 5: The Council should ensure that:

- members who have a potential conflict of interest, are aware of their responsibilities and declare any interest, so that the potential conflict can be managed accordingly
- Cabinet papers prepared to support a decision include all the key financial information, including the financial rationale for making the decision as well as the financial costs of the decision
- the MRP calculation methodology, the assumptions used and the profiling of MRP charges over the medium to long term are clearly documented, reviewed and understood by Cabinet and Full Council.

# Governance (continued)



## Areas for improvement

### Housing Revenue Account (HRA)

On this page we have considered the issues relating to financial sustainability and governance for the HRA, the issue relating to contract management is discussed on page 32.

In 2023-24 the HRA has and is experiencing a range of issues which will have an impact going forward if not addressed. These include:

- in effective governance arrangements so that the District Heating Service was not effectively managed, resulting in a lack of income, more details can be found on page 24
- the impact of national issues such as increasing concern about damp and mould and fire safety. The Council has self referred and been categorised as in breach of standards by the Social Housing Regulator. Meeting these requirements will increase capital spend to rectify the sub-standard housing
- two high rise buildings that require a waking watch service to ensure residents safety
- the level of subsidisation between income received from non-HRA and HRA residents. One example being the district heating bills subsidising Council tenants and leaseholders living within homes using the district heating service.

The Council has recognised and began to include these issues within its HRA plans and has built-in the immediate requirements, but has yet to determining the phasing of this over time for future years. Officers acknowledge that this might lead to a medium-term shift of resources which will need to be met by efficiencies in other parts of the HRA spend given the HRA ring fence and effective limitations on rent increases. As part of this the Council will need to revisit its 30-year business plan for the HRA.

Based upon the evidence we have reviewed, we have concluded that an improvement recommendation for the HRA is required.

#### Improvement recommendation 6: The Council should

- strengthen the governance arrangements within the HRA
- progress its medium term plans for the HRA including assessing the cost of works to stock, allowing for a deliverable programme, and other balancing changes needed to the HRA cost base
- review and update its 30-year HRA business plan.



# 7. Improving economy, efficiency and effectiveness



We considered how the audited body:

## Commentary on arrangements

## Assessment

uses financial and performance information to assess performance to identify areas for improvement

The Council's corporate plan, 'Our Council Plan July 2023 to January 2024' was agreed by Cabinet on 23 July 2023. It was superseded by the 'Our Council Plan 1 April 2024 - 31 March 2025' agreed by Cabinet in February 2024.

In August 2023, Cabinet reviewed the Council's corporate performance for 2022-23 and received a Corporate Performance and Impact Report. This report indicated that performance reporting would continue in 2023-24 twice yearly, however, this did not happen in 2023-24. This was as a result of a change in the administration and a new Chief Executive and the Council making the decision to review the quality and value of the information that they were producing. The conclusion was that more detailed reporting was required based on risks and challenges facing the Council. The Council produced demand and capacity monitoring reports which were reviewed by the Executive Team, the Executive Leadership Team and Cabinet (informal meetings only). These reports were not reported to a public member committee in 2023-24, although the Q1 report for 2024-25 was reported to the Overview Scrutiny and Management Committee (OSCM). We have raised an improvement recommendation on page 31.

The Council does not have a Data Management Strategy and is in the process of developing one. In line with notable practice the Council should consider the principles to ensure data quality. We have raised an improvement recommendation on page 31.

A

evaluates the services it provides to assess performance and identify areas for improvement

The Council has both good service performance as well as areas that require significant improvement. The Council was inspected by Ofsted in July 2024, where the Council was rated as 'good', replacing a previous 'requires improvement to be good', rating in 2019. This is a positive improvement and a good achievement for the Council.

However, in March 2024, the Social Housing Regulator published a Regulatory Notice following a self-referral from the Council after failing to meet statutory health and safety requirements in some council homes. We have raised the following key recommendation, further details can be found on page 30. **Key recommendation 4: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:**

- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould
- water quality testing.

