



Kirklees Council

Interim Auditor's Annual Report
Year ending 31 March 2025

21 January 2026



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Kirklees Metropolitan Council during 2024-25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VFM) arrangements. The responsibilities of the Council are set out at Appendix A. The Value for Money Auditor responsibilities are set out at Appendix B.

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 2025 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 2024-25
- 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.

Auditor's powers

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

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024-25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Local

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Kirklees Council (the Council) was formed in 1974 and has a population of around 433,000 residents (ONS 2021). The Council covers approximately 158 square miles and has Huddersfield as its largest population centre. The Council is a member of the West Yorkshire Combined Authority (WYCA) which was established in 2014. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans. The Council’s formal decision making and governance structure constitutes the full Council and an Executive (the Cabinet). The Council has 69 councillors, and has been under no overall control since 2024.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024-25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages. We have retained the three key recommendations from the prior year in respect of the Council’s overall financial position, the level of Dedicated Schools Grant (DSG) deficit, and the matters identified by the Housing Regulator. In line with our responsibilities under the Code, our assessment of the Council’s VFM arrangements reflects our understanding of the arrangements in place during 2024-25. However, where relevant, we have included additional context from events in 2025-26. We will set out our full assessment of arrangements in respect of 2025-26 in next year’s report.

Criteria	2023-24 Assessment of arrangements	2024-25 Risk assessment	2024-25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified, two key recommendations and three improvement recommendations also raised.	Two risks of significant weakness identified in relation to: the Council’s financial position and Dedicated Schools Grant (DSG) deficit.	R Two continuing significant weaknesses in arrangements identified around the Council’s financial position and DSG deficit were identified, and two key recommendations retained.
Governance	A No significant weaknesses in arrangements identified, four improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses identified; one improvement recommendation has been updated on waiver reporting and one improvement recommendation raised to support reporting and monitoring of the Council’s capital programme.
Improving economy, efficiency and effectiveness	R Significant weaknesses identified in relation to housing compliance, one key recommendation and four improvement recommendations raised.	One risk of significant weakness identified in relation to: the Council’s failure to meet statutory health and safety requirements in Council homes.	R One continuing significant weakness identified on the Council’s housing compliance, resulting in a key recommendation being retained and updated. An improvement recommendation is retained on data quality, and a new improvement recommendation is raised on implementing improvement following the 2025 Local Area SEND Inspection.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024-25, the Council delivered a £5.6m revenue overspend, funded from earmarked reserves. Services overspent by £13.5m in-year, with the largest variances in the Children and Families (£5.7m), and Place (£6.3m) directorates. The £5.7m overspend in Children and Families was despite use of £1.5m from the earmarked demand reserve. The Council continues to face financial pressures in the short and medium-term as a result of demand and cost pressures within social care, with an estimated cumulative budget gap of £30.2m in the period to 2030-31. We have therefore retained our Key recommendation on strengthening the Council's financial position.

The Council is expecting to gain additional funding in the medium-term from equalisation and the Fair Funding Review. The Council took a prudent approach and forecasted funding gains over the next three years of £6.7m in 2026-27, and £5m annually in 2027-28 and 2028-29 within the Medium-Term Financial Plan (MTFP). As at January 2026, the Council has now estimated that there is an additional £6m of funding available in 2026-27 from the provisional Local Government Finance Settlement (LGFS) – the Council has indicated that allocation will be determined in budget-setting.

The Council's Dedicated Schools Grant (DSG) deficit has also continued to increase, with an in-year overspend of £20.1m. The cumulative deficit stood at £63.8m at the end of 2024-25. This deficit is already 105% of the Council's total usable reserves and is forecast to continue increasing. As a result, we have also retained our Key recommendation in this area. DSG deficits are a national issue affecting many local authorities. Recent Government announcements continue to suggest that there will be a national resolution to this issue in the future but, at the time of our review, the details of this were not clear. The Government intends to set out its proposed reforms to the Special Educational Needs and Disabilities (SEND) System in the Schools White Paper, which had been expected in Autumn 2025 but was delayed until 2026. We will follow up this issue as part of our work in 2025-26.



Governance

The Council had arrangements in place to identify and manage risks during the year. The Council has an established Risk Management Framework, including a Risk Management Policy, Risk Management Strategy and Guidance, Risk Assessment Matrix and Risk Register Template, all of which were refreshed in 2024-25.

Budget-setting and monitoring arrangements continued to operate throughout 2024-25 with member and officer engagement. We have raised an improvement recommendation for the Council to enhance capital monitoring and reporting to members.

The Council has taken action to align its procurement arrangements with the legislative changes relating to the Procurement Act 2023. Training on the related new regulations has been undertaken and a new Procurement Strategy was agreed in December 2025. As a result, we have updated an improvement recommendation from 2023-24 for the Council to implement formal waiver reporting to members.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Improving economy, efficiency and effectiveness

Corporate performance against the objectives of the 2024-25 Council Plan was reported to Cabinet.

The Council received a Regulatory Notice from the Regulator of Social Housing in March 2024 following a self-referral. The Notice identified a failure to meet statutory health and safety requirements in homes, with regards to high instances of damp and mould, as well as overdue fire and remedial actions.

The Council has put in place a programme of work to rectify these failures and has continued to work with the Regulator to address issues in 2024-25. Progress has been made towards completing fire remedial actions and addressing the damp and mould backlog. We understand that this is reflected by the Regulator stepping back the frequency of meetings in 2025-26 with a continued focus on fire remedial actions. Management has communicated that progress is ongoing in 2025-26 and that the Council is working towards demonstrating compliance with the relevant regulatory standards. Despite this, we consider that this remained a significant weakness in arrangements in 2024-25 and have retained a Key recommendation from the prior year.

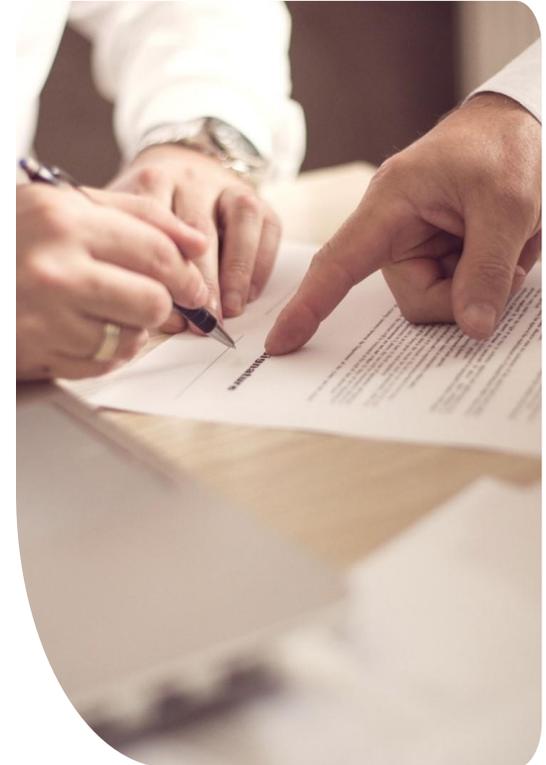
In June 2025, there was an Area SEND Inspection of the Kirklees Local Area Partnership which identified four areas for improvement. We have raised an improvement recommendation for the Council to implement identified actions in response to these findings. The Council anticipates that the forthcoming White Paper will have a positive impact and has been working on additional local provision to bring down overall costs.



Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024-25 outcome
<p>Opinion on the Financial Statements</p>	<p>Our work is substantially complete and our anticipated financial statements audit report will be an unmodified, ‘clean’ opinion. We intend to issue the audit opinion in early February 2026 following the Corporate Governance and Audit Committee meeting on 30 January 2026.</p>
<p>Use of auditor’s powers</p>	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work is substantially complete and our anticipated financial statements audit report will be an unmodified, 'clean' opinion. We intend to issue the audit opinion in early February 2026 following the Corporate Governance and Audit Committee meeting on 30 January 2026.

The full opinion is included in the Council's Annual Report for 2024-25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 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 2024-25
- 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 (2024) 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.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by appropriately detailed working papers. We did not identify any adjustments impacting on the Council's useable reserves balances which represents a good outcome of the Council. Several classification, disclosure and presentational adjustments were identified from the audit, and the volume and type of such adjustments identified is consistent with other audited bodies across the LG sector.

In our ISA260 report, we indicated that there is scope for improvement in the integrity, accuracy and understandability of the Council's cash flow working papers following several audit adjustments identified to this primary accounting statement in the current and prior year. In addition, we highlighted that issues had been identified in the gross internal area data (floor areas) that was supplied to the valuer for the purpose of the buildings' estate valuation estimate, with such variances between the valuer's data and the underlying estates records also occurring in the prior year. We have raised auditor recommendations in our report for management to address these ahead of the 2025-26 accounts closedown.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Our Audit Findings (ISA260) report is to be presented to the Council's Corporate Governance and Audit Committee on 30 January 2026. Requests for this Audit Findings Report should be directed to the Council.

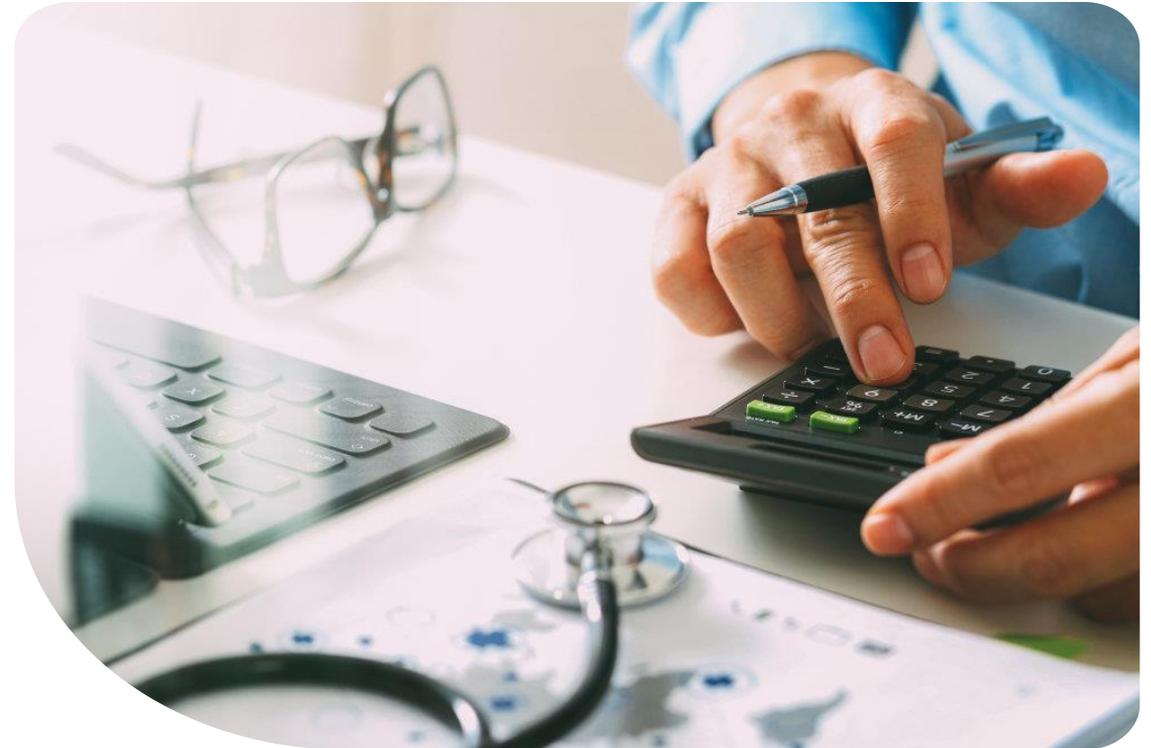
Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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

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

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

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

The Council reported a net £5.6m revenue overspend for 2024-25, funded from earmarked reserves. This was despite funding from the earmarked demand reserve of £1.5m within the Children and Families Directorate. Services overspent by £13.5m (Place: £6.3m, Children and Families: £5.7m, Adults and Health: £1.3m), and the net overspend was reduced through an £8m underspend in central budgets (largely linked to a recalculation of the Minimum Revenue Provision in 2023-24). The Council, like many others, continues to face significant financial pressures from increasing demand and costs. As quarter 2 2025-26 it forecast a net £5.1m overspend, after use of £5.3m from the budget contingency reserve. This is however a lower forecast overspend than the same point in 2024-25 (£9.9m), 2023-24 (£16.1m) and 2022-23 (£24.3m). Some £4.8m of the forecast £5.1m overspend was attributed to overspends within the Children and Families directorate and £4.5m was attributed to the Adults and Health directorate.

We raise a continuing key recommendation in 2024-25 for the Council to strengthen its financial position. On balance, we consider that this significant weakness within financial sustainability arrangements remains in place at 31 March 2025 (see **Key recommendation 1**). The Council agreed a balanced budget for 2025-26 though this relied on use of £5.5m from budget contingency reserves. The Council’s latest Medium-Term Financial Plan (MTFP) from December 2025, which covers a six-year period from 2025-26 to 2030-31, indicated an estimated budget gap of £30.2m over the period to 2030-31.

The Council's cumulative DSG deficit has been increasing despite the Council being part of the Safety Valve Agreement since 2022. The Department of Education (DofE) approved an extension to the original timescale for the Council to eliminate its deficit (from 2026-27 to 2029-30). In 2024-25, the Council had an in-year overspend of £20.1m on its DSG budgets, and its cumulative deficit rose to £63.8m against a planned deficit of £63.3m. This is above existing usable reserve levels (earmarked and general revenue reserves), which stood at £61.1m at year-end. In common with a number of local authorities experiencing DSG challenges, the Council's forecasts indicate that it now expects the cumulative deficit to peak at £78.5m in 2025-26, and to remain at £56.3m in 2029-30. Based on this we retain a Key recommendation (**Key recommendation 2**).

