



# Auditor's Annual Report

## Calderdale Metropolitan Borough Council – year ended 31 March 2024

February 2025

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# 01

Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Calderdale Metropolitan Borough Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 25 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Accounts and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



### Value for Money arrangements

In our audit report we reported that we were not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources, this is because we issued two recommendations in relation to significant weaknesses in those arrangements relevant to the 2023/24 financial year. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendations and the weaknesses identified.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO we reported to the group auditor in line with their instructions on 25 February 2025.

## Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023/24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 25 February 2025, we have not expressed an opinion on the Council's financial statements.

## Qualitative aspects of the Council's accounting practices

Although we carried out no substantive procedures on the Council's 2023/24 financial statements we did consider the qualitative aspects of the Council's accounting practices. The Council published its draft financial statements in December 2024, seven months after the statutory deadline. We have reported in section 3 a significant weakness relating to the arrangements to publish draft financial statements by the statutory deadline.

Our work on Value for Money arrangements

# VFM arrangements

## Overall Summary








# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
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**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
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**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

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

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on pages 12 and 13.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	Yes – see risk on page 12	Yes – see recommendation on page 24	No
 <b>Governance</b>	16	Yes – see risk on page 17	Yes – see recommendation on page 25	No
 <b>Improving economy, efficiency and effectiveness</b>	20	No	No	No

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to the risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Arrangements to deliver financial sustainability</b></p> <p>The Council have historically used reserves as a way of bridging their funding gap, as well as recording overspends against their annual budget.</p> <p>There is a risk of significant weakness in the Council's arrangements for financial sustainability due to their projected annual budget deficits and the need for the Council to bridge its funding gaps and identify achievable savings</p>	<p><b>Work undertaken</b></p> <p>To address this risk we have:</p> <ul style="list-style-type: none"><li>• Discussed with senior management the Council's approach to budget setting and monitoring, including identifying savings;</li><li>• Reviewed the Council's finance monitoring reports;</li><li>• Reviewed the Council's MTFS reports; and</li><li>• Reviewed the Council's final outturn position and the level of usable reserves held.</li></ul> <p><b>Results of our work</b></p> <p>The budget setting process is a continuous cycle and follows four phases:</p> <ul style="list-style-type: none"><li>• MTFS refresh – this is a review of financial resilience, there is an assessment of the previous MTFS assumptions on funding and costs, and an update for known future demand, costs and funding.</li><li>• Strategic Budget Planning – Following the MTFS refresh opportunities for transformation and services changes are considered.</li><li>• Budget setting phase – in this phase budget proposals are developed which are consulted upon along with savings plans being developed. This consultation includes stakeholder engagement. The outcome of the proposals and consultation exercises is the budget that is presented for approval.</li><li>• Budget monitoring – once the budget is set there is ongoing budget monitoring through the year. This monitoring includes performance against budget, delivery of budget savings, identification of new pressures and scope to address those and provides information that can be fed into the next MTFS refresh.</li></ul> <p>Budget monitoring takes place on a quarterly basis with reports being presented to Cabinet. In addition to quarterly reporting, bi-annual Budget Challenge meetings are held with service leads, these meetings cover the current financial position, the identification of pressures and opportunities, planned use of reserves and current and new capital investment plans.</p> <p>We have reviewed the Council's finance monitoring reports, for both 2023/24 and 2024/25. Throughout 2023/24 the Council consistently reported an overspend against budget. As the year progressed the required draw on reserves increased. The outturn position for 2023/24 required the use of £11m of reserves. This reduced the Corporate Risk Reserve to £24.5m, this reserve being designed to be used for risk resilience and budget support.</p>

# VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements in relation to Financial Sustainability - continued

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<b>Arrangements to deliver financial sustainability - continued</b>	<p>Monitoring reports for 2024/25 are showing a forecast overspend against budget with the position at Q3 being a projected overspend at the year-end of an £11.9m overspent, which is planned to be funded from reserves. The use of reserves to support budget shortfalls is unsustainable.</p> <p>The Council's MTFS refresh in November 2023 covered the period 2024/25 to 2026/27. The refreshed MFTS identified funding gaps of £11m for 2024/25, £15m for 2025/26 and £14.6m for 2026/27. The report states the use of reserves to fund gaps is not sustainable, and that alternative solutions need to be found to fill the gaps. In the forecast the Council excluded a pre-planned use of reserves of £300k per year to support the budget on the grounds that this is not sustainable given the Council's low level of reserves.</p> <p><b>Conclusion</b> Based on our review we conclude there is a significant weakness in the Council's financial sustainability arrangements. The use of reserves to support budget shortfalls or overspends is unsustainable and is evidence of a significant weakness in the Council's arrangements to deliver financial sustainability, and specifically how the Council plans to bridge its funding gaps and identify achievable savings. The Council will need to develop plans and generate savings and efficiencies to deliver its services within the available resources to avoid the continued use of reserves</p>



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### **How the Council identifies significant financial pressures that are relevant to its short and medium-term plans**

The Council's Medium Term Financial Strategy (MTFS) provides the framework to achieve a sustainable financial position over the medium-term. The MTFS is a key element of the Council's strategic planning framework and a key component of forecasting the resources which might be available to deliver the Calderdale Vision.

The Council's 2023/24 MTFS covered the period 2024/25 to 2026/27. The MTFS sets out the financial context for the Council's resource allocation process and budget setting, underpinning decision-making and other plans. As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders. The Council engages in a number of networks external to the Council to help it to understand and identify financial issues and pressures.

The MTFS includes financial projections, analysis and context to support the delivery of the Council's key priorities as set out in the Calderdale Vision. The MTFS is refreshed annually, in the autumn, to ensure decisions are based on the latest financial information and is the basis for budget setting. In November 2023, the Council updated the MTFS, which identified a gap of £11m million in 2024/25, £15 million for 2025/26 and £14.6 million for 2026/27. The budget gaps are predominantly driven by underlying budget pressures in Adults & Well Being and Children and Young People. The Council included details in the report of actions that were being taken to address the gap and which formed the basis of the next stage of the budget setting cycle which is Strategic Planning to identify opportunities for savings and service transformation.

The annual budget setting process takes the MTFS as a starting point and identifies opportunities for service transformation. Budget proposals are then identified to reduce the funding gap. Following a period of stakeholder engagement the formal budget is then set.

The Council's capital investment strategy sets out the Council's long term capital programme and is underpinned by the Council's annual capital investment strategy. The strategy sets out planned spend for the following 3 years in line with the MTFS. The Capital Investment Plan for 2023/24 originally budgeted for capital spend of £112.8 million (approved in February 2023). The Capital Investment Plan is re-profiled as new schemes are approved and existing schemes slip. The outturn position on the Capital Investment Plan for 2023/24 was £48.7 million against a re-profiled plan of £68 million.

Quarterly financial position statements are presented to the Cabinet, underpinned by budget monitoring within each of the Council's services, led and coordinated by the Accountancy section. The position for each directorate is taken to their Directorate Management Team, where the focus is on the main current issues and

agreeing actions. Reporting is then taken to the Corporate Leadership Team, before being reported to Cabinet. We have reviewed a sample of these reports and confirm that they provide a summary of the projected outturn and the actuals, along with a brief narrative to explain any significant changes. Whilst reports set out the implications of overspends and non-delivery of planned savings and efficiencies, they do not consistently set out appropriate actions to mitigate the overspends.

### **Financial performance 2023/24**

The Council set a balanced budget for 2023/24 which included a planned use of reserves of £2.4 million. At quarter 1 the Council was forecasting an overspend against budget of £5.5 million. The overspend continued to increase as the year progressed with the year-end position requiring the use of £11 million of reserves to support the budget overspend.

### **How the Council plans to bridge its funding gaps and identify achievable savings**

The Council set a balanced budget for 2024/25 in February 2024. The budget was balanced with a planned draw on reserves of £2.9 million and savings target of £3.1 million. The quarter 3 financial position monitor, presented to Cabinet in February 2025, includes a forecast overspend against budget of £11.9 million, this is despite 86% of the savings target having been achieved. The overspend against budget will need to be funded from reserves which will reduce the Council's available reserves significantly.

