

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 1st December, 2009

10.30 am

Darent Room, Sessions House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 1st December, 2009, at 10.30 am Ask for: **Andrew Tait**
Darent Room, Sessions House, County Telephone: **01622 694342**
Hall, Maidstone

Tea/Coffee will be available 15 minutes before the start of the meeting

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Membership: To note the appointment of Mr B R Cope to the Committee in place of Mr R W Bayford
2. Substitutes
3. Declarations of Interest for items on the agenda for this meeting
4. Minutes - 16 September 2009 (Pages 1 - 4)
5. Draft Annual Work Plan (Pages 5 - 8)
6. Annual Audit and Inspection Letter (Pages 9 - 30)
7. External Audit review of Health Inequalities (Pages 31 - 46)
8. Corporate Governance Indicators (Pages 47 - 60)
9. KCC Annual Complaints report 2008/09 (Pages 61 - 86)
10. Treasury Management (Pages 87 - 100)
11. Debt Recovery (Pages 101 - 104)
12. Risks to the County Council arising from the Private Finance Initiative (Pages 105 - 114)
13. e.Payment Project (Pages 115 - 118)
14. Internal Audit Reporting (Pages 119 - 148)
15. Other items which the Chairman decides are urgent

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Wednesday, 25 November 2009

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL**GOVERNANCE AND AUDIT COMMITTEE**

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 16 September 2009.

PRESENT: Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman), Mr A R Chell, Mr K A Ferrin, MBE, Mr C Hibberd, Mr P W A Lake, Mr J F London, Mr R J Parry, Mr T Prater, Mr R Tolputt and Mr C T Wells

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds

OFFICERS: Ms L McMullan (Director of Finance), Mr G Wild (Director of Law and Governance), Ms J Dawson (Head of Audit and Risk), Mrs J Armstrong (Senior Audit Manager), Mr R Fitzgerald (Performance Monitoring Manager), Ms J Hill (Performance Manager), Mrs D Mattingly (Corporate Risk & Insurance Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Mr G Brown from the Audit Commission.

UNRESTRICTED ITEMS**32. Presentation on the Role and Terms of Reference for the Governance and Audit Committee**

(Item 3)

(1) The Head of Audit and Risk gave a detailed presentation on the role of the Committee. This was supplemented by the Director of Law and Governance, who set out the governance aspects of the Committee's work.

(2) Members of the Committee considered that it should take a more pro-active view of its role. The Committee therefore welcomed the Chairman's commitment to discuss amendments to the agenda-setting process with the Committee's lead officers.

(3) As this was Mrs Janet Dawson's last meeting as Head of Audit and Risk, the Committee thanked her for all her work on its behalf and wished her well in the future.

33. Minutes - 30 June 2009

(Item 4)

RESOLVED that, subject to the deletion of Mr Parry from the list of those present and to the inclusion of Mr D Wells and Mr G Brown from the Audit Commission, the Minutes of the meeting held on 30 June 2009 are correctly recorded and that they be signed by the Chairman.

34. Trading Activities Sub-Group Notes - 1 September 2009

(Item 5)

(1) Mr M V Snelling made a declaration of personal interest for this item and the following item (Minute 35) as he was a Director of a number of KCC Commercial Services Trading Companies. He left the meeting for the duration of both items.

(2) This item was considered in conjunction with the following item on the agenda (Minute 35).

(3) RESOLVED that the notes of the Trading Activities Sub-Group meeting held on 1 September 2009 be noted.

35. External Audit Review of KCC's Commercial Operations

(Item 6)

(1) This item was considered in conjunction with the previous item on the agenda (Minute 34).

(2) A motion by Mr T Prater to amend the actions in Recommendation 3 on page 13 of the agenda papers was withdrawn following an assurance from the Director of Finance that reviews could be carried out by other bodies apart from Internal Audit if it was considered appropriate.

(3) Mr C T Wells moved and it was duly seconded that the overarching aim of the Trading Activities Sub-Group be amended to read: "To ensure that the trading activities of the Council are run properly and transparently."

Carried 6 votes to 2.

(4) Mr T Prater moved, seconded by Mr C T Wells that the membership of the Trading Activities Sub-Group should include a representative from the business community.

Lost 2 votes to 7

(5) RESOLVED that:-

(a) the contents of the Audit Commission's independent review of KCC's commercial operations be noted;

(b) the actions set out in Appendix B of the report to meet the Audit Commission's 8 recommendations be agreed; AND

(c) the overarching aim of the Trading Activities Sub-Group be amended to read: "to ensure that the trading activities of the Council are run properly and transparently."

36. 2008/09 Final Accounts and Annual Governance Report

(Item 7)

(1) Members of the Committee requested that there should be a report to a future meeting on the full impact on and risks to the County Council resulting from the Private Finance Initiative, particularly in respect of the Building Schools for the Future programme.

(2) RESOLVED that the report be noted.

37. Insurance Activity and new Performance Indicators
(Item 8)

(1) The Committee noted that Mr J D Simmonds, Cabinet Portfolio Holder for Finance was the co-author of the report rather than Mr Long.

(2) RESOLVED that the report be noted.

38. Internal Audit Benchmarking Results
(Item 9)

RESOLVED that the report be noted and that the actions taken in paragraph of the report be endorsed.

39. Internal Audit Progress Report
(Item 10)

RESOLVED that the report be noted.

40. Data Quality
(Item 11)

RESOLVED that approval be given to the revised Data Quality Policy.

41. Ombudsman Complaints
(Item 12)

RESOLVED that the report be noted.

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By: Richard Long – Chairman of Governance and Audit Committee
Lynda McMullan – Director of Finance

To: Governance and Committee - 1 December 2009

Subject: **DRAFT ANNUAL WORKPLAN**

Classification: Unrestricted

Summary:

FOR DECISION

1. At the last meeting in September, a presentation on the role of the Governance and Audit Committee was given.
2. Mrs Dawson from Price Waterhouse Coopers and Mr Wild, Director of Law and Governance, provided a comprehensive outline of how the Committee could operate. This encouraged a very good response and discussion amongst members.
3. As an initial action the Chairman agreed to develop a draft annual workplan or agenda for the Committee. This was to ensure at a minimum that the terms of reference were being achieved and that sufficient time was being allowed for members of the Committee to cover areas they collectively wished to examine in more detail.
4. The attached appendix A sets out a proposed annual workplan / agenda, that meets the core requirements. While this meets *current* terms of reference, it is recognised that these are themselves in need of review. It is considered that the new Head of Audit and Risk is well placed to do this with “fresh eyes” and this will be carried out now he is in post. While this is not expected to identify any gaps in the committee’s coverage, it is felt that describing the committee’s role in terms of responsibility rather than “process” would be more helpful.
5. It is however, wholly recognised that “officer led” reports are only one part of the equation in delivering this committee’s responsibilities.
6. Each meeting has capacity for specific member led discussion. Allocation of time on agendas will be subject to overall committee agreement. Reports can be:
 - Specifically commissioned from officers;
 - Developed through specifically established Informal Member Groups;
 - Provided by an individual member as a '*rapporteur*'

7. It is proposed that at every meeting members review the planned workplan / agenda. This will provide the opportunity for non-core items to be reprioritised in line with current member views and as new issues emerge. This should help ensure members drive the discussions.

8. It is proposed at this meeting, members:

CONSIDER the core draft workplan / agenda for 2010/11 and make any changes deemed necessary.

IDENTIFY any additional items that members would wish to include in the workplan / agenda at this stage.

AGREE a standing item on every agenda where members will review / agree future agenda items.

AGREE that the "Terms of Reference" of the Governance and Audit Committee be reviewed by the new Head of Audit of Risk, to report back at the April meeting.

Lynda McMullan
Director of Finance
Ext: 7000 4550

GOVERNANCE AND AUDIT COMMITTEE – 2010

YEAR PLAN

30 APRIL 2010

Updated directorate and strategic risk registers
Internal Audit Plan
Internal Audit Progress report
Debt Recovery
Treasury Management Update

30 JUNE 2010

Statement of Accounts (Cath Head)
Audit Commission's Annual Governance Report. (Cath Head)
Internal Audit Annual Report
Internal Audit Progress report
Treasury Management Annual Review (Nick Vickers)
Ombudsman Complaints (Caroline Dodge)*

15 SEPTEMBER 2010

Annual report on insurance activity (Darryl Mattingly)
Data Quality (Sue Garton)
Statement of Accounts (Cath Head)
Audit Commission's Annual Governance Report. (Cath Head)
Internal Audit Progress report
Debt Recovery
Treasury Management Update

30 NOVEMBER 2010

Annual Complaints report (Janice Hill)
Corporate Governance Indicators (Janice Hill)
Internal Audit Progress report
Ombudsman Complaints (Caroline Dodge)*
Treasury Management Update

**Ombudsman Complaints: There is a full Complaints report annually to Corporate POC and then G & A and there is a question as to whether six - monthly updates are still needed.*

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By: Cabinet Member for Corporate Support Services and
Performance Management
Director of Finance

To: Governance and Audit Committee – 1 December 2009

Subject: **Audit Commission: Annual Audit Letter**

Classification: Unrestricted

Summary: This paper introduces the Audit Commission's Annual Audit letter from the 2008/09 audit.