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>In 2024-25, the Council delivered £33.7m (79%) in savings against a budgeted target of £42.6m. Slippage was driven by a lack of delivery within the adults and health transformation programme - of the initial target of £8.2m identified, £4.828m (59.1%) was delivered at year-end. The Council needs to continue to progress and deliver its programme of transformation, this is included within our key recommendation (Key recommendation 1)</p> <p>The Council has set a savings target of £26.8m in 2025-26. This is a substantial decrease from the required target in 2024-25, and Q2 financial monitoring has indicated that savings are forecast to be delivered at 84% of this target.</p>	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has a Council Plan with four key priorities: address financial position in a fair and balanced way, strive to transform Council services to become more modern, efficient and effective, continue to deliver a greener, healthier Kirklees and address the challenges of climate change, and continue to invest and regenerate towns and villages to support diverse places and communities to flourish. The Council's MTFs and 2024-25 budget reflect these corporate priorities and help to support delivery of the Council Plan.</p>	G
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	<p>The Council can evidence alignment between financial plans and other corporate strategies, such as the Environment Strategy: Everyday Life and its People Strategy.</p> <p>There is a multi-year capital programme updated annually and covering the period up to 2031-32 which is set to deliver capital investment of £1.4bn. Capital budget monitoring was included in quarterly budget monitoring reports. We raise an improvement recommendation related to capital programme monitoring and strategic project reporting (Improvement recommendations 2) which are relevant to this area, hence an “amber” rating.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>Cabinet received quarterly budget monitoring reports throughout 2024-25. Reports identified risks impacting the in-year financial position, detailed cost pressures, identified forecasts to year-end, and explained any variances alongside proposed mitigating actions. The Council implemented a number of actions to reduce spend, such as stopping non-essential expenditure, recruitment freezes, ongoing reviews of discretionary fees/charges. However, services overspent by around £13.5m at year-end. This was, however, offset by a £8.0m underspend on corporate budgets, leaving a £5.6m net variance. In response, The Council drew down £8.7m from earmarked reserves, using £5.6m to fund the overspend and making a £3.1m contribution to its budget contingency reserve. The Council undertook scenario planning and sensitivity analysis as part of its updates to the MTFP.</p> <p>The Council risk-assesses its general reserves twice a year. The Council’s reserves are not excessive for a local authority of its size and type and remain below its own ideal level, though it is above the minimum level. The Council’s latest assessment indicated a minimum level of £22m, and a desirable level of £31m – the Council’s general reserve currently sits at £25m. There was no contribution to reserves in 2024-25, but the Council’s MTFP includes a planned £1m contribution annually to the general reserve between 2025-26 and 2030-31. The Council also expects its government funding to increase with the implementation of the fair funding review. The MTFP (as of September 2025) set out that government funding increases are forecast to be in the region of £6.7m in 2026-27, and £5m annually in 2027-28 and 2028-29. However, as we set out above, challenges remain in mitigating financial risks, particularly in regard to addressing funding gaps across the medium-term, controlling service overspends and incrementally building reserve levels to safeguard medium-term financial sustainability. We have identified concerns around the Council's reserve levels, which are low compared to revenue expenditure and when compared to other metropolitan authorities. We therefore consider that Key recommendation 1 also applies to this area.</p>	<p>R</p>

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council, like many others, continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the MTFP, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels. The Council should also continue enhancing the output of its transformation programme and linking this through to its MTFP. We retain the key recommendation raised in our 2023-24 AAR.

Evidence: The Council delivered £33.7m (79%) of its savings target of £42.6m in 2024-25. This was a considerably higher target than in 2023-24, where the Council delivered 100% of the target of £19.8m. However, the Council ended 2024-25 with a net £5.6m overspend. The overspend within the Children and Families, Adults and Place directorates was a combined £13.5m. This is not a sustainable position, and the Council only managed to lower the net overspend to £5.6m following a one-off underspend in corporate services. In 2025-26, the Quarter 2 financial monitoring report forecast a £5.1m overspend to year-end, with the Council also looking to reprioritise its capital programme to reduce revenue pressures. The Council therefore needs to mitigate risk by delivering spend as close to possible in 2025-26 to avoid continued use of reserves.

The Council reviews its MTFP annually, with updates brought to Cabinet and Full Council in September each year. In September 2025, the MTFP indicated an estimated funding gap of £56.3m from 2025-26 to 2030-31, with the biggest shortfall being £17.9m in 2026-27. In 2024-25, the Council did not increase reserve levels, though use of reserves in 2024-25 was lower than 2023-24. The general reserve remained at £25m at year-end, and earmarked reserves stood at £36m. The Council has a plan in place to incrementally increase its reserve levels, with the MTFP including an annual contribution of £1m to the general reserve from 2025-26 onwards up to 2030-31. Additionally, officers have indicated that there was a prudent approach taken to the Fair Funding Review, and any additional funding from the Local Government Finance Settlement (LGFS) will be determined in the budget setting process and could be added to reserves. However, the Council has yet to demonstrate that it can increase reserves sustainably given ongoing revenue overspends.

The Council has a significant adult social care transformation programme in place with a target of £12m set for 2025-26, however transformation savings are not clearly identified and monitored within budget management reports. Reporting on transformation efficiencies was embedded within savings monitoring – in 2024-25, the Council had a target of £8.2m but only managed to deliver £4.8m (59.1%) at year-end. Delivery of transformation efficiencies is key to the Council's effort to set itself in a more sustainable position moving forward, and we include this within the updated Key recommendation below.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Impact: The Council should continue to build on work to mitigate risks to its financial position. There are still significant budget pressures, and reserve levels, although set to increase, remain low in comparison to revenue budgets. Unless the Council can control financial pressures in the short and medium-term, and deliver to the agreed budget target, pressures on reserve levels could undermine the capacity to effectively manage future financial shocks. Additionally, the Council should strengthen its focus on clearly identifying deliverable transformation savings and include this within the MTFS to identify impacts in the future, as an inability to deliver planned transformation efficiencies would put financial sustainability at risk.