The progress made against the 2024/25 savings target is promising but the overspend projected demonstrates that spending has not been contained within available resources. Further, more significant savings targets would be required in order to ensure spending on services is not beyond the available resources. Ensuring services are delivered within the available resources is the key requirement to ensure financial sustainability in the medium term.

In our view the Council's reliance on reserves to support the revenue budget is unsustainable and represents a significant weakness in the Council's arrangements in relation to financial sustainability.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

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

The Council's processes consider both revenue and capital investment and target them to meet priorities and the desired outcomes. The Council's Corporate Plan sets out four strategic priorities to Reduce Inequalities, create Thriving Towns and Places, focus on their Climate Action programmes, and ensure they remain a Sustainable and Effective Council going forward to underpin all their work. The Corporate Plan is underpinned by the Calderdale Vision.

While the revenue budget is focused on delivering statutory services, the Council's capital programme is focused on meeting the strategic priorities and objectives of the Council, and maximising service provision for residents.

### **How the Council ensures that its financial plan is consistent with other plans**

The Medium Term Financial Strategy (MTFS) makes reference to, and integrates, the Corporate Plan into its forecasts. The MTFS identifies the resources that are available to deliver the Council's services and overall strategy. The Corporate Plan provides the strategic framework whereas other strategies and plans set out more detailed delivery, aligned to the vision and priorities of the Council.

The Council have formal partnerships with shared priorities and outcomes which are included in the financial planning process. As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders.

### **How the Council identifies and manages risks to financial resilience**

As part of the annual budget report setting, the Council's Section 151 (s151) officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. Risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators, and the robustness of inflationary estimates. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves. As part of the quarterly financial position reporting process potential issues that are not factored into forecasts are identified and reported.

When setting the 2024/25 budget the s151 officer concluded the Council's investment plans for revenue and capital in 2024/25 are robust and reserves are adequate to manage the risks the Council is exposed to.

**Our work in 2023/24 has identified a significant weakness in arrangements in relation to financial sustainability and how the Council plans to bridge funding gaps and identifies achievable savings to support sustainable delivery of services.**

# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks





# VFM arrangements – Governance

## Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to the risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Arrangements for financial reporting</b> The Council published its draft 2023/24 financial statements in December 2024. The statutory deadline was May 2024.</p> <p>There is a risk of significant weakness in the Council's arrangements to meet its financial reporting responsibilities.</p>	<p><b>Work undertaken</b></p> <p>Our work included:</p> <ul style="list-style-type: none"><li>• Reviewing the Council's arrangement to produce its financial statements; and</li><li>• Discussing with senior management the capacity of the finance function and the skill mix within the team.</li></ul> <p><b>Results of our work</b></p> <p>The Council had a closedown plan in place to obtain the data from service departments required for the production of the accounts. We discussed the closedown process and the production of the financial statements regularly through the year. From these discussions it was evident the Council lacked the capacity and resource resilience to produce the accounts when changes occurred to the available resources. The slippage in the closedown plan continued through most of the 2024 year and the Council published its draft 2023/24 statement of accounts in December 2024, seven months after the statutory reporting deadline. The Council should ensure it has a fully resourced and deliverable closedown plan to produce its draft accounts by the statutory reporting deadline.</p> <p><b>Conclusion</b></p> <p>Based on our review we conclude there was significant weakness in the Council's governance arrangements in respect of publishing their draft financial statements within the statutory deadline. The Council lacked the capacity and capability to produce the financial statements within the timescales required.</p>

# VFM arrangements – Governance

## Overall commentary on Governance

**How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud**

The Council has approved and adopted a Code of Corporate Governance. The Council's Annual Governance Statement sets out how the Council has complied with its procedures. As part of our audit procedures, we considered the Council's Annual Governance Statement. Our audit procedures confirmed the Statement was in line with our understanding of the Council's control environment.

The Council have a Corporate Risk Management Strategy in place and a Risk Management Framework. The Framework outlines the method of identifying, assessing, and controlling risks associated with the achievement of the Council's objectives. It sets out the roles and responsibilities in relation to risk management with the Audit Committee having ultimate responsibility for risk management. As part of the framework Audit Committee receive reports on the adequacy and effectiveness of the Council's risk management arrangements, the Council's management of key risks, and as part of the annual risk report receive assurance the Council's risk management process is fit for purpose.