FOR INFORMATION

Introduction and background

1. The Audit Commission's Code of Audit Practice requires that the external auditors prepare an annual audit letter and issue it to the Authority.
2. The purpose of the annual audit letter is to communicate to the Authority and its external stakeholders, including members of the public, the key issues arising from auditors' work, which the District Auditor considers should be brought to the attention of the Authority. The annual audit letter is intended to cover the work carried out by the external auditors since the previous annual audit letter was issued, in this case March 2009.
3. The letter highlights key issues drawn from reports previously presented to the Governance and Audit Committee and the auditors' conclusions on relevant aspects of the audit.

Summary of the letter

4. This annual audit letter summarises the work from the External Auditor's 2008/09 audit plan (i.e. work relating mainly to the 2008/09 financial year). The letter covers:
 - The audit of the financial statements (including the Superannuation fund).
 - Value for money and use of resources, including the key messages from specific reviews of commercial operations, health inequalities and partnership working, and an update on adults with learning disabilities.
 - The audit fees for 2008/09.
5. At the time of drafting the letter the scoring in relation to the use of resources judgements were still subject to review, following a request by KCC. It is hoped that Mr Wells, the District Auditor, will be able to provide the Committee with a progress report on this situation, although the actual scores may remain embargoed until formal publication by the Audit Commission on 10th December.
6. The report from the review of commercial services was presented to the Committee in September 2009, and the full reports from review of Health Inequalities and Partnership Working are included on this agenda.

Publication of the Letter

7. The annual audit letter is addressed to all Members and the auditor requires that all Members receive a copy. There is also a statutory requirement to publish the annual audit letter, and the Audit Commission will publish all annual audit letters on its website as part of its objective to make its findings easily accessible to everyone. To meet the publication requirements, the annual audit letter will be circulated to all Members of the County Council and published on the website after this committee.

Recommendations

8. The Governance and Audit Committee is asked to:
 - **Note** the requirement of the External Auditors to prepare and issue an annual audit letter to the Authority, and that this has been met.
 - **Endorse** the proposed actions for publication of the annual audit letter.

David Tonks
Head of Audit and Risk
Ext: 4614

Annual Audit Letter

Kent County Council

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion and financial statements

- 1** I issued an unqualified opinion on the Council's financial statements including the Kent Superannuation Fund on 31 July 2009. The financial statements were submitted for audit on the 5 June, five weeks after the end of the financial year which is a positive achievement and one of the earliest in local government. The quality of the statement of accounts was good and a small number of errors and omissions identified during the audit were corrected within the accounts presented for members' approval on 30 June. I have not been able to conclude the audit formally as the Council is corresponding with a local government elector over some payments shown within the financial statements.
 - 2** With effect from 2010/11, financial statements will be prepared under International Financial Reporting Standards (IFRSs), a reporting system that is already in place for the private sector. The transition to this framework begins now, ensuring that future information needs can be met from financial systems. I am liaising with officers over the Council's preparations. At this time there are no matters to report.
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Value for money and use of resources

- 3** I concluded that in all significant respects, the Council has appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources in 2008/09.
- 4** I completed my use of resources assessment against a new methodology established by the Audit Commission. This has more of a focus on outcomes delivered for the public. In my opinion, the Council continues to demonstrate good value for money, working creatively to secure improvements in services whilst making efficiencies, against an increasingly difficult financial climate. At the time of writing this letter, the Council has requested a review of my judgements, so I have not included any scores in the detail of this letter.

- 5 The current economic climate places increased demands on the Council, both in how it can help stimulate the local economy and how it responds to its own financial standing. It is innovatively boosting jobs, businesses and tourism in the area and its response to helping local small businesses during the recession has been rapid. Looking at its own financial position, it estimates that it will need to reduce spending by approximately £200 million over the period up to 2012/13 through a combination of resisting budget pressures, making savings through efficiencies and policy led changes. The Council has a long track record of making cash savings and working within its resources, and is well placed to meet this demanding challenge.
- 6 Recently the Council's commercial operations have attracted much press coverage over the way the Council competes against the private sector, alleging that the commercial operations were subsidised by council taxpayers' money. My independent review confirmed that the Council has operated within its powers; has established a robust methodology for allocating its costs incurred on behalf of its commercial undertakings and does not offer any financial support or cross-subsidisation that gives the commercial operations any competitive advantage; and that its operations are driven by a need to supply goods and services at competitive prices to both the public and private sectors. This latter point helps to reduce the Council's costs.
- 7 Health inequalities exist in all parts of Kent and reducing this is a priority for the Council and other public sector bodies. Tackling health inequalities absorbs huge amounts of public money in both local government and health sectors. There is much good work ongoing in Kent to tackle health inequalities, such as smoking, sexual health, healthy weight, mental health and well-being, and alcohol abuse. I reviewed the activity of the 12 local health and well being boards (HWBBs) operating across Kent, which are aligned with the districts' and boroughs' geography, and are responsible for improving the health and well-being of the local communities they serve. I concluded that the HWBBs are at varying stages of development. Some are very clear on their focus, understand the needs of the residents and have appropriate capacity to carry out their plans. Others are working to achieve this state. The majority of the HWBBs are in the early stages of improvement planning and cannot yet demonstrate continuous improvement in the health and well being of the local populace from their activities.

Key messages

8 Partnership working is a modern way of working given the different responsibilities of public sector organisations. Recent national policy transfers the social care responsibility for adults with learning disability from primary care trusts to local government. I have observed over the year how partners have worked together to manage this. The transition process continues but I concluded that a high level of professionalism and effective working between all bodies has been achieved at all times. I will continue to monitor the ongoing work in 2009/10. In June 2008, in an otherwise excellent assessment, the Audit Commission's Corporate Performance Assessment reflected on the need for the Council to consider its impact on voluntary and community organisations (VCOs), concluding that the Council's capacity to deliver its ambitions would be stronger if it adopted a more inclusive, listening approach, particularly with local partners. This year I undertook a sample review of one section of the Council's partners when I sought VCO's views on the Council's ability to foster strong partnerships with them. My conclusion is that the Council is well regarded as a partner by the VCOs. Its strengths include giving strong and inspirational leadership to the VCOs and valuing their differing objectives and approaches. Moreover, the Council supports these groups on difficult decisions on patient care and boosts their capacity through training. VCOs views did highlight some matters where they thought the working relations could be strengthened further such as making internal changes to ensure VCOs achieve their goals and building better links with the older people's forums. I am aware that the Council has plans to undertake its own review of the effectiveness of partnerships and encourage it to consider the findings from our review as part of this.

. Audit fees

9 The planned audit fees for 2008/09 were presented to the Governance and Audit Committee in June 2008. Appendix 1 set out more details.

Actions

10 I have made a number of recommendations within reports issued to the Council which are not repeated in this Annual Audit Letter.

Independence

11 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Council's financial statements including the Kent Superannuation Fund and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Significant issues arising from the audit

- 12** I have completed the audit of the Council and Superannuation Fund accounts for 2008/09. Details of my findings were summarised within the annual governance reports presented to the Governance and Audit Committee on 30 June and updated at its meeting of 16 September 2009. I issued an unqualified audit opinion on the accounts on 31 July 2009.
- 13** Last year, I reported the difficulty of reconciling the related systems SWIFT and TDM. The adult social care packages for individuals are detailed on the SWIFT database which establishes the cost of care packages and is also used to authorise electronic invoices paid via the domiciliary care payment system (TDM). There are ongoing discrepancies between the SWIFT and TDM records for individuals' care packages. The Council undertook a significant amount of work to understand the differences in the systems. My review during the 2008/09 audit concluded that the entries within the accounts are not materially misstated although I was unable to confirm fully the entries originating from these systems. This area should remain a focus for Council action in advance of the 2009/10 audit of the financial statements.
- 14** The Council and Thanet District Council have created and own in equal shares the East Kent Opportunities Partnership LLP (EKO) to facilitate economic development in Thanet. The Council sold some land to EKO and it also built a spine road (£4.4 million cost) to allow access to the development site. A management agreement was signed by EKO which requires it to reimburse the cost of the road within two years of signing the agreement. As a separate entity, EKO has to prepare its own accounts and under accounting rules, as a joint owner, the Council has to recognise its share of the balances and transactions of EKO in its own accounts. The 2008/09 financial statements did not completely reflect this arrangement and this is an area for focus for 2009/10.

Financial statements and annual governance statement

15 In my last Letter I referred to the material sum of money that the Council had deposited with some Icelandic banks at the time of their collapse and that the Council was taking action to recover it. The amount involved totalled £50.3 million including £16.3 million relating to the Kent Superannuation Fund and £1.8 million that had been deposited by the Council on behalf of Kent and Medway Fire and Rescue Authority. The Council along with other local authorities has been working with their advisers to recover the deposits. Some £3 million has been received to date and there are strong indications that the Council will recover the vast majority of the deposits made as a result of commitments given by the Icelandic Government. I reviewed and agreed that the Council had appropriately reflected the risk of its financial exposure from these deposits in the 2008/09 financial statements. Since the time of the Icelandic banks collapse, the Council has reviewed its treasury management arrangements. We will continue to monitor developments.