Key Recommendation 1 (retained from 2023-24)

KR1: 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 2025-26
- reviewing pressures, assumptions and future savings levels in the MTFP
- identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans
- reviewing the target level of reserves it wishes to achieve in future years of the MTFP.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Although the Council is taking action to reduce spend and to implement mitigations, the DSG cumulative deficit is forecast to peak at £73.2m in 2025-26 and is projected to still be £56.3m at the end of the Council's Safety Valve Agreement in 2029-30. The Council is not on track with the target to eliminate the in-year deficit by this time, and is also off-track with the annual targets identified for each year within the Agreement. DSG deficits are a national issue affecting many local authorities. Recent Government announcements continue to suggest that there will be a national resolution to this issue in the future but, at the time of our review, the details of this were not clear. The Government intends to set out its proposed reforms to the Special Educational Needs and Disabilities (SEND) System in the Schools White Paper, including the anticipated outcome for those Councils with significant deficits. This was expected in Autumn 2025 but was delayed until Summer 2026. We will follow up this issue up in 2025-26.

Evidence: The Council's cumulative DSG deficit stood at £63.8m at the end of 2024-25, with the in-year overspend of £20.1m (£15m in-year deficit in 2023-24). This is clearly a worsening position and the Council is aware it needs to control overspends within the high needs block (HNB).

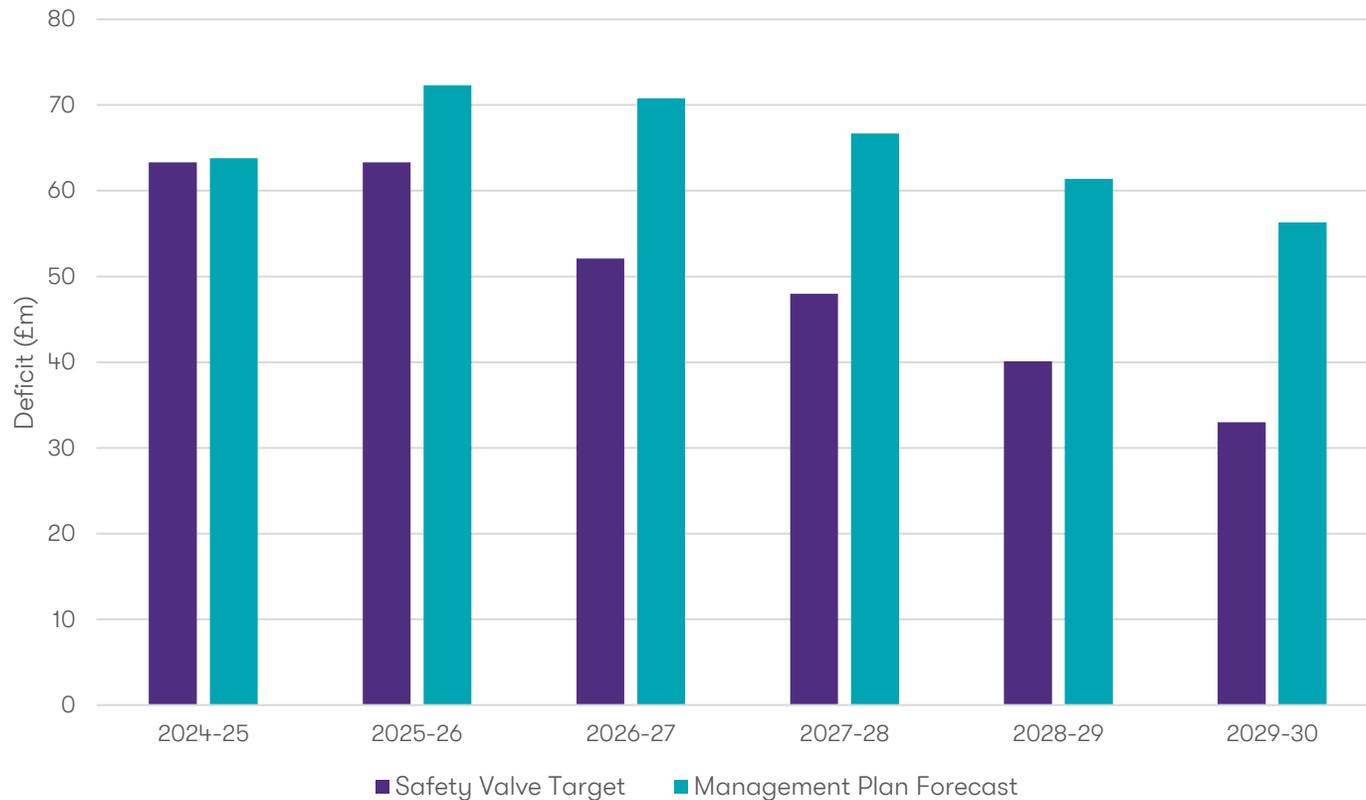
The Council has a DSG Management Plan in place, with workstreams to control spend including savings within mainstream schools based on cluster work, savings within post-16 costs, and ongoing development of additional capacity including specialist schools to provide additional places. Progress is reported regularly to Members. Current mitigating measures are set to begin having a financial impact in 2025-26 with a £4m impact projected at the time of our review, increasing significantly in later years as mitigating measures take effect. The Council has also prioritised revenue resource to increase high needs sufficiency, and has committed to contribute £10.75m to 2029-30. The first £2.15m has been included within the 2025-26 revenue budget, and is expected to recur in future years.

Currently, the Management Plan indicates that in-year balance will be reached in 2028-29 post-mitigation, however at the time of our review the cumulative deficit was forecast to rise to £72.3m in 2025-26 before slowly levelling off to £56.3m in 2029-30. Despite mitigations, therefore, the Council is still off-track compared to the targets set out within the revised Safety Valve Agreement. The Council ended 2024-25 with general reserves of £25m and earmarked reserves of £36m (£61m total). The cumulative deficit of £63.8m in 2024-25 has already exceeded this level (105%). The Council also faces a cashflow pressure of around £3m-£4m pressure as a result of servicing the cumulative deficit, as this represents balances that could otherwise been used for service provision or to fund capital rather than increasing external borrowing.

Impact: The Council is aware it needs to manage its DSG position to mitigate increases in its cumulative deficit, as a worsening DSG deficit would go towards compounding financial risk.

Financial sustainability (continued)

Kirklees DSG Cumulative Deficit against Safety Valve Targets



Key Recommendation 2 (retained from 2023-24)

KR2: The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DofE.

