

Kirklees Council

Annual Governance Statement 2023/24

January 2025

Overall Conclusion & Opinion

We have carefully considered the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We acknowledge responsibility for ensuring that there is a sound system of governance, which is particularly supported by the authority's code of governance.

We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and have monitored their implementation during 2024/25 and will continue to do so in conjunction with the Corporate Governance & Audit Committee.

Signed:

Cllr. Carole Pattison, Leader of the Council

Steve Mawson, Chief Executive

Kevin Mulvaney, Service Director Finance (S151 officer)

Introduction

All local authorities are required to produce an Annual Governance Statement. This is intended to provide information about how the council is governed to achieve effective and efficient service delivery compliant with all obligations.

This report sets out the scope of responsibilities, the purpose of a governance framework, the key parts of the framework, a review of the effectiveness of these processes in 2023/24, an indication of what would be a key governance issue, an assessment of progress against governance issues raised in previous years and new issues that have arisen during 2023/24.

Statement Scope

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

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016*. A copy of the Code is available from the Monitoring Officer. The current version can be found at <https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

This Statement explains how the Council has complied with the Code during 2023/24 and up to the date that the Statement of Accounts is approved and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2023/24 and those which are planned or ongoing in 2024/25.

The purpose of the governance framework

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

The system of internal control is a significant part of the Council's governance framework, designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims, objectives and policies and can only provide reasonable, but not absolute, assurance of effectiveness.

The key parts of the governance framework

- A Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- A Council Constitution.
- A Corporate Plan, *Our Council Plan*, which outlines how officers will seek to run the Council to meet our community commitments and key objectives and quarterly performance monitoring of progress in doing so.
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.
- Oversight and delivery of the Council Programme, including several officer boards as described in the Constitution.
- Statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Leadership Team (ELT).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014)*.
- Codes of conduct defining the standards of behaviour for Members and employees.

- A Counter Fraud, Bribery and Corruption Policy and arrangements that endeavour to comply with the CIPFA Code and best practice.
- A Risk Management Strategy.
- Systems of financial and business internal control.
- An internal audit section, which is compliant with the Public Sector Internal Audit Standards and Code of Ethics.
- Whistle-blowing arrangements.
- A complaints system for residents and service users.
- Business continuity arrangements.
- A senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information.
- A Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer (Monitoring Officer).
- Arrangements to manage other parts of the Council's (financial) Group. The S151 Officer monitors and reports on the financial effectiveness of the joint venture company, KSDL, whose accounts are subject to external audit.

2023/24 Review of effectiveness

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

The council believes that its processes and arrangements effectively deliver the key elements of the governance framework and continue to be regarded as fit for purpose

The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

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

The main parts of the review process are described below:

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

In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS), the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit at its meeting in May 2024. The Head of Audit has confirmed audit arrangements have continued to be compliant with prevailing professional standards and code of ethics.

2. Risk Management

The overall framework, system and processes is working well and continues to be developed and embedded across all parts of the Council. Any new and emerging risks / and any high risks not being controlled effectively have been raised during the year and escalated to ELT as appropriate. These included matters related to the financial stability of the Council, SEND, associated parties, housing generally and property conditions specifically, employment and staffing- particularly in the context of hard to fill posts and the impact that this can have on performance in certain operational areas.

3. Head of Audit's Annual Assurance Opinion

The proportion of areas where control issues have arisen during the year is growing but nevertheless the Head of Audit has reported he has obtained sufficient assurance that overall, the Council's systems of governance, risk management and internal control continue to be generally sound and operate reasonably consistently across Services. No new issues of significant concern were reported.

4. External Auditor's Review

The audit of the Council's 2023/24 financial statements and Annual Report (VFM Review) is scheduled for approval at CGAC in January 2025 and includes reference to areas such as Safety Valve, Financial Position, Housing regulator which are addressed in this Statement.

In December 2023, the 2022/23 financial statements were approved with an unqualified opinion. The 2022/23 Annual Report received by the CGAC in January 2024 reflected that the previous year's Report had been made only in the preceding July and so the significant weakness in financial sustainability and accompanying key recommendation remained in place for the current year of account. Whilst noting good progress had been made in addressing the recommendation concerning short term savings that could be delivered quickly, further developments in the governance of the savings plan and co-ordination with the longer-term transformation programme had yet to be addressed, in addition to a robust solution to rebuilding reserves.

A second new key recommendation was made concerning the Council's Dedicated School Grant deficit position, as it judged the remediation plan agreed with the DfE had faltered, albeit that since then the Council has been proactive in ongoing negotiations to identify a way forward. No significant areas of weakness were identified either in governance arrangements, or those for identifying economy, efficiency and effectiveness.