Material weaknesses in internal control

16 I did not identify any significant weaknesses in your internal control arrangements.

Accounting practice and financial reporting

17 I considered the qualitative aspects of your financial reporting and highlighted the following three areas.

- Strengthening the arrangements for obtaining and reporting related party declarations including, ensuring the completeness of disclosures. Related party transactions are an important aspect of the Council's governance arrangements to make transparent any relationship between corporate bodies and the Council and any financial relationships that Members or senior officers may have with the Council. There were a small number of related party transactions that had not been disclosed in the statements, and we recommended that declarations from Members and senior officers should make clear that the returns also cover the Superannuation Fund accounts.
- Demonstrating compliance with financial reporting standards when deciding to capitalise expenditure.
- Whilst we acknowledge the pressure on officers given the very early production of the financial statements, the working papers supporting the statement of accounts can be enhanced further.

Grant claims and returns

18 Annually we are required to certify the Council's grant claims and returns. For 2008/09 there were ten. The teachers' pension return totals £85.7 million and is material to our financial statements audit and our approach requires us to complete sufficient audit work on it to confirm that it does not contain material errors before we give our opinion of the statements. This return is one of a number where the Council's working papers supplied to us can be improved.

International Financial Reporting Standards (IFRSs)

- 19** With effect from 2010/11, the Council's financial statements will be prepared under IFRSs, a reporting system that is already in place for the private sector. The transition to this framework begins now, ensuring that future information needs can be met from financial systems.
- 20** We have met with officers to discuss the Council's project management processes that seek to ensure that it will be able to publish timely and accurate IFRS-compliant accounts for 2010/11. We have identified those issues that we believe will have the most significant impact on Council's accounts and will maintain regular contact with the Council to assess progress. At this time the Council has informed us that no significant issues have arisen and it is on target.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 21** The new use of resources assessment framework is more demanding than the previous assessment. It is broader in scope and embraces wider resource issues such as people and workforce planning. It also places more emphasis on considering outcomes for local people. It is particularly important to recognise that the key lines of enquiry (focused areas of review) are more strategic and focus much more explicitly than previously on value for money achievements than on processes. Results under this assessment framework are not directly comparable with earlier year's assessments.
- 22** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest.
- 23** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 24** The Council's use of resources theme scores are shown in Table 1 below.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	To be confirmed
Governing the business	To be confirmed
Managing resources (use of natural resources and management of asset base)	To be confirmed
Overall	To be confirmed

Managing finances

- 25** The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health. There is an effective integrated financial and business planning process with links to risk at a service level and has led to innovative methods of delivering services within available resources. The introduction of the Kent Card for has led to an increase in older people the direct payments scheme. The Council's medium-term financial strategy sets out clearly assumptions and pressures over a three year period with regular monitoring of the cost of services and the level of reserves and balances held by the Council. The Council engages well with the community and its partners when developing its financial plans and services. It shifts resources to priority areas like the Kent Freedom Pass scheme which has led to an increase in school children travelling by bus and a reduction in traffic congestion and peak journey times. Budgets and costs are well managed and understood with the Council attracting high levels of external funding to deliver community based projects. Members and chief officers provide effective leadership and challenge to spending plans as demonstrated by the Council's achievement of its overall expenditure to budget for nine years consecutively whilst delivering services the public desire and by exceeding its savings plans.
- 26** The Council has a sound understanding of its costs and performance levels and has achieved efficiencies in its activities. It has a clear understanding of external factors influencing it business and is effective at lobbying government on issues such as the financial impact of asylum seekers. The Council maintains low levels of council tax increases year-on-year. It has a track record of effective procurement arrangements often linked to its own commercial operations and through collaboration with others and can demonstrate improvements to its own business processes.
- 27** The Council's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people. It has good quality internal financial monitoring and reporting that was developed in consultation with budget holders and Members. Strong budgetary control and flexible reporting tools has led to quick and effective action being taken to address income and expenditure variances. The Council is able to produce its financial statements to a very early timetable, more than a month earlier than the statutory deadline. There is extensive consultation that seeks to ensure that its financial reporting meets users' requirements, including the Around Kent publication and the innovative use of Kent TV which has successfully targeted younger people.

Value for money and use of resources

Governing the business

- 28** The Council commissions and procures quality services that offer value for money, meet local needs and deliver sustainable outcomes successfully. This is seen in the innovative Access Kent Project which has launched seven Gateways throughout the County. These provide the public with service points in retail-based locations and use new technologies to facilitate effective working across public sector partners including police and health services and with voluntary and community organisations. Members and senior officers have set a clear vision, objectives and evaluation criteria for procurement based on extensive consultation including energy through LASER, part of the Council's commercial services directorate, which provides a flexible procurement arrangement to purchase energy wholesale and seeks to minimise risks in markets which are subject to volatile price changes. The Council uses IT innovatively which has had a positive impact on the community through the assistive technologies of Telehealth and Telecare.
- 29** The Council produces relevant and reliable data and information to support decision making and manage performance. The data quality strategy outlines the need for accurate data which is delivered by champions in each directorate. Clear and understandable data is aiding effective decision making in many areas. There are robust arrangements for data security with independent validation checks. Performance management is at the heart of the Council's business and it uses data to deliver services more effectively.
- 30** The Council promotes and demonstrates the principles and values of good governance. There are strong relationships between officers and Members with a culture of transparency across the Council. The Leader and Chief Executive have set out a clear vision of governance based on thorough consultation with the community and partners. Development of staff is important and the Council has committed to investing in the development of a skilled and knowledgeable workforce. An established ethical framework is supported by open communication of decisions including those made formally by Members. Engagement with the public has been enhanced by the availability of live broadcasts of formal Member meetings on the internet by the use of webcams fitted in Council meeting rooms. Governance arrangements are clear for significant partnerships.
- 31** The Council manages its risks and maintains a sound system of internal control. The risk management arrangements are integrated in corporate and service-level business planning processes and include partnership risks. The Council reacts quickly to emergencies and has robust preventative schemes. Fraudulent activity is proactively monitored and investigated with results widely published. There is a very strong Governance and Audit Committee that challenges officers to maintain the excellent internal control environment.

Managing resources

- 32** The Council is making effective use the natural resources it uses. It has a clear understanding of its environment which is set out in its Environment Policy which is understood at all levels throughout the Council. Targets have been set for carbon reduction and it is actively managing their achievement through means such as energy conservation projects, internal recycling schemes, office reconfiguration and an eco-schools award scheme. Reports to the Environment Board, Chief Officers Group and Cabinet are regularly produced and there is clear monitoring of progress. The Council has a strong culture to reduce its impact on the environment which is supported by an evidence-led approach to sustainability that includes identifying the potential for cost savings.
- 33** The Council is managing its asset base effectively to help deliver its strategic priorities and service needs. It has a strategic approach set out for making effective use of and maintaining all its assets. The Property Enterprise Fund has been successful in disposing non-operational property to finance acquisitions in line with the Council's regeneration agenda. Value for money has been achieved through the Better Work Places Programme, a flagship highways depot which has reduced the number of buildings used by Kent Highways Services and the Gateway initiative through a rationalisation of assets between public sector bodies across Kent leading to benefits such as ease of access for the public and ongoing revenue savings such as from property costs for the councils involved. The Council has developed good relationships with its partners and the voluntary sector and has launched a number of successful flexible working schemes which have benefits for the staff and public.

VFM Conclusion

- 34** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. My assessment is made against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOEs are the relevant criteria for the VFM conclusion at each type of audited body.
- 35** As part of the 2008/09 audit plan I have undertaken specific reviews of some of the Council's activities which are set out below.

Commercial operations

- 36** There has been considerable interest in Kent County Council's commercial operations over a period of years and more recently this has culminated in a press campaign about the way the Council competes against the private sector following representations from a range of Kent-based businesses. We have received correspondence from a number of people who believe that the Council's commercial operations are successful because they receive direct financial support and/or subsidy from the Council. Particular public attention has been focussed on the activities of one of the Council's subsidiaries which is successfully providing temporary staff and winning passenger transport contracts to both the public and private sectors. Other activities, which are solely offered to the public sector including grounds maintenance and landscaping, have been subject to similar public interest.
- 37** Our audit approach was set out in a document presented to Members and officers of the Council in December 2008 and centres around the completeness and reasonableness of the recharges made by the Council to its commercial operations financial support. We have reviewed the legal background to the operation of the Council's commercial activities. We also met with a small number of private sector business representatives who had contacted the Audit Commission with specific concerns about the Council's commercial operations. We have also considered a number of other aspects of the Council's arrangements including the following.
- The structure of Commercial Services and the Council's subsidiary companies.
 - How Commercial Services was originally financed when set up in the 1960's.
 - How the subsidiary companies are financed.
 - The basis on which Commercial Services and the Council's subsidiary companies occupy its premises at Kings Hill.
 - How the Council and Commercial Services ensure that contract tendering rules are adhered to strictly in situations where Commercial Services is tendering to the Council.
 - How Commercial Services prices its tenders to the public and private sector.
 - The process by which Kent Top Temps Limited established itself as a master vendor for the Council in respect of supply of temporary staff.
- 38** Our conclusions were as follows.
- The Council's commercial operations are structured in accordance with statute. Commercial Services and the Council's subsidiaries understand the limits to their powers and act within them.
 - The Council has a robust methodology for allocating its costs incurred on behalf of its commercial undertakings to the business units operated by Commercial Services directorate and the Council's own subsidiaries.
 - We identified no evidence of any financial support or cross-subsidisation of the commercial operations by the Council that gives any competitive advantage.