	DSG Cumulative Deficit	
	Council forecast pre-mitigating actions in DSG management plan	Council post-mitigation forecast
	£m	£m
2025-26	76.3	72.3
2026-27	87.7	70.8
2027-28	98.3	66.7
2028-29	107.8	61.4
2029-30	116.3	56.3

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has arrangements in place to manage strategic risks. There is a Risk Management Framework in place, including a Risk Management Policy, Risk Management Strategy and Guidance, Risk Assessment Matrix and Risk Register Template, all of which were reviewed and updated in 2024-25. Quarterly risk reports and the corporate risk register are reviewed by Cabinet and Overview and Scrutiny Committee.</p> <p>The Internal Audit function provided quarterly updates to the Corporate Governance and Audit Committee. The Internal Audit Annual Opinion 2024-25 was reported to Committee in June 2025, and noted that there was sufficient evidence to demonstrate that the Council's system of governance, risk management and internal control was effective.</p>	<p>G</p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Council had an established annual budget setting process in 2024-25. The final budget was approved by Full Council on 5 March 2025 following scrutiny by the Overview and Scrutiny Management Committee in January 2025. Public consultation was undertaken to engage the public and key stakeholders during budget development. In addition, regular cross-party budget meetings were held to enable member engagement across the political parties.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<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>Quarterly financial monitoring reports were considered in 2024-25 by Cabinet. Variances were explained, with a summary of mitigating actions put into place to control overspends. Despite this, there were still significant service overspends noted in 2024-25, largely attributed to pressures within the Children and Families directorate. Reports covered the HRA, DSG, capital monitoring, treasury management information and a summary of reserve levels. Reporting on capital did not set out expenditure by programme, we raise an improvement recommendation (Improvement recommendation 2). Our recommendations in relation to controlling expenditure at service level and delivering savings are also relevant (see previous financial sustainability section).</p> <p>A clear treasury management reporting framework was in place in the year, in line with what we would expect to see. There were two treasury management reports considered by members in 2024-25, and the Annual Report on Treasury Management for the year was received in June 2025. Treasury management reports provided assurance on treasury management prudential indicators, and also provided updates on investment and borrowing performance.</p> <p>We previously raised improvement recommendations on internal budgetary control information and risk management arrangements around high-value capital regeneration schemes, which have been closed down. We have raised a new improvement recommendation (Improvement recommendation 2) on the monitoring and reporting of high-value capital schemes.</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council's Constitution sets out its decision-making processes and procedures. We raised an improvement recommendation in 2023-24 on arrangements to manage conflicts of interest, sufficiently informative Cabinet papers, as well as MRP calculations – we consider that the Council has improved arrangements around declarations of conflicts of interest, and has enhanced Cabinet papers to include financial information and further explanations on MRP calculations, and this recommendation is now closed.</p> <p>The Council has an Overview and Scrutiny Management Committee, supported by four Scrutiny Panels. The Council also has an established Corporate Governance and Audit Committee, and a second independent member was appointed to the Committee in March 2025. The Committee now has two independent members and is aligned with established good practice.</p> <p>An improvement recommendation was raised in the 2023-24 AAR on HRA financial sustainability which has been closed.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council's Constitution is regularly reviewed, and this includes the Councillor and Officer Codes of Conduct. The Codes include requirements for registering and disclosing gifts and interests.</p> <p>The Council has a new Procurement Strategy that was approved by Cabinet in December 2025. The Strategy is aligned with the Procurement Act 2025. Contract Procedure Rules were refreshed and agreed in March 2025. The Council can evidence work undertaken for alignment with the Procurement Act 2025, with training undertaken by relevant officers. An improvement recommendation was raised in 2023-24 on procurement and waiver reporting, whilst some elements of this recommendation have been addressed, the Council does not formally report waivers to members. This has been retained and included within an improvement recommendation (Improvement recommendation 1).</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: procurement arrangements

Key Finding: The Council has a new Procurement Strategy which was approved by Cabinet in December 2025. Although the Council has an internal log of waivers, this is only reported to the Contract Assurance Board which is officer-led and not to members.

Evidence: The Strategy is aligned with regulations set out within the Procurement Act 2025, and relevant officers have undertaken training on new regulation.

The Council maintains a waivers register which is reported to the Contract Assurance Board, chaired by the Monitoring Officer and the S151 Officer. Contract management arrangements were strengthened and agreed by Corporate Governance and Audit Committee in November 2025. Waivers are not currently reported to members, however there are plans in place to begin reporting to Cabinet or Scrutiny Committee after Contract Procedure Rules are updated in February 2026. At time of writing, the Council has had only 5 waivers in 2025-26.

Impact: Although the Council has not used a significant number of waivers in 2025-26, enhancing procurement arrangements and waiver reporting will ensure there is sufficient member and officer oversight of exemptions.

Improvement Recommendation 1

IR1: The Council should introduce annual waiver reporting to a relevant member-led Committee, in order to identify trends and actions required.

Governance (continued)

Area for Improvement identified: capital monitoring and reporting of high-value capital schemes

Key Finding: The Council has a multi-year capital programme. Capital programme updates were included within quarterly financial monitoring reports considered by Cabinet in 2024-25, however individual schemes are not listed, with spend broken down among directorates. Additionally, we previously raised an improvement recommendation for the Council to enhance arrangements around high-value capital regeneration schemes to ensure that risks were appropriately managed.

Evidence: The Council's quarterly financial monitoring reports include a section on capital to track expenditure against budget. There is a narrative summary provided on the capital budget, and any changes to the multi-year capital plan that have been made. Capital expenditure is broken down by service area, with variances identified against budget. However, reporting could be enhanced by including information on individual capital projects and schemes, especially for large capital projects. Currently, in our view, it is difficult for members to appropriately scrutinise and have oversight of large schemes that may be off track.

The Council has several high-value capital schemes in place, such as Our Cultural Heart and the George Hotel. Although we recognise that the Council has governance and monitoring arrangements in place for the individual projects, with programme boards that meet regularly and update reports brought to Cabinet as and when necessary, adopting a “major projects” approach could support in identifying strategically important projects which may involve one or more of: high capital value, complex or high-value commercial arrangements and contracts with third parties, and strategic important to the Council’s aims and objectives.

Given the strategic and financial importance of these and other regeneration projects to the Council - both individually and as a portfolio - we consider that the Council should enhance arrangements by increasing the frequency and transparency of progress reporting to a relevant Member-led committee.

Impact: Improving arrangements would enhance transparency, member oversight and scrutiny of the Council's capital programme to help manage risks.