5. Cabinet

No new significant issues to report arose from the Committee's work this year.

6. Corporate Governance & Audit Committee

During 2023/24 the CGAC reviewed aspects of the Council's constitution and governance arrangements and noted or approved revisions or made recommendations to Council as appropriate. CGAC also received assurance from various second line of defence mechanisms in their 2023/24 annual reports, such as regarding health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing concerns that have been received. Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to conduct their role, training sessions are provided at various intervals, and this includes treasury management, over which the Committee has corporate oversight. No new significant issues to report arose from the Committee's work this year.

7. Overview & Scrutiny Management Committee

During 2023/24 the Committee and its four Panels were themselves reviewed following a review of the Council's governance arrangements and key issues faced and strategies and responses to manage these. No new significant issues arose from the work of the Overview & Scrutiny process this year.

8. Standards Committee

During the year, the Committee reviewed various aspects of Member conduct arising from an increased volume of complaints, but none individually or collectively were of sufficient significance to warrant reporting in this Statement.

9. Role of the Chief Financial Officer

During 2023/24 the previous Service Directors of Finance (SDF) retired, and his successor then left the Council after a short period of tenure and an Interim appointment was made pending the arrival of the new Chief Executive. A permanent appointment was made subsequently and the new incumbent started in the role in May 2024, a role which continues to reflect the governance arrangements set out in the CIPFA Statement, which are required to ensure he is able to operate effectively and perform his core duties compliant with the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement. Assessments by a previous SDF and Internal Audit confirmed prior to 2023/24 that the Council was compliant with the CIPFA Financial Management Code, although there are some aspects of operations that can be strengthened further in line with recommendations made by Internal Audit at that time.

10. Role of the Monitoring Officer / Senior Information Risk Owner

The Service Director performing this role left the Council at the start of June 2024 and has been replaced accordingly. She had reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

The Council's Code of Corporate Governance as adopted in 2017 reflecting *CIPFA/SOLACE Delivering Good Governance Framework 2016* includes a requirement for regular review and best practice would suggest this may even be an annual process. This was subject to reviewed in 2020. No other Issues identified other than those included in the 2022/23 Statement. (see new areas 1).

11. Officer Governance

No new significant issues to report arose from the ELT's work this year.

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme with strategic oversight from the ELT and escalation of appropriate issues, with particular emphasis on revenue budget and capital plan management. These arrangements are subject to both Cabinet and Scrutiny oversight and are covered in the financial position of the Council in this Statement.

12. Significant Partnerships

Partnerships range from the joint venture partnership and thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. Senior officers use this information to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. Every six-months, a report is provided to ELT as part of the quarterly assurance meetings that updates on key issues and risks across partnership working and the key partnerships.

Whilst the revised and strengthened governance framework has become embedded, the Council is continuing to work on a number of areas where there is scope for arrangements to be improved further.

13. Corporate Financial Management and Corporate Performance & Impact Reports

Twice-yearly Corporate Performance and Impact reports, covering key activities and the outcomes within the Council Plan, continued to be produced in 2023/24 in line with the expectations of the Administration. The Council will return to quarterly performance reporting, including a renewed set of key performance indicators to accompany the Council Plan priorities from quarter 1 2024/25. This will provide greater visibility of performance in key areas to aid an understanding of the effectiveness of the organisation. Overall understanding of the impact of the Council's performance and delivery of services continues to be the key purpose of reporting.

14 External Inspections, Regulatory Action & Peer Reviews

The central repository of the objectives, outcome and future timetable of all external inspections, audits, accreditations and reviews established by the Corporate Planning and Co-ordination Team from information provided by Service Directors enables areas for improvement and recommendations to be implemented to be identified quickly and progress monitored accordingly to ensure complete corporate oversight. This process will be embedded further into the work of the Team. A review is currently underway to identify any themes, and they will be communicated as part of preparation for the forthcoming Corporate Peer Challenge.

All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.

What would be a Significant Governance Issue

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2022/23 Statement and some new areas. Those issues that meet one or more of the following criteria (suggested by CIPFA / SOLACE) have been regarded as *significant* and are included in this Statement:

- A) It undermines / threatens the achievement of our four key Council priorities:
 - to address our financial position in a fair and balanced way.
 - to strive to transform council services to become more efficient, effective, and modern.
 - to continue to deliver a greener, healthier Kirklees and address the challenges of climate change.
 - to continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.
- B) It is a significant failure to meet the principles of good governance.
- C) It is an area of significant concern to an inspector, regulator or external audit.
- D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee has recommended it be included.
- E) It is an issue of public or stakeholder concern.
- F) It is an issue that cuts across the organisation and requires cooperation to address it.