Progress should be regularly reported to Cabinet in a public meeting.

R

- 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.

# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

The Council operates a central procurement team who provide procurement support for services. The central team facilitate the tender process and at selection and award of the contract will provide handover documentation to support the service to manage the contract. The procurement team manage an Excel version of the contracts register to enable them to identify contracts approaching renewal. The Council has a Procurement Strategy last reviewed and updated in 2022-23 which requires updating to reflect the procurement Act 2023.

We understand that contract management undertaken within the services is not consistent, and varies dependent on the expertise and capacity within the service area. High value contracts will have dedicated teams to ensure they are well managed (for example the waste contract). The Council has established the Contract Assurance and Resilience Board (CAB) supports the contract managers (for contracts over £25k) through the tender process, but once this comes to an end the contract manager takes full responsibility. The CAB will further support contract managers if requested.

The Council recognises contract management as a risk area and has increased the risk rating in Q1 of 2024-25, to a red risk. We have identified the following contract management issues:

- Internal Audit follow-up review of the District Heat Service identified no contract manager in place and the service was delivered for a period without a contract in place, resulting in lost income
- Internal Audit reviews of Home to School Transport and Energy Supply identified poor internal controls relating to the management of the contract
- the central procurement team were unable to effectively monitor spend compared to contract, using the Council's SAP system, to ensure compliance and targeted support, this limits the ability to prioritise and be reactive to provide support where it would be most beneficial. We understand that this is a widespread issue
- contract management training has been limited.

We also found that contract waivers and breaches are not formally monitored and reviewed by officers or members, for 2023-24 there were 35 waivers to the value of £13.8m.

We have raised two improvement recommendation on pages 31 and 32. Whilst we have not raised a key recommendation this is an area that the Council needs to demonstrate that actions are implemented at pace to ensure arrangements are enhanced. We will consider the Council's progress in this area as part of our 2024-25 VFM work.

A

commissions or procures services, assessing whether it is realising the expected benefits

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.

# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

The Council’s corporate plan (Council Plan) sets out the four key partnership strategies which are being delivered with partners across the region. These strategies are partnership-led and include the:

- Health and Wellbeing Strategy
- Inclusive Communities Framework
- Inclusive Economy Strategy
- Environmental Strategy.

The Council continues to chair the Kirklees Partnership Executive (KPE), which aims to join resources across key agencies to maximise impact on shared outcomes as well as connect partnership working across the region. The Council has provided a biannual report to the Executive Leadership Team covering its strategic partnerships.

G

- 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.

# Improving economy, efficiency and effectiveness (continued)



## Significant weakness identified

The Social Housing Regulator published a Regulatory Notice in March 2024, prior to the new regulations coming into effect on the 1 April 2024.

The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements. The regulator found that:

- the Council had completed fire risk assessments for all blocks that required one. However, more than 20,000 fire remedial actions from the fire risk assessments were overdue (March 2024) and more than 200 of the overdue remedial actions were high-risk actions
- there were over 1,500 uncompleted repairs relating to damp and mould, and more than 1,000 of these were classed as high risk
- the Council was also not providing a cost-effective repairs and maintenance service, as it did not respond effectively to the significant numbers of high-risk damp and mould cases

The regulator considered the case as a potential breach of part 1.2 of the Home Standard and concluded that the Council did not have an effective system in place to allow it to meet its statutory health and safety responsibilities in relation to fire safety.

**Key Recommendation 3: The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:**

- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould
- water quality testing.

Progress should be regularly reported to Cabinet in a public meeting.

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

### Corporate performance reporting

The Council suspended its formal corporate performance reporting in 2023-24. It was replaced by more detail reporting, but this reporting was not considered at formal Cabinet committee meetings where performance could be challenged and action requested in the public domain.

**Improvement recommendation 7: The Council should introduce corporate performance monitoring in formal Cabinet meetings.**

### Data Management

The Council does not have a Data Management Strategy or Data Quality Strategy. The Council is in the process of developing a Data Management Strategy and should include data quality within it.