The Council have a Strategic Risk Register, Directorate Risk Registers and Project, Programming and Partnership Risk Registers. Updates are regularly provided to Audit Committee on strategic risks.

A Risk Management Annual Report is prepared by the Head of Internal Audit and reported to Audit Committee. The report provides members of the Audit Committee with assurance that arrangements to manage risks are in place and are being used effectively.

The Council have an in-house internal audit function with a flexible risk-based audit plan being set on a six-monthly basis. The plan is presented to Audit Committee for approval in May, for April to September and October for the rest of the year. The Audit Committee received regular updates on progress made against plan throughout the year. The Head of Internal Audit provides an Annual Report and Opinion. The Head of Internal Audit Opinion for 2023/24 was: *Based upon the internal audit work undertaken it is my opinion that the Council's framework of governance, risk management and systems of internal control as of 31 March 2024 provides reasonable assurance over key business processes and financial systems.*

**How the Council approaches and carries out its annual budget setting process**

The financial planning process is a continuous cycle starting with the refresh of the MTFS in the autumn of each year. Following the refresh, opportunities for transformation and service change are considered to address any underlying and emerging cost pressures. The Council then consider options to be able set a balanced budget. Budget proposals then go through a consultation phase that involves stakeholder engagement before the budget is set and agreed by full Council.

The Corporate Leadership Team and Cabinet work collectively to develop proposals.

**How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensure corrective action is taken where needed**

The Council's budget monitoring process includes quarterly forecast positions for both revenue and capital, with high risk, high value and volatile budgets being reviewed on a more frequent basis. The budget monitoring process is led by the Accountancy Section and includes conversations and meetings between budget holders and service accountants to provide challenge. The outcome of the budget monitoring process is detailed directorate positions that are taken to Directorate Management Teams with the focus being on the current issues arising and agreeing mitigating actions where necessary. The output is then presented to the Corporate Leadership Team for challenge before formal reporting to Cabinet on a quarterly basis.

In addition to quarterly budget monitoring there are bi-annual Budget Challenge Meetings held with service leads, these meetings cover the current financial position, the identification of pressures and opportunities, planned use of reserves and current and new capital investment plans.

Our review of Council meetings has confirmed that quarterly reporting has been followed in both 2023/24 and 2024/25. The reports presented set out the forecast financial position with more detailed reporting on services however they don't comprehensively identify the required or planned actions to mitigate overspends.

The financial statements for 2023/24 were not published by the statutory deadline. Financial statements were published in December 2024. The Council should produce and adhere to a detailed, fully resourced, closedown action plan to produce its annual statement of accounts in line with statutory deadlines and ensure the Council's finance team has the capacity, skills and experience to produce accurate and high-quality annual statement of accounts and support the external audit. As a result, we have identified a significant weakness in arrangements. Further detail is provided on page 25.

**How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency**

The Council has a Constitution which includes the scheme of delegation and sets out the principles and procedures that must be followed for decision making.

We have reviewed Council reports and minutes throughout year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

The Council publishes a notice of key decisions on its website. This includes officer decisions under the Officer Scheme of Delegations.

The Council has an Audit Committee, Standard Committee and various Scrutiny Committees. The Council's Scrutiny function comprises of an Overview and Scrutiny Committee and three Scrutiny Boards, Place Scrutiny Board, Adults Health and Social Care Scrutiny Board, Children and Young People's Scrutiny Board. The Overview and Scrutiny Committee has oversight of the way in which the Council fulfils its overview and scrutiny duties and co-ordinates the work of scrutiny across the three Scrutiny Boards. The Overview and Scrutiny Committee is composed of nine Councillors and the Councillor chairs of the remaining three Scrutiny Boards.

The Adults Health and Social Care Scrutiny Board, Children and Young People's Scrutiny Board and the Place Scrutiny Board are composed of nine Councillors and where applicable may include a number of co-opted members (non-Councillors) representing the churches, parent governors and the education community. Each Scrutiny Board supports the work of the Cabinet and Council as a whole by looking into matters of local concern and making recommendations on policy, budget making and service delivery. Scrutiny Boards also monitor the Cabinet's decisions and can call-in a decision for consideration and further recommendation.