- The commercial operations are driven by a need to supply goods and services at competitive prices to both the public and private sectors and to both reduce the Council's costs and make surpluses and profits for the Council.
- The Council should evaluate opportunities to address the concerns expressed by some parts of the public about access to information in respect of its commercial operations, subject to the Council's consideration of maintaining appropriate commercial confidentiality. The outcomes of this evaluation should be formally reported to Members.

39 A small number of recommendations were made and an action plan was agreed with officers. The main recommendations related to the following.

- The Council should seek to maximise disclosure of information on its commercial undertakings, subject to exercising proper commercial sensitivities, including expanding the disclosure of its commercial activities in its own annual financial statements.
- Statutory accounts for the Council's subsidiary companies should be prepared in long-form to demonstrate openness in its activities.

Health inequalities

40 The South East England Health Strategy identifies the main priorities and actions needed to improve the health of people living in the South East. The first priority focuses on reducing health inequalities and raising the life expectancy of the most socially disadvantaged people. Health inequalities exist in all parts of Kent. Some groups of the population suffer from significantly greater ill-health (morbidity) and earlier death (mortality) than the average and other groups of the population. The expression - health inequalities - although describing the health of the individual, relates also to a range of circumstances that lead to differing levels of health. It can be caused by the interrelationship of a number of factors such as worklessness, low educational achievement, poor housing, bad diets, and living in a high crime area.

41 Tackling health inequalities absorbs huge amounts of public money in both local government and health sectors and securing optimum value for money requires effective partnership working. The need to tackle health inequalities is recognised in the Kent Local Area Agreement 2. Many people in Kent are healthier than other parts of the country. They are living longer and this is improving across the county. This is because deaths from cancer and heart disease, and strokes and infant deaths, are all significantly lower than the England average and are continuing to reduce. However, there are big differences between and within areas in Kent itself. For example, many men in Thanet die on average four years earlier than men in Sevenoaks. Within Thanet, many men in the poorest areas die ten years earlier on average than those in the most well off areas of Thanet. There are plans in place within the health service and with partners to reduce the differences in life expectancy and underlying causes within Kent. However, the quality of health services across Kent is variable and services are not improving fast enough. The majority of services are 'fair' and need to work harder to meet both basic and national standards.

Value for money and use of resources

- 42** Across Kent, there is much activity by partners working together and locally through 12 health and well-being boards (HWBBs) and health action teams (HATs). We reviewed the activity of the HWBBs and HATs to consider how effective are local partners in identifying local targets on health inequalities and delivering effective outcomes?
- 43** The capacity and capability of local HWBBs is mixed. For example Sevenoaks, Swale and Shepway demonstrate good local leadership and a good understanding of the needs of their communities. In Thanet and Dover capacity is being and Tonbridge and Malling are enthusiastic about tackling health inequalities as a partnership but unclear about the resources available to do so. A number of the HWBBs are going to revisit their terms of reference to ensure they are both current and sufficient to deal with their responsibilities.
- 44** Most of the HWBBs are at an early stage of improvement planning and there are variable standards to securing continuous improvement planning. For example, Maidstone has a good knowledge of their area to inform their work plan. Sevenoaks and Tunbridge Wells concluded that more needs to be done to lobby at the regional and national level to change perceptions of the districts. Dover, Swale and Thanet all concluded that further work was needed on how to broaden residents' perceptions about the issue of reducing health inequalities and what success might look like. Many of the HWBBs did not recognise their role in helping to deliver Local Area Agreement (LAA) 2 targets as part of the local health inequalities agenda and some had yet to agree ways of working or firm plans to deliver continuous improvement. Communities are not yet receiving all the benefits these groups could deliver.

Partnership working

- 45** Partnership issues were commented on in the Council's Corporate Assessment report in June 2008. In an otherwise excellent assessment, the Audit Commission reflected on the need for the Council to consider its impact on voluntary and community organisations (VCOs). The report concluded in this regard that the Council's capacity to deliver its ambitions would be stronger if it adopted a more inclusive, listening approach, particularly with such partners.
- 46** The need to engage with all partners to deliver area-wide outcomes is particularly important with VCOs. Volunteering is likely to be an increasing form of service delivery, and as the number of older people available to volunteer increases, the Council needs to be seen as a facilitator of services as well as a deliverer of them. So a view of the Council as a highly supportive and enabling partner will be essential to make the most productive use of resources not directly employed by the Council, available to the area.
- 47** We surveyed the views of a selection of VCOs identified by the Council; worked with the Care Quality Commission in its inspection of Kent's adult social services in March 2009 where a range of VCOs were asked about partner working with the Council; and considered the findings from the Comprehensive Area Assessment of Kent which had a focus on older people.

48 We concluded that the Council is well regarded as a partner by the VCOs. Its strengths are seen as giving strong and inspirational leadership to partners and valuing their differing objectives and approaches. VCOs also said that the Council makes it clear that voluntary and independent organisations need themselves to be inspirational, thereby enabling strong voluntary organisations. They also judged that the Council has good systems for monitoring and working successfully on needs such as housing for vulnerable people. Moreover, VCOs recognise that the Council supports groups on making difficult decisions on patient care and boosts their capacity through training. Areas for consideration from the VCOs' perspective is that the Council could be more open to comments about improving its approach to the VCOs and that the Council needs to make sure that it supports partners where possible with resources. We recognise these are sample views of the Council and we are not seeking to draw any definitive conclusions based on such comments. However, as the Council has plans to assess partnership working more widely we would encourage the Council to consider the feedback as part its work.

Adults with learning disabilities

- 49** On 1 April 2009, responsibility for learning disability social care funding and commissioning transferred from the NHS to local authorities. The proposal is part of the wider transformation of adult social care set out in Putting People First that seeks to bring clear benefits to people with a learning disability. Local authorities are best placed to deliver quality, targeted services, which place the individual at the heart of service provision, based on their experience and their lead responsibility for community services. The change will enable primary care trusts (PCTs) to focus on their responsibility of commissioning care to meet the health needs of adults with a learning disability which includes specialist services such as community nurses, psychiatrists and speech and language therapists.
- 50** For the final two years of the Government's Spending Review period, 2009/10 and 2010/11, the transfer of specialist social care funding for adults with learning disabilities is being undertaken locally by agreement between PCTs and local authorities. From April 2011 the intention is that allocations of social care funding will be made directly from the Department of Health to local authorities and that the Department will consult on the determination of allocations before implementation.
- 51** The Council has worked closely with East and West Kent PCTs to ensure a properly controlled transfer of responsibilities whilst always maintaining a focus on those with learning disabilities. We have attended regular joint meetings of the Council and PCTs that have addressed the issues of strategic finance. The Council and PCTs have recognised the risks in the change of responsibility and all parties have acted in an open and professional manner at all times and have balanced appropriately the potential impact of uncertainties over funding streams going forward with the need to get the best outcomes for adults with learning disabilities. We continue to attend meetings between the Council and the PCTs in 2009/10 to monitor the further development of the arrangements.

Closing remarks

- 52** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Governance and Audit Committee on 1 December 2009 and will request the Council to provide a copy to all Members.
- 53** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year. Table 2 sets out those issued.

Table 2 Audit reports issued

Report	Date issued
Annual governance report (opinion and value for money conclusion)	June 2009 and updated September 2009
Commercial operations	August 2009
Final accounts report (draft)	November 2009
Health inequalities	November 2009

-
- 54** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Darren Wells
District Auditor
November 2009

Appendix 1 – Audit fees 2008/09

Table 3 Audit fees 2008/09

Audit area	Proposed and Actual
Financial statements (including Kent Superannuation Fund) and annual governance statement	£303,450
Value for money	£106,170
Total audit fees	£409,620

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By: Cabinet Member for Corporate Support Services and
Performance Management
Director of Finance

To: Governance and Audit Committee – 1 December 2009

Subject: **Audit Commission: Health Inequalities**

Classification: Unrestricted

Summary: The Audit Commission's 2008/09 audit plan included work to identify the nature and causes of health inequalities in Kent. The attached report sets out the conclusions of this work.

FOR INFORMATION

Introduction and background

1. The Audit Commission's Audit Plan for 2008/09 identified that there was evidence of health inequalities across the county area. In response to this issue the Audit Commission undertook a county-wide overview to identify the nature and causes of health inequalities. The review focussed on the work of the Local Strategic Partnership sub-groups, and aimed to answer the question: *"How effective are local partners in identifying local targets on health inequalities and delivering effective outcomes?"*
2. The work consisted of two stages:
 - an assessment of the current arrangements, and;
 - feedback of findings to each of the Local Strategic Partnership sub-groups across Kent to agree local action plans to reduce or remove the barriers to achieving fewer health inequalities.

Report conclusions

3. The report acknowledges that there is much good work ongoing across the county to tackle the issue of Health Inequalities. In relation to the specific assessment of current arrangements, the picture is variable, with many aspects of good practice, but also areas where it is recognised that more work is required to deliver effective outcomes. The review found no significant failures in the governance arrangements at the local level.
4. The work was intended to be a fact finding exercise, so no formal recommendations have been made for KCC to consider. The overview of the survey has been shared with the Kent Public Health Board, and the findings used to inform value for money conclusions at audited bodies across Kent. The findings will also be used to inform the CAA for KCC in 2009/10.
5. The work and the action planning of each of the Local Strategic Partnership sub-groups will be revisited by the Audit Commission in the future.