**Improvement recommendation 8: The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.**

### Procurement

The Procurement Strategy was last updated in November 2022. Whilst the Council is still in the process of delivering the ambitions within this strategy it does not reflect the Procurement Act 2023. Whilst we recognise that the Government has delayed the implementation of the legislation the Council should ensure it is prepared and that all relevant staff have been trained.

The Council operated an authorisation process for contract waivers in 2023-24, but did not review to identify any trends or actions that needs to be taken.

The table opposite identifies the waivers which were authorised in 2023-24.

**Improvement recommendation 9: The Council should:**

- review and update its Procurement Strategy following the introduction of the Procurement Act 2023 regulations
- introduce a system whereby contract waivers are regularly reviewed by a senior officer group and members (public meeting) to identify any trends and actions required.

Directorate	No.	£m
Adults	2	0.375
Children	2	0.480
Corporate & Strategy	13	4.294
Growth & Regeneration	18	8.690
<b>Total</b>	<b>35</b>	<b>13.839</b>

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

### Contract management

In 2023-24 the Council's Internal Audit department issued limited assurance opinions on two reviews; Home to School Transport and Energy Supply. Both these reviews identified weaknesses in management of the contract.

Internal Audit identified failings in the contract management for the District Heating Service in 2020 and we understand this was reported to the Corporate Governance and Audit Committee, but no action was taken and did not commence until the follow-up review in 2024. The current membership were unaware until Internal Audit reported to the Corporate Governance and Audit Committee in July 2024.

The central procurement team have been unable to produce meaningful contract monitoring information, such as contract spend compared to contract value. This is because it has not been possible to obtain meaning information from the Council's SAP system. This issue exists for all contracts, but we recognise that services which have resourced and established devolved contract management arrangements may have developed work arounds to resolve this. This kind of monitoring would ensure compliance with contract and also enables targeted support to be provided.

**Improvement recommendation 10: The Council should develop an action plan to address the weaknesses within its contract management arrangements and ensure the actions are delivered consistently and at pace, including the lack of contract management within the District Heating Service.**