Improvement Recommendation 2

IR2: The Council should enhance capital reporting arrangements to a sufficiently detailed level to allow material variances to be discussed. Additionally, the Council should establish appropriately regular reporting on progress with major capital projects to a relevant member-led Committee, such as Cabinet. Reports should cover progress against agreed timescales and budgets, key risks and mitigations, and – for more mature projects – assessments of benefits realisation.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council set a 2024-25 Council Plan which was approved by Full Council in March 2024 and set out four three-year priorities. The priorities are supported by key performance indicators, grouped by theme. Progress against the Plan indicators was reported quarterly to Cabinet in 2024-25. Metrics within reports were RAG-rated, clearly explained, and benchmarked against national or local data where possible. Red-rated measures vary across directorates, however there is narrative included to indicate how the Council will improve performance. We previously raised an improvement recommendation to introduce corporate performance monitoring within formal Cabinet meetings – corporate performance is now reviewed by Cabinet quarterly in public meetings, so this recommendation has been closed.</p> <p>An improvement recommendation was also raised in 2023-24 on data quality, this is in progress and the Council is actioning this for 2025, so we consider this remains outstanding (Improvement recommendation 3).</p> <p>There is evidence to indicate that the Council used benchmarking to compare its performance with similar authorities in 2024-25. This was raised as an improvement recommendation in 2023-24, and we close this down.</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>A LGA Corporate Peer Challenge was undertaken in November 2024, with an action plan agreed by Cabinet and Full Council in response to findings in April 2025. A progress review was undertaken in September 2025 and reported to Cabinet in December 2025, indicating positive progress against the action plan. The Council also had an area SEND inspection of the local area partnership in June 2025, which highlighted four areas of improvement around the transition to adulthood, reducing waits, the quality of Education, Health and Care Plans (EHCP) and communication across the partnership (see Improvement recommendation 4).</p> <p>The Council was issued with a Regulatory Notice by the Regulator of Social Housing in March 2024 following a self-referral. We raised a related Key recommendation in relation to this in our 2023-24 VFM review. The Council developed action plans in response and continued to progress improvements in 2024-25. We understand that the Council has completed a substantial amount of fire risk and legionella assessments as well as having reduced the backlog of open damp and mould cases. There are positive developments, with damp and mould now returning to a business-as-usual position, and the Council is working towards having the Regulatory Notice removed at the end of calendar year 2025 or the beginning of 2026. However, at the end of 2024-25, the Notice had not been removed - this remained a significant weakness in 2024-25. We have updated Key recommendation 3.</p>	<p>R</p>
<p>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</p>	<p>There is a Kirklees Communities Partnership Plan 2022-27 in place, which sets out local community safety partnership priorities over the period. The Council also delivers four key partnership strategies (Environment Strategy, Kirklees Health and Wellbeing Strategy, Inclusive Economy Strategy and Inclusive Communities Framework) with partners across the region and has place partnerships that work with local people and organisations. The Council ensures that it delivers its role within key partnerships through reporting to the Kirklees Partnership Executive, which met five times throughout 2024-25.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>In 2024-25, the Council had a contracts register in place including relevant details of major contracts that the Council holds. We raised an improvement recommendation in our 2023-24 AAR for the Council to strengthen contract management arrangements. The Council identified contract management as an important area of improvement at year-end for 2024-25 within its Annual Governance Statement and Risk Management Annual Report and continued to recognise that there is work to be done. We are aware that during the course of 2025, the Council implemented an action plan to strengthen contract management, refreshed governance arrangements and provided contract management training to relevant officers. There is a Contract Assurance Board in place that reviews waivers and exemptions regularly and is also chaired by the Monitoring Officer and the S151 Officer. Based this and our discussions with the Council we consider that the Council has strengthened its contracts register and refreshed governance arrangements and continues to look to progress improvements by introducing risk tiering in the future. These actions are all positive. As a result, we have closed this recommendation but will revisit this area to confirm this progress have been maintained as part of our work in 2025-26.</p> <p>The Council transferred its 40% shareholding in Kirklees Stadium Ltd (KSDL) to Huddersfield Town Association Football Club Limited (HTAFC) in September 2025 following a delegated decision. The Council had an objective to dispose of its entire shareholding, and commissioned and received external advice from consultants and solicitors in relation to tax and property guidance. We have not identified any significant issues with this matter and not raised any related recommendation.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key Finding: A significant weakness and key recommendation was reported in our 2023-24 VFM review concerning the Council's housing stock. The Regulator of Social Housing issued a Regulatory Notice in March 2024 following the Council's self-referral. The Council has been on an improvement journey and, whilst there has been significant progress, the Council is aware it needs to continue strengthening arrangements.

Evidence: The Council has continued to progress improvement against the Notice, and has actions in place to close down issues identified (fire remedial actions, damp and mould case backlog, water quality testing). Regular reporting on progress has been considered by Cabinet in 2024-25, alongside regular communication with the Regulator. Governance arrangements were refreshed in 2024-25, with a Homes and Neighbourhoods Improvement Board (HNIB) implemented, as well as bi-monthly reporting to the Building Safety Assurance Board. Despite this, weaknesses in arrangements continued in 2024-25, with the majority of improvement action beginning in January 2025 and escalating throughout the 2025 calendar year. Actions around fire, damp and mould, and water quality testing still remain outstanding as at June 2025. Although the Council can evidence improvement like water quality testing and assurance being 99.8% compliant and damp, mould and condensation reaching the 'Business as Usual' position by June 2025 and being maintained since, this continued to be a significant weakness in arrangements in 2024-25 as the Council's performance was not yet at a level where the Regulatory Notice could be removed.

Impact: The Council is not providing adequate housing services for some tenants, and has not fully addressed or actioned all issues identified within the Regulatory Notice of March 2024 as at 31 March 2025. The Regulatory Notice has not been removed yet.

Key Recommendation 3 (retained and updated from 2023-24)

KR3: The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024. This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and water quality testing within all properties. Improvements should continue to be reported regularly to Cabinet, so there is oversight and assurance to ensure that service improvements are made to allow for the removal of the Notice.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: data quality

Key Finding: The Council did not have a Data Management Strategy in 2024-25 which addressed data quality.

Evidence: Discussions with the Council have indicated that there is work being undertaken around agreeing a Digital Strategy by the end of 2025-26 which will drive an Implementation Programme. Activity has been underway since 2023-24.

Impact: Implementing a data strategy would help with performance and data quality standards.

Improvement Recommendation 3 (retained from 2023-24)

IR3: The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: SEND Area Inspection

Key Finding: The Council had an Area SEND Inspection of the Kirklees Local Area Partnership in June 2025, which identified several areas of improvement.

Evidence: The 2025 inspection identified areas of improvement which include the following: strengthening and implementing plans to reduce waits, improving the quality and impact of Education, Health and Care Plans (EHCP), improving communication across the partnership and improving how effectively children and young people are prepared for adulthood.

The Council should now focus on implementing the identified improvement actions within its 'Big Plan 3'. The 'Big Plan' acts as a co-produced SEND Transformation Strategy for the local area partnership. Progress against actions should be reported to the relevant Committee for oversight and scrutiny.

Impact: The Council is at risk of failing to address identified issues, which could lead to a decline in the quality of childrens' services.

Improvement Recommendation 4

IR4: The Council should implement the identified actions within the 'Big Plan' in response to the Area SEND Inspection of the Local Area Partnership in June 2025, with progress monitored by the relevant Committee.