Progress with the Significant Governance Issues in last year's (2022/23) Statement

Our previous Statements recognised that many issues are complex, and sometimes not solely under the Council's direct control. These often take longer than one year to address and some feature in a similar form for a number of years, though some aspects can be resolved during the year. A change of focus or circumstance with an issue may result in it being retained but in a revised form in the following year's Statement.

Good governance is about taking actions and making continuous improvement. Sufficient progress has been made since the 2022/23 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from those described in this Statement.

Issues from the 2022/23 Statement which are considered to be completed

| <u>2022/23 ISSUE</u> | <u>ACTION TAKEN</u> |
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| Corporate Planning & Resource Allocation processes and timing are not sufficiently joined to facilitate delivery of the Council's key objectives. | The two processes have been better synchronised so that the resource allocation process enables delivery of the Corporate Plan, with joint consideration and approval at Budget Council at the start of March 2024. |
| Partnership Governance and building on new relationships needed developing further. | A revised and strengthened governance framework has become embedded, although the Council is continuing to work on those areas where there is scope for arrangements to be further improved. |
| Governance of decision making, Member roles and place-based working needed strengthening. | Continued implementation and development of the current governance model with a focus on pre-decision scrutiny and delivery of improved communication and training to those involved. |
| Assimilation of new personnel into key corporate management roles within the Executive Leadership Team. | Appointments have been made to all the key posts concerned and effective new working relationships have been developed. |

Issues from the 2022/23 Statement where further work or time to embed improvements is still required

| No | Governance Issue / Theme & Reason for Inclusion | Direction of Travel / Progress to date | Further Action Planned in the remainder of 2024/25 and beyond, and target date for implementation, & Person Responsible |
|-----------|--|--|--|
| 1 | <p>Ensure there is corporate oversight of progress to address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.</p> | <p>The Housing Regulator issued formal notice in March 2024, identifying areas where the Council needs to improve its compliance, specifically for the treatment of damp, mould and condensation and fire safety. Since then, the Council has met with the Regulator on a monthly basis to provide assurance on progress against an agreed Action Plan. The Regulator has undertaken to work with the Council to secure delivery, rather than apply statutory sanction. The Council alerted the Regulator in July 2024, concerning the correct inspection, testing and assurance regime for water quality in all tenanted properties. The Council has implemented the correct testing arrangements, (October 2024), with properties prioritised according to a risk assessment. An Improvement Board has been established, independently chaired, and reporting directly to the Cabinet committee, which is meant to address all areas of activity subject to oversight by the government Regulator of Social Housing. The Scrutiny Committee for Growth & Regeneration also has Homes and Neighbourhoods standards within its remit, and it receives timely updates as part of its annual work programme.</p> | <p>Continue to deliver the Action Plan agreed with the Regulator within the timescales specified. (continuous)</p> <p>Assurance is provided to the Building Safety Assurance Board, Homes and Neighbourhoods Improvement Board, Regulator. (all monthly)</p> <p>Internal process review led by Director of Homes and Neighbourhoods, with input from the corporate Transformation Team, as part of the Improvement Programme (quarterly programme reporting)</p> |

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| | | A six-monthly report, set out progress against the Regulator’s concerns, as reported to the Cabinet committee in October 2024. | |
| | A, C, E | | Responsible: Director of Homes & Neighbourhoods |
| 2 | Robust governance oversight and management of progress in implementing the significant changes that underpin the 2024/25 budget that is of key importance to ensuring the financial stability of the Council. | <p>2023/24 The serious financial position was partly mitigated by controls introduced in September 2023 including: -</p> <ul style="list-style-type: none"> • Spending and recruitment controls • Review of all reserves- earmarked or otherwise- to determine if any of those reserves could be used to support the in-year position and if any could be moved to unallocated reserves to bolster the Minimum Working Balance (using a risk-based analysis - as per CIPFA guidance). • External review of MRP policy to generate short to medium term revenue savings to help the 2023/24 overspend and to provide balances over the next 2 to 3 years whilst the Council’s financial position could be stabilised over the medium term. • A review of the Council’s Capital Programme with a view to reducing the amount of the Council’s Prudential Borrowing given its impact on the General Fund Revenue Budget. <p>Collectively these actions helped reduce the revenue overspend from £20.3m (Q1 (23/24) projection) to</p> | <p>For 2024/25 Continue to update monthly projections and to implement use of reserves to balance in year overspends.</p> <p>For 2025/26 Budget proposals to Cabinet in December 2024 and out for consultation.</p> <p>Budget 2025/26 to be taken to February Cabinet and March 2025 Council for approval.</p> <p>2025/26 budget provides significant additional funding for demand pressures and where services have overspent. This is expected to reduce the number and scale of budget variations in year.</p> <p>Regular Monitoring of revenue and capital budgets will continue with monthly updates to Executive Leadership, Cabinet and Council.</p> |