**Value for Money  
Recommendations raised in  
2023-24**





# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul style="list-style-type: none"> <li>• taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25</li> <li>• Reviewing pressures, assumptions and future savings levels in the MTFS</li> <li>• Reviewing the target level of reserves it wishes to achieve in future years of the MTFS.</li> </ul>	Key	Financial sustainability	The Council continues to face significant financial pressures and the level of reserves remains low.	The Council is unable to be financially sustainable.	<p><b>Actions: Accepted</b>  The Council has identified a number of activities aimed at reducing spending further within the 24/25 financial year, and these continue to be managed and monitored, including: stopping non-essential expenditure; implementing a process whereby all recruitment is approved by senior management; ongoing review of discretionary fees and charges and increasing these by inflation where possible; exploring all external funding opportunities to bring in additional income and an ongoing review of the Council's capital investment programme to manage the overall treasury management budget.</p> <p>As part of both the MTFS (reported to Cabinet and Council in September 2024) and the Proposed Budget, reported to Cabinet in December 2024, there has been updates to the underlying budget assumptions, incorporating known expenditure and income pressures. Whilst we acknowledge the concerns of the auditors that the 2025/26 gap had grown significantly from a previous iteration of the plan, the S151 officer considers it important that the Council recognises these pressures to ensure the base budget is as robust as possible. The outcome of this is clearly additional savings will be required to balance future budgets and these have been identified in the proposed budget presented at Cabinet in December 2024 for next year.</p> <p>We will continue to review the Council reserves position on a regular basis and plan to provide the appropriate funding in the MTFS updates.</p> <p><b>Responsible Officer:</b> James Anderson  <b>Executive Lead:</b> Kevin Mulvaney  <b>Due Date:</b> September 2025 for review and update of MTFS and ongoing.</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>KR2 The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.</p>	Key	Financial sustainability	<p>The Council concluded a new agreement with DfE which extended the management plan from 2026-27 to 2029-30. In 2023-24, the in-year deficit was behind plan, giving a cumulative DSG Deficit of £43.7m at 31 March 2024.</p>	<p>The increasing DSG deficit limits the Council's ability to be financially sustainable.</p>	<p><b>Actions:</b> Accepted</p> <p>Both the DfE and SV advisors are happy with our plans and are clear there is no more we could be doing practice wise, in fact Kirklees practice is being seen as a national exemplar. Funding levels per pupil for HNB is the second worst in the country and the lowest of our statistical neighbours.</p> <p>The National Audit Office report 'Support for children and young people with special educational needs' highlights the issues facing the system.</p> <p>The new Government is recognising this area as a nationwide issue and has provided additional £1bn of funding in the 25/26 budget for SEND which will guarantee a minimum 7% increase compared to the modelled 4% which will help with deficits.</p> <p><b>Responsible Officer:</b> Jo-Anne Sanders</p> <p><b>Executive Lead:</b> Tom Brailsford</p> <p><b>Due Date:</b> Updated by September 25 as part of MTFS and ongoing for the duration of the safety valve agreement.</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:</p> <ul style="list-style-type: none"> <li>• fire remedial actions resulting from fire assessments</li> <li>• repairs required to address damp and mould</li> <li>• water quality testing.</li> </ul> <p>Progress should be regularly reported to Cabinet in a public meeting.</p>	Key	Improving economy, efficiency and effectiveness	The Social Housing Regulator raised a range of concerns relating to Home Standards.	The Council is not providing homes which are safe and meet required standards.	<p><b>Actions: Accepted</b></p> <p>The Council has already commenced actions in this area. These actions include arrangements for a full stock condition survey of all its assets, reprioritisation of the HRA Capital Plan into Fire Safety and Damp and Mould Issues. With regard to reporting progress, there has been an update under Item 10 Holding Executive to Account at Full Council on December 11th 2024. There is also a 6 monthly update of the H&amp;N improvement programme that goes to Cabinet. The last one was around September/October 2024.</p> <p><b>Responsible Officer:</b> Director of Housing (post currently being recruited)</p> <p><b>Executive Lead:</b> David Shepherd</p> <p><b>Due Date:</b> By next Regulator review (November 2025)</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.	Improvement	Financial sustainability	The Council is carrying out transformation work across all areas, with a particular focus in 2024-25 on SEND, Adults services and passenger transportation. Arrangements are adequate, but we have made an improvement recommendation to continue and enhance the Transformation work.	Ensure transformation is delivered at pace.	<b>Actions:</b> Accepted <b>Responsible Officer:</b> Andy Simcox and relevant Transformation Lead Officers <b>Executive Lead:</b> Rachel Spencer-Henshall <b>Due Date:</b> September 2025 & ongoing
IR2 The Council should carry out benchmarking work to compare its services and performance with other Local Authorities, for example as part of its Transformation Programme.	Improvement	Financial sustainability	The Council has not looked at benchmarking and unit costs as part of its consideration in making decisions on budget options. Insights into areas where it could make changes would be enhanced by greater use of benchmarking.	Benchmarking should enable the Council to prioritise high cost services.	<b>Actions:</b> Accepted <b>Responsible Officer:</b> Andy Simcox <b>Executive Lead:</b> Rachel Spencer-Henshall <b>Due Date:</b> September 2025 & ongoing