05 Summary of Value for Money Recommendations raised in 2024-25

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="188 422 812 529">The Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul data-bbox="188 551 820 1082" style="list-style-type: none"> <li data-bbox="188 551 766 658">• taking action to deliver savings and to deliver spend as close to budget as possible in 2025-26 <li data-bbox="188 679 766 751">• reviewing pressures, assumptions and future savings levels in the MTFS <li data-bbox="188 772 820 958">• identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans <li data-bbox="188 979 779 1082">• reviewing the target level of reserves it wishes to achieve in future years of the MTFS. 	<p data-bbox="856 715 1054 786">Financial sustainability</p>	<p data-bbox="1090 308 2364 379">Actions: The Council has made considerable progress on this recommendation. To put this progress into context.</p> <p data-bbox="1090 401 1454 429"><u>In Year Financial Position.</u></p> <p data-bbox="1090 436 2328 472">Q2 25/26 lowest projected overspend £5.1m over past few years as reported to Cabinet</p> <p data-bbox="1090 494 1217 522"><u>Reserves</u></p> <p data-bbox="1090 529 2333 601">General Reserve balances unchanged in 24/25 and plans to add £5m over next 5 years. Currently at £25m they remain above minimum calculated level.</p> <p data-bbox="1090 622 1174 651"><u>MTFS</u></p> <p data-bbox="1090 658 2390 801">Prudent position taken in September MTFS re Fair Funding 2.0 assumptions. LGFS gives a further c£6m of funding in 26/27 compared to draft budget. Draft Budget report referenced additional funding to be allocated to reserves. Final Budget proposals reflect further contributions to reserves.</p> <p data-bbox="1090 822 1447 851"><u>Budget Savings Required</u></p> <p data-bbox="1090 858 2333 929">Significant reductions in the level of savings required to balance budgets. Reduced from reduced from £47m in 24/25, to £27m in 25/26 and now c£10m (£6.9m new) in 26/27.</p> <p data-bbox="1090 951 1276 979"><u>Capital Plan</u></p> <p data-bbox="1090 986 2423 1058">Reviewed and reduced borrowing during 25/26. No new Council funded schemes allowed (one in, one out approach) during 24/25</p> <p data-bbox="1090 1079 1276 1108"><u>DSG Deficits</u></p> <p data-bbox="1090 1115 2359 1186">Government has indicated that the Council will not be responsible for future deficits (post March 28) and will work to support Councils with historic deficits.</p>

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="191 275 828 382">The Council should continue to build on its work to strengthen its financial position and mitigate risks to it by:</p> <ul data-bbox="191 406 828 949" style="list-style-type: none"> <li data-bbox="191 406 828 514">• taking action to deliver savings and to deliver spend as close to budget as possible in 2025-26 <li data-bbox="191 535 828 606">• reviewing pressures, assumptions and future savings levels in the MTFS <li data-bbox="191 628 828 806">• identifying set transformation targets against which performance can be assessed and monitored, reporting this clearly within financial monitoring reports and feeding outcomes into MTFP plans <li data-bbox="191 828 828 949">• reviewing the target level of reserves it wishes to achieve in future years of the MTFS. 	<p data-bbox="853 275 1057 949">Financial sustainability</p>	<p data-bbox="1090 275 2433 464">(cont.)</p> <p data-bbox="1090 471 2433 635">We recognise, like most LAs, there are still challenges ahead. but we feel significant progress has been made and the Council continues to head the right direction. The MTFS financial gap is reducing £30m Dec v £56m Sept MTFS.</p> <p data-bbox="1090 649 2433 692">Responsible Officer: S151 Officer</p> <p data-bbox="1090 706 2433 749">Due Date: Update MTFS by Sept 2026</p>
<p data-bbox="191 963 828 1315">The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DofE.</p>	<p data-bbox="853 963 1057 1315">Financial sustainability</p>	<p data-bbox="1090 963 2433 1120">Actions: Noted. We welcome the Government’s recent announcement on their intended treatment of historic and future in year deficits (post Statutory override) and await the detailed proposals in the upcoming White Paper. We will provide a full response after the white paper is published.</p> <p data-bbox="1090 1135 2433 1206">The DfE remain supportive of the Council’s progress on the delivery of the Safety Valve Action Plan.</p> <p data-bbox="1090 1220 2433 1263">Responsible Officer: Exec Director Children & Families</p> <p data-bbox="1090 1278 2433 1315">Due Date: Q2 2026/27</p>

Key recommendations raised in 2024-25

Recommendation	Relates to	Management Actions
<p data-bbox="107 658 173 692">KR3</p> <p data-bbox="191 421 843 571">The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024.</p> <p data-bbox="191 592 843 928">This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and water quality testing within all properties. Improvements should continue to be reported regularly to Cabinet, so there is oversight and assurance to ensure that service improvements are made to allow for the removal of the Notice.</p>	<p data-bbox="856 604 1059 746">Improving economy, efficiency and effectiveness</p>	<p data-bbox="1090 485 2428 592">Actions: The Homes and Neighbourhood service has achieved the Regulator’s satisfaction with our approach to managing damp, mould, and condensation cases, and addressed issues relating to water safety.</p> <p data-bbox="1090 614 2428 763">The Council continues to work with the Regulator of Social Housing to make required progress on fire safety. We have completed full re-appraisal of our fire risk assessment programme and have a detailed action plan to address fire safety actions that will lead to the removal of the regulatory notice. The service reports directly to Cabinet twice per year.</p> <p data-bbox="1090 785 2244 819">Responsible Officer: Exec Director Place / Director of Homes and Neighbourhoods</p> <p data-bbox="1090 841 1365 868">Due Date: 2025-26</p>

Improvement recommendations raised in 2024-25

	Recommendation	Relates to	Management Actions
IR1	The Council should introduce annual waiver reporting to the relevant Committee in order to identify trends and actions required.	Governance	<p>Actions: Noted. We are now monitoring of Waivers from Contract Procedure Rules internally via the Contract Assurance Board. We'll take away this recommendation and consider the most appropriate way of reporting these to the relevant committee.</p> <p>Responsible Officer: Monitoring Officer</p> <p>Due Date: Q2 2026-27</p>
IR2	The Council should enhance capital reporting arrangements to a sufficiently detailed level to allow material variances to be discussed. Additionally, the Council should establish appropriately regular reporting on progress with major capital projects to a relevant member-led Committee, such as Cabinet. Reports should cover progress against agreed timescales and budgets, key risks and mitigations, and – for more mature projects – assessments of benefits realisation.	Governance	<p>Actions: Noted. We will undertake a review of its quarterly reporting on progress against the Capital Plan to improve awareness of significant variations. Update reports on key programmes including Our Cultural Heart and Special Schools are provided to Cabinet. These reports are normally taken at key decision points in the relevant programme.</p> <p>Responsible Officer: S151 Officer / Relevant Service Director</p> <p>Due Date: 2026-27</p>