Recommendations

6. The Governance and Audit Committee is asked to:
 - **note** the output of the Audit Commission's analysis.

David Tonks
Head of Audit and Risk
Ext: 4614

Health

Inequalities

Kent County Council

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction

- 1 “The South East England Health Strategy”¹ identifies the main priorities and actions needed to improve the health of people living in the South East. The first priority focuses on reducing health inequalities and raising the life expectancy of the most socially disadvantaged people. The strategy links actions at a national, regional and local level to ensure that all those with an interest in health issues work in partnership to improve the health of everyone in the South East.
- 2 Health inequalities exist in all parts of Kent. Some groups of the population suffer from significantly greater ill-health (morbidity) and earlier death (mortality) than the average and other groups of the population. The expression - health inequalities - although describing the health of the individual, relates also to a range of circumstances that lead to differing levels of health. It can be caused by the interrelationship of a number of factors such as worklessness, low educational achievement, poor housing, bad diets, and living in a high crime area.
- 3 Tackling health inequalities absorbs huge amounts of public money in both the local government and health sectors. Securing optimum value for money from these combined resources requires effective partnership working among health and local government bodies and the voluntary sector. Health and local government partners in Kent acknowledge the need to tackle health inequalities and this has been recognised in the Kent Local Area Agreement 2.
- 4 There is much good work ongoing in Kent to tackle health inequalities which this report acknowledges. This report focuses on the work of the Local Strategic Partnership (LSP) sub-groups on dealing with these inequalities. It also highlights the action plans that are being completed by these LSP sub-groups.

¹ Launched by Jonathan Shaw, Regional Minister for the South East in February 2008

Background

- 5 Kent has its own Public Health Strategy², and a Public Health Board chaired by the Director of Public Health, which is a joint appointment across health and local government. Board members meet bimonthly and represent the range of public bodies involved in reducing health inequalities across Kent. The Board is supported by the Kent & Medway Public Health Observatory and monitors the Health, Care and Well-being section of the Kent Local Area Agreement 2 (Appendix 1 contains an overview of the relevant Kent LAA2 targets).
- 6 Many people in Kent are healthier than other parts of the country. They are living longer and this is improving across the county. This is because deaths from cancer and heart disease, and strokes and infant deaths, are all significantly lower than the England average and are continuing to reduce. However, there are big differences between and within areas in Kent itself. For example, many men in Thanet die on average four years earlier than men in Sevenoaks. And within Thanet itself, many men in the poorest areas die ten years earlier on average than those in the most well off areas of Thanet. The health outcomes in the poorer areas of Kent will be an area we will look at more closely in our assessment next year.
- 7 There are plans in place within the health service and with partners to reduce the differences in life expectancy and underlying causes within Kent. There is a track record of all partners in Kent working well together. For example, a health inequalities strategy and action plan is in development, and covers the big issues, such as smoking, sexual health, healthy weight, mental health and well-being, and alcohol abuse. This work is resulting in some improvements.
- 8 Fewer people smoke in Kent than the England average, and deaths from smoking are significantly lower. Smoking is an important factor in poor health. There are quite big differences across the county though, and the success in reducing the numbers who smoke is variable. There are much higher numbers of smokers in Thanet, and higher than average numbers of deaths from lung cancer. There are plans in place to help young people to give up smoking, and partners are consulting on a young people's tobacco control strategy, but it is too soon to know if this work will make a difference. Targets for the numbers of people who give up smoking measured at four weeks in 2008/09 were not met across the county, and more needs to be done. The numbers of pregnant women who are smoking are also not reducing.
- 9 The numbers of teenage girls who become pregnant in Kent is lower than the England average, but has not reduced much since 2003. As a result, public services are unlikely to hit the target of 21 per 10,000 by 2010. The Kent Teenage Pregnancy Partnership has been coordinating initiatives to help reduce teenage pregnancy across the county. Levels in areas such as Thanet, Shepway and Swale are high, but these are showing the highest reductions. Additional resources in outreach workers, pharmacy services and making sexual health services more accessible to schools has made a difference in these areas. The Sexual Health Strategy across Kent has also targeted work including through healthy living centres.

² "Live Life to the Full : A Strategy for Public Health in Kent" 2007/08

Background

- 10 Projects are tackling other health inequalities people experience in Kent. Advice on healthy eating and cooking to help people lose weight is widely available as is advice on promoting safe sex. However, it is currently too early to see significant changes as a result of these projects and there is more to do to assess how successful the projects are being.
- 11 Across Kent, there is much activity by partners working together locally through health and well-being boards and health action teams. This is helping to reduce health inequalities. Examples include work through healthy living centres and in people being encouraged to be more active such as by taking healthy walks and exercise in the open air, and to cycle more. Exercise programmes, dance classes, and yoga in Sevenoaks are examples of many of the things people can do across the county to be active.
- 12 Programmes in Canterbury and Gravesham have encouraged more people to get involved in trying different sports. As a result, many people report that they feel fitter and happier because of taking part in such programmes specifically aimed at helping them lose weight. Many people now swim for free, including in Ashford, people who are homeless. The numbers of people exercising regularly in Kent is broadly in line with other areas in the country, although there are variations across the county. The highest level in Kent is in Tonbridge and Malling where almost one in four people exercise regularly. But this drops to less than one in five in Thanet, Gravesham and Dartford. There is more to do to improve how satisfied many people are with some of the ageing sports and leisure facilities across the county.
- 13 The emotional well-being of children and young people is not as good as in other areas. Waiting times for children and young people who need mental health services vary among different areas of Kent. Partners are looking at how to improve services.
- 14 While there have been some improvements in the quality of health services across Kent, services are not improving fast enough. The majority of services are 'fair' and need to work harder to meet both basic and national standards.

Audit approach

15 The key question this review aimed to answer was:

'How effective are local partners in identifying local targets on health inequalities and delivering effective outcomes?'

- 16 Kent County Council, the two Kent Primary Care Trusts and the Director of Public Health agreed to focus this review on examining the way that the LSP sub-groups that are charged with, amongst other things reducing health inequalities for their areas, were operating and what outcomes were being changed. The LSP sub-groups are only one of a number of bodies working to reduce health inequalities in Kent. They are a vital element, given their pivotal role in delivering the Local Area Agreement for Kent, which sets out the strategic delivery aims and targets for all the challenges facing the area. There are twelve LSP sub-groups which operate across Kent, all are responsible for improving the health and well-being of the local communities they serve. The sub-groups all work to the same geographic area as the district or borough boundaries. In East Kent these sub-groups are known as health and well-being boards and in West Kent membership is drawn from health action teams.
- 17 Our work was carried out in two stages. Stage one focused on assessing the current arrangements through the following key lines of enquiry.
- Do strategies to tackle health inequalities exist and are the outcomes effective?
 - Does the available data and intelligence support decision making on how to reduce health inequalities?
 - Do performance management systems support the monitoring and evaluation of activities necessary to tackle health inequalities?
 - Do partners have the necessary skills and competencies needed to address health inequalities?
- 18 In order to find answers to these questions, we distributed a self-assessment survey to members of each of these sub-groups and analysed the results. In Stage 2 we fed back the findings in a series of workshops to each of the panels/teams across Kent. The purpose was to agree a local action plan to reduce or remove the barriers to achieving fewer health inequalities.
- 19 We also provided the Kent Public Health Board with an overview of the survey findings.
- 20 The findings from this review were also used to inform our Value for Money conclusions at primary care trusts, district and borough councils. We concluded that money made available to health and well-being boards and health action teams was spent appropriately.
- 21 The findings from this review will also be used to inform the CAA for Kent in 2009/10.

Main conclusions

- 22 In workshops that we facilitated, each of the health and well-being boards or health action teams identified barriers to their preparations and 12 local action plans were developed with measures on how to tackle them.
- 23 Following the workshops we provided a summary of the findings to the Kent Public Health Board, under the following four main headings.
- Do the local partners have the capacity and capability to deliver their ambitions, strategies and plans?
 - Are local partners engaged in any exceptional, innovative practice which has been or promises to be successful and which others might learn from?
 - How well is improvement planning being implemented, including whether key objectives and milestones are being achieved?
 - Are there any significant weaknesses in arrangements for securing continuous improvement or failures in governance that would prevent improvement levels being sustained?
- 24 The capacity and capability of local health and well being boards is mixed. For example Sevenoaks, Swale and Shepway demonstrate good local leadership and a good understanding of the needs of their communities. In Thanet, capacity is being boosted by using membership of existing groups such as Supporting People to improve awareness of needs and to seek a better use of available resources. In Maidstone there is a political will to measure progress and an appreciation of future funding restraints that might hamper progress. In Dover capacity is being improved through more joint working with other LSP groups in East Kent enabling partners to focus on tackling health inequalities in a co-ordinated way. Tonbridge and Malling were enthusiastic about tackling health inequalities as a partnership but unclear about the resources available to do so. And some of the Boards were going to revisit their terms of reference to ensure they are both current and sufficient to deal with their responsibilities. There was an element of opportunistic accessing of cash available to local boards and not all expenditure was linked to local priorities. Many of the groups were unclear what outcomes were expected from spend against LAA2. As a result of this the Kent Public Health Board has decided to revisit the work it does with LSPs, to ensure a more co-ordinated approach is taken to the work of the health and well-being boards and health action teams.
- 25 A successful piece of work to map and target resources at reducing health inequalities is underway in Shepway. The local health and well-being panel had an excellent understanding of the health inequalities in its area. It has developed a 'health and social care map' which provides a detailed picture of the local strengths, issues and gaps of health and social care service provision. It highlights this by area in the district where health inequalities exist. It was of note that these areas are based on GP surgeries' catchment areas and we understand this is being rolled out across other areas in Kent. As a result, local work is better targeted at need and allows the local health and well-being board to better use of scarce resources.