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 In relation to its high-value capital regeneration schemes, the Council should ensure these risks are considered during commercial negotiations and ensure contractual provisions with third-parties are such that the Council is protected financially as best as possible from the risks that a third-party operator pulls out. The Council should also ensure that its risk management arrangements enable for the full business case to be kept under review during development and construction to ensure that wider macroeconomic factors continue to support the development of these capital schemes and interest from commercial operators to partner with the Council remains throughout the construction stage of each project.	Improvement	Governance	Forward looking recommendation based on the high value (£250m +) capital regeneration schemes that the Council is progressing,	Development and construction of new buildings using external borrowing without any commercial partners to rent and operate said buildings. This would also result in regeneration goals not being achieved.	<p><b>Actions: Accepted</b></p> <p>It is agreed that capital schemes should have business cases that cover sensitivity analyses around key variables and reasonable estimates should be used therein. Furthermore, these should be updated at key points in the relevant programme.</p> <p>However the existing mitigations listed below should be recognised:</p> <ul style="list-style-type: none"> <li>• The Council has ensured sound business cases have been considered and approved where appropriate for all regeneration schemes. The business cases all follow the standard format used by HM Government, i.e. based on HM Treasury Green Book 5 case business case.</li> <li>• By way of example, gateway processes have been employed for Our Cultural Heart, ensuring Cabinet remain able to decide for each of the 5 phases, independent of previous commitments and with timely information.</li> <li>• The council has appointed a Strategic Delivery Partner (Turner &amp; Townsend Ltd), to ensure the required skill set and capacity is available for delivering regeneration schemes at scale and pace across a varied construction programme.</li> <li>• The chosen form of contract for construction helps manage risks and apportion them appropriately, i.e. Design &amp; Build contracts where applicable, to quantify and apportion risk to the contractor, keeping large scale construction projects to time and budget.</li> <li>• Income assumptions have been prudent in all cases where commercial income is required, i.e. George Hotel. Sensitivity testing has been undertaken and made available to cabinet to help inform their decisions.</li> </ul> <p><b>Responsible Officer:</b> Lead officer for project</p> <p><b>Executive Lead:</b> Statutory Officers</p> <p><b>Due Date:</b> ongoing</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4 The Council should review its internal budgetary control information to ensure that cost centres are appropriate to enable the identification of adverse variations from budget to enable management to take action. This may involve having fewer cost centres in several areas or more in others.	Improvement	Governance	The Council's budget monitoring did not enable the Council to identify missed income within the District Heating Service.	Effective budget monitoring enabling appropriate action to be taken.	<p>Actions: Accepted</p> <p><i>The Council is of the view that its monitoring reports now strike the right balance as to whether monitoring reports should be subjective or objective.</i></p> <p><b>Responsible Officer:</b> Jacqui Fieldhouse</p> <p><b>Executive Lead:</b> Kevin Mulvaney</p> <p><b>Due Date:</b> 1 April 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should ensure that:</p> <ul style="list-style-type: none"> <li>members who have a potential conflict of interest, are aware of their responsibilities and declare any interest, so that the potential conflict can be managed accordingly</li> <li>ensuring that Cabinet papers prepared to support a decision include all the key financial information, including the financial rationale for making the decision as well as the financial costs of the decision</li> <li>the MRP calculation methodology, the assumptions used and the profiling of MRP charges over the medium to long term are clearly documented, reviewed and understood by Cabinet and Full Council.</li> </ul>	Improvement	Governance	<p>In our view the decision taken by Cabinet relating to the restructure of KSDL did not clearly set out why the decision was in the best interests of the Council. It omitted the cost benefits of such a decision. The member portfolio lead did not declare their interest at the start of the meeting and did not withdraw from the discussion and decision, as they were also a Director of KSDL.</p> <p>We found that the change in the MRP calculation assumptions made by officers, had not been clearly communicated to members in 2023/2024.</p>	Members are not able to make decisions based on all the information.	<p><b>Actions: Accepted</b></p> <p><i>Officers will continue to report the MRP policy (within the overall Treasury Strategy) to CGAC annually. The Treasury Strategy is then reported to Cabinet and Council for approval as part of the Annual Budget.</i></p> <p><b>Responsible Officer:</b> James Anderson (MRP) / All report Authors</p> <p><b>Executive Lead:</b> Kevin Mulvaney and Sam Lawton</p> <p><b>Due Date:</b> Immediately</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.



# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should</p> <ul style="list-style-type: none"> <li>strengthen the governance arrangements within the HRA</li> <li>progress its medium term plans for the HRA including assessing the cost of works to stock, allowing for a deliverable programme, and other balancing changes needed to the HRA cost base</li> <li>review and update its 30-year HRA business plan.</li> </ul>	Improvement	Governance	<p>In 2023-24 the HRA has and is experiencing a range of issues which will have an impact going forward if not addressed. These include:</p> <ul style="list-style-type: none"> <li>in effective governance arrangements so that the District Heating Service was not effectively managed</li> <li>breach of standards by the Social Housing Regulator.</li> <li>two high rise buildings that require a waking watch service to ensure residents safety</li> <li>the level of subsidisation between income received from non-HRA and HRA residents.</li> </ul>	Effective governance and management of the HRA	<p><b>Actions: Accepted</b></p> <p>The Council updates its 30 year business plan on a regular basis and will continue to do so. As referenced in the KR, the Capital Plan has been reprioritised and a stock condition survey of all assets will be undertaken.</p> <p><b>Responsible Officer:</b> Director of Housing (post currently being recruited)</p> <p><b>Executive Lead:</b> David Shepherd</p> <p><b>Due Date:</b> September 2025</p>
<p>The Council should introduce corporate performance monitoring in formal Cabinet meetings.</p>	Improvement	Improving economy, efficiency and effectiveness	Throughout 2023-24 corporate performance was not reviewed in a formal Cabinet meeting.	Performance is not challenged within public meetings	<p><b>Actions: Accepted</b></p> <p><b>Responsible Officer:</b> Andy Simcox</p> <p><b>Executive Lead:</b> Rachel Spencer-Henshall</p> <p><b>Due Date:</b> Implemented since Q1 2024-25</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 8. Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR8 The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	Improvement	Improving economy, efficiency and effectiveness	The Council does not have a Data Management Strategy or Data Quality Strategy.	Staff are not clear on their role and responsibilities.	<p><b>Actions:</b> Accepted</p> <p><b>Responsible Officer:</b> Andy Simcox</p> <p><b>Executive Lead:</b> Rachel Spencer-Henshall</p> <p><b>Due Date:</b> September 2025</p>
IR9 The Council should: <ul style="list-style-type: none"> <li>review and update its Procurement Strategy following the introduction of the Procurement Act 2023 regulations</li> <li>ensure all training on the new procurement legislation is completed prior to it coming into effect</li> <li>introduce a system whereby contract waivers are regularly reviewed by a senior officer group and members (public meeting) to identify any trends and actions required.</li> </ul>	Improvement	Improving economy, efficiency and effectiveness	The Procurement Strategy does not reflect the Procurement Act 2023. The Council operated an authorisation process for contract waivers in 2023-24, but did not review to identify any trends or actions that need to be taken.	<p>Ensure effective procurement arrangements.</p> <p><b>Actions:</b> Accepted</p> <p>We will update the Procurement Strategy once the Procurement Act 2023 regulations are in place. Waivers are now being reported to Contract Assurance Board chaired by the Monitoring and S151 officer.</p> <p><b>Responsible Officer:</b> Sam Lawton</p> <p><b>Executive Lead:</b> Rachel Spenser-Henshall</p> <p><b>Due Date:</b> September 2025, but awaiting the introduction of the Procurement Act 2023</p>	
IR10 The Council should develop an action plan to address the weaknesses within its contract management arrangements and ensure the actions are delivered consistently and at pace, including the lack of contract management within the District Heating Service.	Improvement	Improving economy, efficiency and effectiveness	<p>Issues in relation to contract management have been found in; Home to School Transport, Energy Supply and the District Heating .</p> <p>The central procurement team have been unable to produce meaningful contract monitoring information, such as contract spend compared to contract value, due to being unable to obtain meaningful information from the Council's SAP system.</p>	In effective contract management.	<p><b>Actions:</b> Accepted</p> <p><b>Responsible Officer:</b> Sam Lawton &amp; Lead Contract Manager</p> <p><b>Executive Lead:</b> Rachel Spencer-Henshall</p> <p><b>Due Date:</b> September 2025</p>

\* Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# 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.