In addition, Elected Members of the Council sit on the following Overview and Scrutiny Boards: Health and Wellbeing Board, West Yorkshire Joint Health and Overview Scrutiny Committee and the Calderdale and Kirklees Joint Health Scrutiny Board.

### How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Included in the Constitution are codes of conduct for members and Council employees. Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Constitution also includes anti-fraud and corruption and anti-bribery policies.

The Constitution is reviewed periodically. During the year, reviews of the Scheme of Officer delegations, Proper Officer Appointments, Committee Terms of Reference, Code of Members' Conduct and Contract Procedure Rules were undertaken, and the Constitution amended following the approval of Governance & Business Committee and full Council.

We confirmed that contract and financial procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website. There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2023/24 and 2024/25 financial

years and sets out the Council's measures against which treasury management can be assessed.

The Standards Committee is responsible for promoting, maintaining and advising on high standards of conduct by councillors and co-opted members. The Council has nominated the Head of Legal and Democracy as its Monitoring Officer responsible for maintenance of the register of interests.

All elected member decision making meetings have a standard agenda item requiring the declaration of interests. All decision-making reports require conflicts of interest to be declared.

**Our work in 2023/24 has identified a significant weakness in arrangements in relation to governance with regard to meeting the Council's financial reporting responsibilities.**

# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services





# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a Corporate Performance Framework in place which is used to measure how well the Council is doing against its own ambitions and compared with other similar local authorities. There are 97 performance indicators in total that are used to assess performance. Of these 21 have been identified as Super KPIs (SKPI's), these are indicators that have been identified as having the biggest impact on the local community and link to the Council's 3 priorities. The KPIs are agreed annually by Cabinet.

Corporate performance is monitored and reported regularly throughout the year. Quarterly reports are produced for the Outcome Performance Finance Committee. This meeting is chaired by the Chief Executive and attended by members of the Corporate Leadership Team. Performance is also reported twice yearly to Cabinet and Scrutiny Panel. There is also an interactive performance dashboard available on the Council's website that includes comparisons of the Council's performance with its closest neighbours.

The Council undertook a LGA Corporate Peer Challenge in February 2023, following the review an action plan was developed to put place the recommendations from the review. The Council published a Progress Review Report in November 2023, which provided an update on progress made against the action plan.

As highlighted in the Financial Resilience section of this report, the Council's MTFS is used to assist the Council deliver key Corporate objectives and strategies, which is regularly reviewed by members.

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

Alongside the performance framework set out above, the Council also considers the output from regulators to evaluate performance and identify areas for improvement. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the Audit Committee.

The Council was subject to an Ofsted inspection in February 2024. The outcome of the inspection was reported in May 2024, with the Council being rated 'Good' against all judgement areas and an overall effectiveness rating of 'Good'. This was the Council's first full inspection since 2018.

The Council is the Trustee for a number of charities. In September 2024, the Charity Commission served the Council with an Official Warning in relation to the failure to comply with its duties as trustee for 13 charities. As Trustee the Council had not submitted annual returns for the charities for several years. The Charity Commission's view is that this amounts to misconduct and/or mismanagement in the administration of the charities.

The Commission's requirements to rectify the position was the Council needed to file all outstanding accounts and also needed to:

- implement processes to ensure all 13 charities are compliant with their accounting responsibilities going forward;
- provide up-to-date contact details for all charities;
- locate and identify all 13 charities on a local register containing details about the charities and their assets;
- hold regular trustee meetings, ensuring all councillors are aware of their duties and responsibilities – treating all charities as separate entities; and
- review financial controls of all charities, taking steps to record and implement processes as well as provide evidence of this action to the Commission.

The Audit Committee received a report on the findings during 2024 and received assurances from management that action was being taken to address the deficiencies reported. The Charity Commission gave a deadline of the end of January 2025 for submission of outstanding returns. The Council reports that whilst returns for the periods from 31 March 2021 onwards have been submitted, there remains the need to file some historical returns and the Council is addressing this through 2025.