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| | | <p>£7.3m at outturn 2023/24 and consequently reduced the reliance on reserves.</p> <p><u>2024/25</u></p> <p>Completion of a review of the Medium-Term Financial Plan (MTFP) to ensure that it fully reflects both the anticipated income and expenditure of the Council in the period 2025/26 to 2029/30 based on a range of sound assumptions with an aim of providing a more robust base budget going forward.</p> <p>The approved budget for 2024/25 included savings of £42m and these are tracked each month as part of the suite of corporate reports.</p> <p>Quarterly reports to Members continue to highlight the in-year financial position and the need to further use short term reserves to balance the budget. At Q2 (24/25), the projected overspend was £9.9m after using £3m of unallocated reserves.</p> <p>Ongoing review of capital programme to ensure it remains affordable, with over £70m slipped into future years.</p> | <p>Summer 2025 Refresh of MTFP to Cabinet to reflect new revenue pressures, revised capital plans and reserves strategies.</p> |
| | A, C, E, F | | <p><u>Responsible:</u> Director of Finance</p> |
| 3 | The management, governance and use of data is not always effective, meaning that decisions are not necessarily informed by | The council's draft Data and Insight Strategy is designed to improve how the Council manages and uses data. Its content has regularly evolved as the council's needs have changed in the past two years | The Data and Insights Strategy will be brought forward for sign off in quarter 3, 2025/26. This will be subject to a robust |

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| | robust evidence, as well as creating unintended financial and operational risks. A, F | and is subject to reassessment and sign-off in 2025/26. Implementation of priority activities continues, alongside the Technology and Information Governance Strategies. For example, performance dashboards have been introduced, which supports the regular reporting of performance across the council. | implementation programme alongside the Technology Strategy. Responsible: Director of Strategy & Innovation |
| 4 | The effective implementation of the “Safety Valve” programme to address overspending and historic deficit on special education needs (SEND) budgets as part of the Dedicated Schools Grant (DSG). | There is an agreed plan with the Department for Education to reduce the High Needs Block cumulative deficit by 2029/30. This requires the continuation of the DfE’s annual safety valve contributions and funds from the Council (which is factored into the 2025/26 budget and the latest version of the MTFP). This Plan has been revised with agreement of DfE. Council Services will continue to work collaboratively with schools and other partners to effectively manage the High Needs Block expenditure. Woodley Moor, a Satellite to Woodley School and College opened 01/10/2024. | The Safety Valve plan includes <ul style="list-style-type: none"> - New special schools (one to be completed by September 2026) - Further Additionally Resourced Provisions and Satellite Provision, (the second phase of A due to be in place by 01/09/2025) - More effective processing and resource allocation as a part of the initial SEND assessment. (completion by 31/03/2025) |
| | A, E, F | However, substantially increased demand, and other difficulties means that achievement of the goals requires substantial continued attention. | Responsible: Executive Director of Childrens Services |

New Issues

The annual review of the effectiveness of our governance arrangements in 2024 considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In addition to those issues retained from the 2022/23 Statement, the following new ones have emerged through this process which require further remediation and management action.

New Issues which require action

| No | <u>Governance Issue / Theme</u> | <u>Reason for Inclusion</u> | <u>Action Taken and Planned in 2024/25 and beyond</u> |
|----|---|---|---|
| 1 | The Code of Corporate Governance has not been reviewed formally since March 2020. | The Code underpins arrangements and the environment in which this Statement is compiled. (B) | <p>The Code will be reviewed in line with CIPFA / SOLACE good governance practice by the Service Director, Legal, Governance & Commissioning to ensure it remains fit for purpose in the current position of the Council and the outcome reported to the CGAC in February 2025 and posted on the website.</p> <p><u>Responsible:</u> Director of Legal Governance & Commissioning</p> |
| 2 | Ensuring Accident Reporting is timely and in accordance with statutory regulations. | The Council was issued a Notice of Contravention by the Health & Safety Executive (HSE) for late reporting. (E) | <p>Awareness has been raised across the Council. Communication on prompt accident reporting was circulated to all Kirklees Leadership Forum members in June 2024. Senior management are monitoring compliance closely with performance is reported to the Health and Safety Oversight Board.</p> <p>Managers must report accidents to the Corporate Health & Safety Team within 24 hours who will notify the HSE as required</p> <p>These measures have proved effective to date in improving management notification of accidents.</p> <p><u>Responsible:</u> Head of Health Protection</p> |

The Executive Leadership Team (ELT) and Corporate Governance & Audit Committee (CGAC) will monitor progress during 2024/25 and beyond.