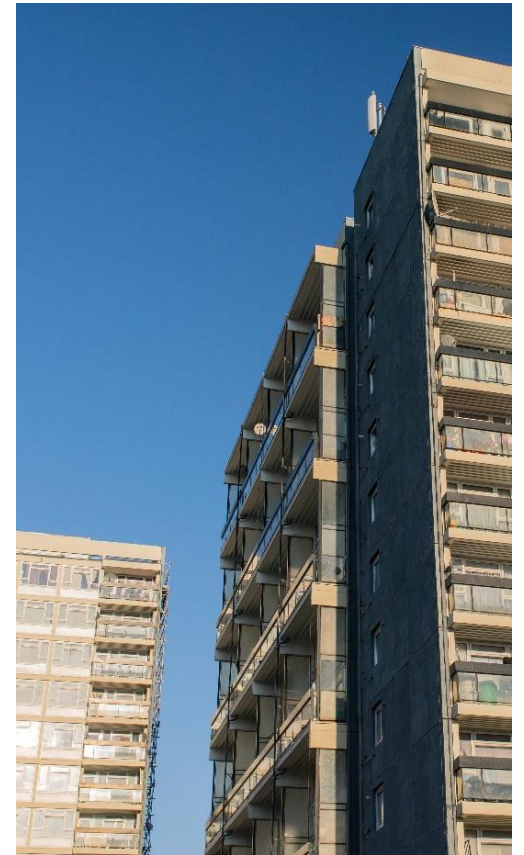
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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: Value for Money Auditor responsibilities



## Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

### Financial Sustainability

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

### Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

### Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

### Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

### Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 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	Key	January 2023	The Council have improved their process for generating savings, reduced the amount of one off use of reserves in the budget and set out plans to increase reserves but the Council is still subject to significant pressures and has low reserves.	Remains ongoing	We have raised a recommendation to ensure that the Council is focused on this. See key recommendation on page 18.
2 The Council needs to take action to address the shortfall in the Dedicated Schools Grant (DSG) recovery plan that has been agreed with Department for Education (DfE)	Key	January 2023	The Council have taken action, but at present the number of children who need the services is continuing to grow which is holding back the financial impact of actions taken.	Remains ongoing	We have raised a recommendation to ensure that the Council is focused on this. See key recommendation on page 19.
1 The Council should develop an enhanced savings development tracker that uses RAG ratings or similar means to capture the level of risk associated with the delivery of savings.	Improvement	January 2023	This has been addressed through reporting to the Executive Leadership Team.	Yes	No
2 The Council should ensure that the ongoing Transformation programme is properly integrated and supports the short-term budget savings development process.	Improvement	January 2023	The Council's programme involves key staff in departments and is progressing.	Yes	No

\*Explanations of the different types of recommendations which can be made are summarised at Appendix B.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3 The Council should review the arrangements for implementation and follow up of recommendations.	Improvement	January 2023	The Council now reports external and internal audit recommendations to Corporate Governance and Audit Committee	Yes	No
4 The Council should consider the merits of appointing an additional appropriately qualified councillor to the Corporate Governance and Audit Committee.	Improvement	January 2023	The Corporate Governance and Audit Committee has approved the appointment of another independent member and is currently recruiting to the role.	In progress	The Council is currently recruiting a second independent member to the Corporate Governance and Audit Committee.
5 Performance management could be improved with more effective use of data and insights.	Improvement	January 2023	Limited progress as has had to be balanced with other priorities.	No	Improvement recommendation raised on page 31.

\*Explanations of the different types of recommendations which can be made are summarised at Appendix B.