- 26** The workshops identified most groups were at an early stage of improvement planning. For example, Maidstone has a good knowledge of their area to inform their work plan. Sevenoaks and Tunbridge Wells concluded that more needs to be done to lobby at the regional and national level to change perceptions of the districts. Dover, Swale and Thanet all concluded that further work was needed on how to broaden residents' perceptions about the issue of reducing health inequalities and what success might look like. The improvement planning developed as part of the workshops will be critical to securing local community understanding and involvement. Communities are not yet receiving all the benefits these groups could deliver.
- 27** There were variable standards to securing continuous improvement planning. Many of the groups did not recognise their role in helping to deliver LAA2 targets as part of the local health inequalities agenda. At Dartford and Gravesham, Dover, Tonbridge and Malling and Thanet there was a lack of continuity of membership. This meant those groups had yet to agree ways of working or firm plans to deliver continuous improvement. Governance is further undermined by the perceived limits of what the Boards think they can influence. As a result of this an important part of the local effort to reduce health inequalities is not functioning properly and will hamper the ability to deliver improvements.
- 28** There are no significant failures in governance arrangements at the board level but, there are some aspects of partnership working which could be improved to ensure health and well-being boards and health action teams make the most impact in tackling health inequalities locally. For example, ensuring plans consistently tackle the most important health problems and more effective coordination of the work of these groups with that of the local strategic partnerships and health services.

Next Steps

- 29 Each of the LSP sub-groups has received the results of the action planning they generated as part of the workshops. The action plans are being updated by the sub-groups in order to help them focus on the barriers they identified and so ensure they are better able to reduce health inequalities locally.
- 30 The Kent Public Health Board has also committed itself to ensuring that the LSP's understand their role in reducing health inequalities by ensuring terms of reference are clearly understood at both the LSP and sub-group level.
- 31 The Audit Commission will look again at the workings of the twelve sub-groups and their action plans which will include how these are helping to overcome the barriers identified and reduce health inequalities.

Appendix 1 – Kent Local Area Agreement 2 (LAA2) Targets

Targets Kent Public Health Strategy	Reduce HI significantly	Improve children's mental health and well being	Improve sexual health and reduce teenage pregnancies	More adults live healthy lives	Older people live longer at home	Reduce substance mis-use and excessive alcohol and drug use
Outcomes Kent Public Health Strategy	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Healthier lifestyle choices by children in schools in deprived areas • Healthier lifestyle choices by adults and young people in deprived areas • Easier-to-reach public services • Fewer smokers <p>Long term outcomes</p> <ul style="list-style-type: none"> • Halt in the rise of childhood obesity • All schools reach the healthy school standard • Reduction in rates 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Less smoking by pregnant mothers • More breast feeding • Children joining in physical activity <p>Long term outcomes</p> <ul style="list-style-type: none"> • Healthier children through mother not smoking • Less youth crime • Better educational attainment • Fewer referrals for inpatient Child and Adolescent 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • More young people making confident choices • Fewer young people reporting no use of contraception • Fewer new cases of sexual health diseases <p>Long term outcomes</p> <ul style="list-style-type: none"> • Less infertility among adults wanting to have children • Fewer new cases of HIV • Teenage pregnancies down to the same levels as Europe 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Fewer smokers taking recommended levels of physical activity • Fewer obese people • More adults leading a full active life following a heart attack <p>Long term outcomes</p> <ul style="list-style-type: none"> • Longer life expectancy 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Fewer emergency admissions to hospital and care homes • Better quality life • More older people on home care packages 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • More young people making healthy choices • More young people accessing drug treatment successfully <p>Long term outcomes</p> <ul style="list-style-type: none"> • Less binge drinking among young people • Less crime among young people and adults

Appendix 1 – Kent Local Area Agreement 2 (LAA2) Targets

Targets Kent Public Health Strategy	Reduce HI significantly	Improve children's mental health and well being	Improve sexual health and reduce teenage pregnancies	More adults live healthy lives	Older people live longer at home	Reduce substance mis-use and excessive alcohol and drug use
	<p>of childhood tooth decay</p> <ul style="list-style-type: none"> • Infant mortality rates in Eastern and Coastal Kent better than national average • Better education levels of looked after children • Fewer people of working age on benefits • Fewer children living in low income households • Smaller gap in life expectancy, down from 6.5 years to 6 years • Fewer cases of, and deaths from, cancer 	<p>Mental Health Services</p> <ul style="list-style-type: none"> • Smaller life expectancy gap, down from 6.5 years to 6 years 				
Kent LAA2 NI	NI 120	NI 51 NI 55 NI 110 NI 198		NI 8 NI 175	NI 125 NI 141	NI 40 NI 39

Appendix 1 – Kent Local Area Agreement 2 (LAA2) Targets

<p>Targets Kent Public Health Strategy</p>	<p>Reduce HI significantly</p> <p>Implementation of NICE Improving Outcome guidance on cancer treatment</p>	<p>Improve children's mental health and well being</p> <p>-Number of people with newly diagnosed cases receiving early intervention in psychosis services (not specifically for children) -Percentage of patients with an enhanced CPA receiving follow up within 7 days of discharge -Commissioning of crisis resolution/ home treatment services -Number of children in years R and 6 with height and weight recorded in the last school year</p>	<p>Improve sexual health and reduce teenage pregnancies</p> <p>-100 per cent of patients offered an appointment within 48 hours of contacting service (Operational Framework 0809) - Numbers of 15-24 year olds screened or tested Chlamydia -reduction in the under 18's conception rate from the 1998 baseline</p>	<p>More adults live healthy lives</p> <p>Number of smokers who quit at four weeks against local plan</p>	<p>Older people live longer at home</p> <p>Number of high intensity users under a community matron or additional case manager</p>	<p>Reduce substance mis-use and excessive alcohol and drug use</p> <p>-Number of drug misusers in treatment -Drug misusers sustained in treatment</p>
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NHS Targets

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Item No

By: Director Of Law & Governance
 To: Governance & Audit Committee - 1 December 2009
 Subject: Corporate Governance Performance Indicators

Classification: Unrestricted

Summary: To report Corporate Governance Performance Indicator trends

FOR INFORMATION

1. INTRODUCTION

1.1 A review of corporate governance was undertaken in 2005 which took a forward look at the public sector environment over the next five years and at our internal arrangements to see if they were 'fit for purpose' for the future. It was agreed that a 'basket' of indicators would be monitored to highlight any unusual trends in corporate governance performance.

2. KEY PERFORMANCE INDICATORS

2.1 A number of performance indicators were proposed by the 2005 review, which have subsequently been amended every year after discussion with the Governance and Audit Committee.

The current set is as follows:

1. Performance against KCC's Towards 2010 targets
2. Budget control
3. Annual Audit & Inspection Letter action
4. Levels of assurance from internal audit reports
5. Levels of complaints to the Standards Committee
6. Levels of complaints to the Ombudsman
7. Complaints from the public
8. Level of public satisfaction
9. Monitoring Officer or Section 151 Officer intervention
10. Number of ultra vires judgements/decisions
11. Number of non-compliance reports to the Information Commissioner - Data Protection, Freedom of Information and Environmental Information Regulations
12. Number of breaches in key legislation - Human Rights, Health & Safety, Sex Discrimination, Disability Discrimination and Race Relations Acts
13. Levels of sickness
14. Levels of grievance and disciplinary cases
15. Levels of retention or recruitment.

2.2 Performance against KCC's Towards 2010 targets

In September 2006, KCC launched its priorities for the next four years (2006-2010). Delivery of many of the 63 *Towards 2010* targets requires cross-directorate and partnership working. Each of the *Towards 2010* targets is accompanied by an action plan (published on KCC's website) that sets out how the target will be met, and which is updated annually.

Progress has been made since the last Annual Report in 2008. The current status for the 63 targets is as follows:

- Done and ongoing - 12 (19%)
- On course – 46 (73%)
- More progress needed – 4 (6%)

NB It has been agreed that progress against Target 44 (Establish a Global Centre in Kent that will lead the world in developing crops to provide energy, medicines and other products) will no longer be separately reported as the world has changed since the original *Towards 2010* concept for a Global Centre for non-food crops was first proposed and this target will not now be achieved.