### How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Corporate Plan has been developed with key partners and set out the ambitions and priorities of the Council. To achieve its priorities partnership working is required across the region.

The Council is a constituent member of West Yorkshire Combined Authority (WYCA), which in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area. The Council leads the Combined Authority's health improvement and wider well-being aspirations.

The recent Corporate Peer Challenge recognised effective partnership working with WYCA, the Health and Wellbeing Board, Calderdale Cares Partnership Board, and Anti-poverty Partnership amongst others.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

**How the Council ensures commissioning and procurement of services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits**

The Council has a Corporate Procurement Unit who are the strategic lead for procurement. The Unit links the Council's procurement activity to national legislation, policies and national, regional and local priorities and objectives. The Unit provides a baseline and tools for officers to undertake procurement. The team are responsible for ensuring there are up to date procurement document templates, developing guidance notes, creating hints and tips to make procurement easier, providing an ongoing programme of procurement training and providing access to more specialist training where necessary.

The Procurement Unit focuses on higher value and higher risk procurements, and provide materials for officers to effectively complete lower value or less complex procurement exercises.

The Council's Constitution includes Contract Procedure Rules which set out the requirements for decision making, and procurement routes in line with legislation and best practice.

**Based on the above considerations we have not identified any significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.**

# VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



# VFM arrangements - Identified significant weaknesses and our recommendations

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
<div>1</div> <p><b>Arrangements for financial sustainability</b></p> <p>The Council set a balanced budget for 2023/24 and 2024/25 by including planned use of reserves to bridge funding gaps. The Council overspent its budget for 2023/24 by £5.7m and its projection for 2024/25 is a £12m overspend. The Council used £11m of reserves to support the revenue budget in 2023/24 and expects to meet the 2024/25 overspend through the further use of reserves. This depletes the Council's reserves available to support earmarked purposes and is unsustainable.</p> <p>The Medium Term Financial Plan presented with the budget to Council in February 2024 identified funding gaps from 2024/25 to 2026/27 of £17m which were to be funded by savings. The achievement of identified savings, and the control of spending to avoid the reliance on reserves is critical to ensure the Council maintains a sustainable level of reserves.</p> <p>Based on the above findings there is sufficient evidence of a significant weakness in the Council's arrangements for financial sustainability in respect of the continued unsustainable use of reserves to fund service delivery overspends. The consequence of not addressing this will be the depletion of the Council's financial reserves, putting its financial sustainability at risk and reducing its ability to invest in service priorities.</p>	<div>●</div>			<p>The Council should:</p> <ul style="list-style-type: none"><li>• Take action to ensure spending is within the resources available for each year; and</li><li>• Ensure savings are identified, monitored and reported to members and the corporate leadership team to deliver the requirements in the annual budget and medium-term financial strategy.</li></ul>



# VFM arrangements - Identified significant weaknesses and our recommendations

## Identified significant weaknesses in arrangements and recommendations for improvement - continued

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
<p><b>Financial reporting arrangements</b></p> <p>The Council published its draft 2023/24 statement of accounts in December 2024, seven months after the statutory reporting deadline. The Council did not have capacity and resource resilience to meet its statutory reporting responsibilities, and its closedown arrangements lacked resilience to produce the statement of accounts according to its plan.</p> <p>2 Without improvements to the finance team’s capacity and a sufficiently-robust closedown plan, the Council risks continuing to not meet the statutory requirements for publishing its statement of accounts.</p> <p>Based on the above findings there is sufficient evidence of a significant weakness in the Council’s governance arrangements with regard to its financial reporting responsibilities.</p>		<div>●</div>		<p>The Council should:</p> <ul style="list-style-type: none"> <li>Produce and adhere to a detailed, fully resourced, closedown action plan to produce its annual statement of accounts in line with statutory deadlines; and</li> <li>Ensure the Council’s finance team has the capacity, skills and experience to produce accurate and high quality annual statement of accounts, and support the external audit.</li> </ul>

## Other reporting responsibilities

## Other reporting responsibilities

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 25 February 2025.

# Contact

## Forvis Mazars

### **Alastair Newall**

Director

Tel: +44 (0) 7909 986 776

Alastair.Newall@mazars.co.uk

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