Improvement recommendations raised in 2024-25

	Recommendation	Relates to	Management Actions
IR3	The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	Improving economy, efficiency and effectiveness	<p>Actions: The draft Data and Insight Strategy is under ongoing review, with priority activities being implemented alongside Technology and Information Governance Strategies.</p> <p>Performance dashboards and robust quarterly reporting on key indicators have been introduced.</p> <p>In early 2025-26, the Council committed to developing a comprehensive Digital Strategy, replacing the previous plan to embed the Data and Insight Strategy. This Strategy will guide digital transformation from 2026/27 onwards.</p> <p>Responsible Officer: Director of Strategy & Innovation</p> <p>Due Date: Q1 2026/27</p>
IR4	The Council should implement an action plan in response to the Area SEND Inspection of the Local Area Partnership in June 2025, which identified four areas of improvement. Actions should be integrated within the Council’s ‘Big Plan’, with progress monitored by the relevant Committee.	Improving economy, efficiency and effectiveness	<p>Actions: The post inspection action plan has been developed and agreed with partners across Kirklees and has been included into the council "Big Plan 3". This has been signed off by the DFE and NHS England, and will be formally signed off locally by the health and wellbeing board and Cabinet who will monitor progress.</p> <p>Responsible Officer: Exec Director Children & Families / Director of Learning and Early Support</p> <p>Due Date: Action plan completed, ongoing monitoring in 2026/27.</p>

06 Follow up of previous Key recommendations

Follow up of 2023-24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The 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"> - 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. 	2023-24	<p>Whilst the Council has begun to make progress, it has yet to demonstrate that it is financially sustainable. Services continued to overspend in 2024-25 and reserve levels remained low. The Council is forecasting a £5.1m overspend for 2025-26, and has identified an estimated budget gap of £56.3m for the period to 2030-31. There was no contribution to reserves in 2024-25, but the MTFP includes an annual £1m contribution to the general reserve.</p>	Partially implemented	Retained key recommendation on page 16
KR2	<p>The Council should take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.</p>	2023-24	<p>The Council’s Safety Valve Agreement has been extended to 2029-30, however forecast deficits continue to be in excess of identified targets. In 2024-25, the in-year DSG overspend was £20.1m, resulting in a cumulative deficit of £63.8m at year-end. The deficit is forecast to peak at £72.3m in 2025-26, and will still remain at £56.3m at the end of the Agreement.</p>	Partially implemented	Retained key recommendation on page 18

Follow up of 2023-24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p>KR3</p> <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"> - fire remedial actions resulting from fire assessments - repairs required to address damp and mould - water quality testing. <p>Progress should be regularly reported to Cabinet in a public meeting.</p>	<p>2023-24</p>	<p>The Council has been working through improvements against the Notice, and has actions in place for identified issues. In 2024-25, there was regular reporting to Cabinet and regular communication with the Regulator.</p> <p>Although the Council is on a positive trajectory of improvement, it is not at a level of objective performance where the Notice was removed.</p>	<p>Partially implemented</p>	<p>Updated and retained key recommendation on page 28</p>

07 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 Council's Chief Finance Officer (S151 Officer) is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

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.

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 – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should progress and enhance its transformation work and feed the outcomes into its MTFS plans, including plans for cashable savings.	2023-24	The Council's MTFS does not clearly identify outcomes of transformation work.	Ongoing	Included within key recommendation 1
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.	2023-24	The Council can evidence benchmarking against local and national data where possible within performance papers. Benchmarking data from the Regulator of Social Housing was also included within the 2025-26 HRA budget.	Complete	N/A

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
IR3	2023-24	<p>The Council has established governance and monitoring arrangements around high-value capital schemes, in particular, Our Cultural Heart and the George Hotel. Both programmes are subject to Cabinet decision-making, and in 2024-25, there were programme boards in place to manage costs and risks.</p> <p>The Council has indicated that procurement processes include all appropriate due diligence checks and that contractors are appointed due to their financial resilience and capability. There have been no significant issues identified with contractors pulling out.</p>	Ongoing	Included within improvement recommendation 2.

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2023-24	Cost centres have been reviewed, and the net position of income and expenditure is reported monthly through monitoring. Costs are also reported against service areas in financial monitoring reports.	Complete	N/A

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p data-bbox="193 425 652 454">The Council should ensure that:</p> <ul data-bbox="193 482 677 1268" style="list-style-type: none"> <li data-bbox="193 482 677 704">- 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 data-bbox="193 725 677 982">- 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 data-bbox="193 1003 677 1268">- 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. 	2023-24	<p data-bbox="856 711 1671 853">The Monitoring Officer regularly reminds members to declare conflicts of interest and provides advice. We have not identified any issues around potential conflicts of interest in 2024-25.</p> <p data-bbox="856 875 1671 982">MRP policy was reported within the overall Treasury Strategy to members for approval as part of the annual budget.</p>	Complete	<p data-bbox="2053 568 2435 939">We would expect to see continued transparency and clarity in terms of the in-year impact and future year impacts - and any associated risk - of the Council's approach to MRP calculations in future budget and budget monitoring.</p> <p data-bbox="2053 946 2435 1132">Documentation should be clear in order that members are adequately sighted on this key statutory requirement.</p>

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	<p>The Council should</p> <ul style="list-style-type: none"> 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. 	2023-24	The Council reviews and updates its 30-year HRA business plan annually. There has been reprioritisation of the capital programme, and a stock condition survey to be undertaken for all assets.	Complete	Key recommendation 3 has been raised around the Council's Regulatory Notice and we will revisit this area in the future.
IR7	The Council should introduce corporate performance monitoring in formal Cabinet meetings.	2023-24	Performance monitoring reports are now considered quarterly in public Cabinet meetings.	Complete	N/A
IR8	The Council should develop its Data Management Strategy and ensure it addresses the principles of data quality.	2023-24	The Council has agreed a Digital Strategy and Implementation Programme, which will begin in 2025-26. The Strategy and Programme will address how data is used and managed across the Council to support service delivery and transformation.	Outstanding	The Council has indicated that there is ongoing work, and this will be revisited as part of our work in 2025-26.

Appendix C: Follow up of 2023-24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>IR9</p> <p>The Council should:</p> <ul style="list-style-type: none"> - review and update its Procurement Strategy following the introduction of the Procurement Act 2023 regulations - ensure all training on the new procurement legislation is completed prior to it coming into effect - 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. 	<p>2023-24</p>	<p>The Procurement Strategy is currently being updated and reviewed for alignment with the Procurement Act. Relevant officers have completed training on the new legislation. Waivers are now reported to the Contract Assurance Board, which is chaired by the Monitoring Officer and the S151 Officer, however, they are still not currently reported to members.</p>	<p>Partially implemented</p>	<p>Updated improvement recommendation 1</p>

Appendix C: Follow up of 2023-24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2023-24	In 2024-25, there was an action plan in place to address weaknesses and strengthen contract management. The action plan has been implemented with contract management arrangements were refreshed as part of the Council-wide transformation programme. As of October 2025, the overall project status was rated green. The Contract Assurance and Oversight Board's Terms of Reference has also been refreshed to include oversight of breaches.	Complete	Ongoing area of focus for the Council based on risk assessment, we understand further enhancements are to be made to contract management arrangements. We will follow this up as part of our 2025-26 VFM review.



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