The draft Annual Report was discussed at each of the Policy Overview & Scrutiny Committee meetings during mid-September to allow members to have a chance to comment prior to County Council. The report went Cabinet on 12 October 2009 prior to approval at County Council on 15 October 2009. A copy of the full report is available <http://democracy.kent.gov.uk/mgConvert2PDF.aspx?ID=7884>

As requested at the Governance and Audit Committee in December 2008 the 'More progress needed' targets are listed here

	Sept 2008	Sept 2009
Target 7: Fulfil Kent's potential as a premier tourist destination (Regeneration & Economy)	On course	More progress needed
Target 9: Through our Kent Supporting Independence Programme, work towards reducing the number of people dependent on welfare benefits (Communities)	On course	More progress needed *
Target 11: Help and inspire all our children to do well, with a particular focus on ensuring that the results our seven and 11 year-olds achieve at Key Stage 1 and Key Stage 2 improve faster than the national rate (CFE)	On course	More progress needed
Target 42: Reduce the impact of KCC's buildings and vehicles on the environment, including trialling the use of bio-fuels and other new technologies (Environment, Highways & Waste)	More progress needed	More progress needed *

* * FOOTNOTES:

Target 9 – This status must be seen against a backcloth of the current recession

Target 42 – The status is a result of increased use of ICT and extended opening hours in schools, another of our priorities

2.3 Budget control

Full quarterly monitoring reports are made to Cabinet in September, December and March and a draft final outturn report in June. Revenue and capital budget exception reports are made to Cabinet in July, October, January, February and April. The

budgets this year have been realigned from what was approved at County Council in February in order to reflect the new portfolio structure and to give a new starting point for the year.

The format of the Cabinet report is:

- a summary report highlights only the most significant issues
- 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

Policy Overview & Scrutiny Committees (POSCs) consider the draft Medium Term Financial Plan at their November and January meetings. This year, finance activity data reports are standard agenda items on POSCs. The directorate section of the Cabinet report is presented at the next available POSC meeting. Business plan outturn monitoring is reported to POSCs in June and half year monitoring in January.

Variances in forecast outturn are monitored (see **Appendix 1**).

2.4 Annual Audit & Inspection Letter (AAIL) action

The Annual Audit and Inspection Letter provides an overall summary of the Audit Commission's assessment of the authority. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the council for 2007/08, performance indicators covering the financial year 2007/08, the Direction of Travel which includes service improvements up to December 2008 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

The report is very positive. The Council has continued to sustain its strong improvement record from an already high base. It is one of only 26 councils in the country to achieve both the highest, four star rating for overall performance under the comprehensive performance assessment framework (CPA), as well as highest direction of travel judgement, 'improving strongly'.

The 2007/08 letter was reported to the Governance and Audit Committee on 30 June 2009.

2.5 Levels of assurance from Internal Audit reports

Internal Audit is an assurance function that provides an independent and objective opinion to KCC on the arrangements put in place by management for achieving service objectives and proper stewardship. The internal audit opinion covers the adequacy and effectiveness of the following:

- Control environment
- Risk management arrangements
- Governance framework and compliance with best practice

This is collectively referred to as "the system of internal control". Based on the work that internal audit has performed, and taking into account the individual strengths and weaknesses identified, substantial assurance can be provided on the adequacy of the overall governance and risk management processes and the internal controls at KCC.

Members receive regular reports on Internal Audit's performance against a range of indicators throughout the year and the additional key performance indicators outlined below were introduced in June 2008.

Effectiveness

% of recommendations accepted - target 90%
% of recommendations implemented - target 90%
CPA/CAA score - target Level 4 for Internal Control

Efficiency

% of plan delivered - target 95%
% of available time spent on direct audit work – target 80%
% of draft reports completed within 10 days of finishing field work - target 90%
Preparation of annual plan - target March each year
Periodic reports of progress - target G&AC meetings
Preparation of Annual Report and Annual Governance Statement - target by May each year

Quality of Service

Average Client Satisfaction Score - target 70%

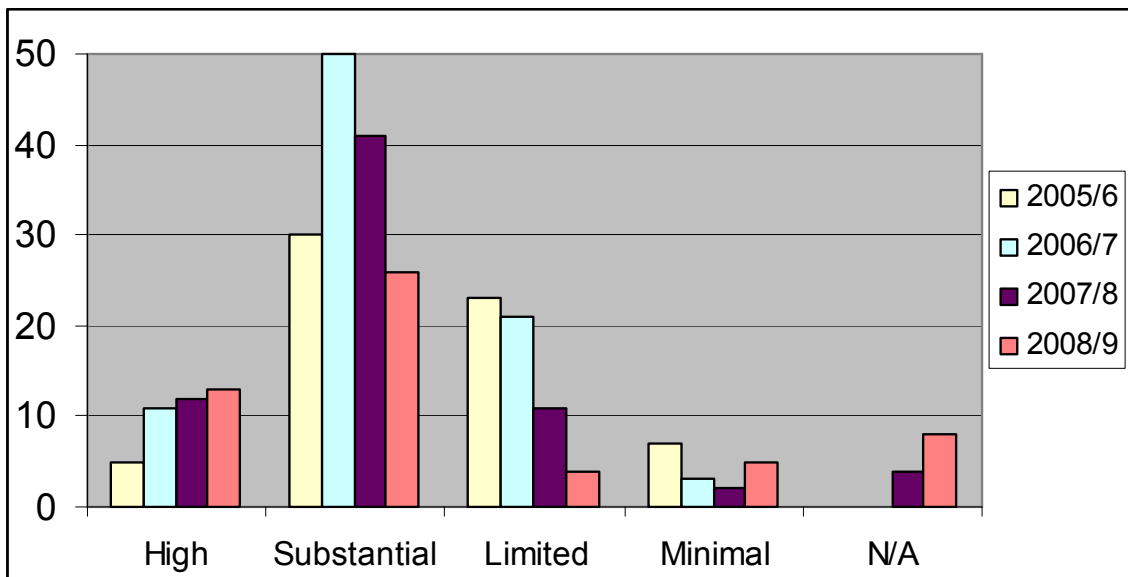
Team Structure

Qualified Staff - TBC
Staff Training for Professional qualifications - TBC

Assurances are provided in terms of an audit opinion, which provides one of four defined standards ranging from 'high' to 'minimal'.

- High = Strong controls in place
- Substantial = Controls in place but improvements beneficial
- Limited = Improvements in controls or application of controls needed
- Minimal = Urgent improvements in controls or the application of controls required.
- Not Applicable = Reviews carried out in an advisory capacity i.e. Swift system review

Audit assurance graph



2.6 Levels of complaints to the Standards Committee

Responsibility for dealing with alleged breaches of the Code of Conduct by elected and co-opted Members of the Council passed from the Standards Board for England to the local authority on 8 May 2008.

At its meeting on 22 May 2008, the Standards Committee agreed to set up two Sub Committees; one to make an initial assessment of a complaint that a Member has breached the Code of Conduct and one to review any decision by the Assessment Sub Committee to take no action, if so requested by the complainant.

The Assessment and Review Sub Committees are charged with deciding whether, on the basis of the information presented, a Member has breached the Code of Conduct and whether the matter merits investigation. Specifically, either Sub Committee can reach one of the following three decisions:

- (a) Refer the allegation to the Monitoring Officer of the Authority for investigation or some other action such as mediation or training; or
- (b) In exceptional cases, refer the allegation to the Standards Board for England; or
- (c) Decide that no action should be taken in respect of the allegation

We have dealt with 6 complaints locally from 8 May 2008 – 31 March 2009. None have been referred upwards to the Standards Board.

Decision	2008/09
No action	3
Monitoring Officer	2
Standards Board	0
Not Determined	1

One complaint was not determined during 2008/09 (decision made technically in 2009/10).

2.7 Levels of complaints to the Ombudsman

Each year the Local Government Ombudsman produces an individual Annual Review for every Council. The purpose of the Annual Letter is to help Councils learn from the outcome of complaints to the Ombudsman, underpin effective working relationships between Councils and the Ombudsman's office, identify opportunities for the Ombudsman and his staff to provide assistance that a Council may wish to seek in bringing about improvements to its internal complaint handling, and generally provide complaint-based information which the Ombudsman hopes Councils will find useful in assessing and reviewing their performance.

Complaints to the Local Government Ombudsman are reported to the Governance and Audit Committee every six months. It is KCC's practice always to advise complainants of their right to pursue their complaint with the Ombudsman if the Council has been unable to resolve it to their satisfaction.

A main criticism of KCC in this year's Annual Review is the deterioration of the Council's response times to their enquiries from 29.4 days in 2007/08 to 38.1 in 2008/09. The Ombudsman expects a response to their initial approach within 28 calendar days and the Council was well outside of this target. Although some responsibility does lie with a few operational units who have been slow to provide the Council's designated link officer (Corporate Access to Information Coordinator) with the information requested by the Ombudsman, the link officer's own lack of resources, increased workload and prioritising responses to FOI requests (which have a statutory deadline to meet) over complaints were primary factors. However, a new member of staff was recruited at the beginning of this financial year and this has already had a positive effect.

Another criticism is KCC's reluctance to settle complaints locally until ordered to do so by the Ombudsman.

On a positive note, there were no reports of maladministration, so 90 of the 125 complaints that the Ombudsman issued a decision on, couldn't have been avoided as KCC had done nothing wrong but the complainant was simply unhappy with perhaps a decision or policy that went against them.

2.8 Levels of complaints by the public

This year following consultation we have revised our complaints process and leaflet. This revision is one part of the developing strategy to transform customer service by listening to what our customers want and expect. The aim is to reduce the bureaucracy involved.

This strategy includes reducing the number of formal stages and changing the culture within the Council by encouraging staff to deal with complaints speedily and sympathetically, apologising when things go wrong and taking action to resolve the source of complaints by learning lessons from what causes them. As from September 2008 complaints at both stage 1 & 2 will be monitored.

Complaints information is reported to all Policy Overview & Scrutiny Committees (POSC) and Corporate POSC Governance and Audit Committee receive an annual KCC wide complaints report.

	2006/07	2007/08	2008/09
Children Families	275	*267	266
Education		*218	231
Chief Executives	42	44	*143
Communities	634	457	*799
Environment & Regeneration	341*	660	429
Kent Adult Social Services	440	400	526
TOTAL	1,732	2,046	2,394

* New monitoring system introduced part way through year.

Explanation of variances:

A contributing factor to the increase in 2008/09 has been a better understanding amongst staff about what constitutes a complaint that should be recorded and the change in the complaints procedure with complaints now being recorded at the local resolution stage. It also reflects the fact that people are better informed about how to make a complaint following the revision of the Complaints, Comments and Compliments leaflet and its increased availability. We are expecting there to be an increase in the number of complaints monitored in 2009/10 in certain business units as we improve how we give information to the public on making a complaint and improve our recording.

Chief Executives Department

There has been an increase in recorded complaints due to changes in the way complaints are now logged.

Communities

There has been an increase in recorded complaints due to changes in the way complaints are now logged. A contributing factor to the increase in 2008/09 has been a better understanding amongst staff about what constitutes a complaint that should be recorded.

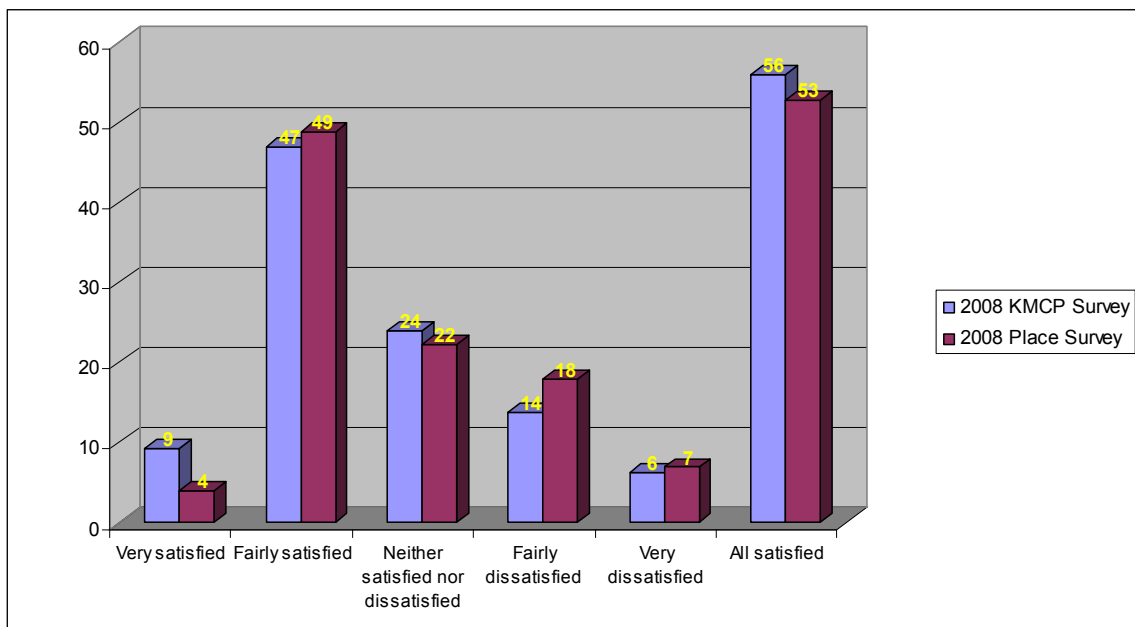
Kent Adult Social services

The "increase" from 400 to 526 in KASS is as a result of us aiming to gather all the issues on a complaint rather than just recording separate issues as one complaint. There has been an increase in the number of complaints relating to the residential care category. This has been apparent for the past two years and customer care will be monitoring this regularly to establish whether there are any patterns emerging.

2.9 Levels of public satisfaction

Two public satisfaction surveys were carried out by Ipsos MORI in 2008. Between February and March there was a Kent & Medway Citizens Panel (KMCP) survey and between October and December there was a quota sample survey representative of Kent residents and using the questions specified by the Department of Communities and Local Government for use in the Place Survey.

Comparing the two 2008 results, overall public satisfaction and net satisfaction with KCC have both reduced as indicated in the chart below.



The percentage of residents fairly satisfied with KCC increased by 2% from 47% to 49%, but the percentage very satisfied decreased – and the percentage overall satisfied reduced 3% from 56% to 53%. The percentage dissatisfied rose from 20% to 25% and the net percentage satisfied fell 8% from 36% to 28%.

The decrease in public satisfaction in 2008 is in line with a trend over a longer period both for KCC and for county councils. In a previous Ipsos MORI survey in 2006 also carried out with the same face to face methodology, resident satisfaction with KCC was 61% and dissatisfaction was 15%, hence net satisfaction was 46%. Nationally overall satisfaction with county councils averaged 62% in 2000, fell to 54% in 2003 fell again to 50% in 2006 and was down again to 45% in 2008.

The Place Survey is the new statutory survey replacing the BVPI survey. The prescribed methodology is to undertake the survey with a postal self completion questionnaire. Because of the inaccuracy of this method KCC's Place Survey was conducted with face to face interviewing in home. As a result KCC's Place Survey results and National Indicators measured in the Place Survey are not comparable with results from other authorities (published nationally in June and September 2009) but are comparable with previous face to face KCC surveys.

A full report on the Place survey is available at [http://democracy.kent.gov.uk/Published/C00000158/M00002239/AI00010017/\\$PlaceSurvey2008.docA.ps.pdf](http://democracy.kent.gov.uk/Published/C00000158/M00002239/AI00010017/$PlaceSurvey2008.docA.ps.pdf)

2.10 Monitoring Officer or Section 151 Officer Intervention

There have been no Monitoring Officer or Section 151 interventions in the last four years.

2.11 Number of ultra vires judgements/ decisions

There have been no ultra vires judgements/decisions in the last five years.

2.12 Number of non-compliance reports to Information Commissioner (IC) - Data Protection (DPA), Freedom of Information (FOI) and Environmental Information Regulations (EIR)

The Data Protection Act requires anyone who handles personal information to comply with a number of important principles. It also gives individuals rights over their personal information. The Freedom of Information Act and Environmental Information Regulations deals with access to official information and gives individuals or organisations the right to request information from any public authority. All public authorities and companies wholly owned by public authorities have obligations under the Freedom of Information Act and must respond within certain timescales.

There have been several instances of procedural breaches of the Freedom of Information Act (FOI) and Environmental Information Regulations (EIR). The Information Commissioner's Office (ICO) were concerned enough to carry out an audit between 28 February 2008 and 11 February 2009 of complaints received about the Council. Of the 15 complaints received in that period 11 were regarding delay in providing information.

Two extra staff had been recruited to overcome resourcing issues that had been identified during 2008 within the Environment & Regeneration Directorate and the Chief Executives Department and there had already been an improvement in response times. The ICO was satisfied that we had taken action to improve our performance and the Enforcement Case was closed.

Of the 31 complaints that the Information Commissioner has investigated and completed since 2004, 5 have been upheld in favour of the complainant but only 2 have required any remedial action on KCC's part. In one case (which also involved 34 other Councils who administer pension funds), the ICO ordered release of the information that was originally withheld (information provided to superannuation trustees by external investment managers). The ICO's decision can be viewed at http://www.ico.gov.uk/upload/documents/decisionnotices/2008/fs_50155397.pdf.

In the other case, the ICO did issue a formal warning of an enforcement notice but following KCC's reply, decided to take no action for the time being. Therefore, the total number of Information Commissioner non-compliance reports to date is 6 which is only 0.12% of the 4,654 requests for information handled since January 2004.

The Number of complaints against KCC received by the Information Commissioner over the last six calendar years to date.

YEAR	TYPE	Total no. of requests received	No. of referrals to ICO	% of requests referred	Status / Outcome of complaints to ICO
2004	DPA	70	1	1.43%	1 not upheld
	FOI/EIR	N/A	N/A		
2005	DPA	106	0	0.00%	
	FOI/EIR	504	5	0.99%	3 withdrawn 1 abandoned - insufficient evidence for ICO to pursue 1 upheld but no enforcement action necessary
2006	DPA	126	1	0.79%	1 upheld but no enforcement action necessary
	FOI/EIR	576	5	0.87%	2 withdrawn 1 ICO state not in public interest to pursue 1 not upheld 1 s50 decision notice issued ordering release of information
2007	DPA	130	2	1.54%	1 not upheld 1 upheld but no enforcement action necessary
	FOI/EIR	702	7	1.00%	3 withdrawn 1 not progressed - insufficient evidence for ICO to pursue 1 not upheld 2 awaiting ICO decision
2008	DPA	160	1	0.63%	1 not upheld
	FOI/EIR	970	8	0.82%	1 withdrawn 1 abandoned - complainant did not want to pursue 1 not upheld 1 closed - ICO critical of KCC's lack of compliance with s10 (timeliness) & s16 (duty to advice & assist) and has referred to Enforcement Team 2 under investigation 2 awaiting allocation to ICO case officer
2009 to 13/10/09	DPA	151	3	1.99%	3 under investigation
	FOI/EIR	1159	6	0.52%	3 not upheld (includes 1 Enforcement Notice referred to above) 1 not progressed - out of time 2 awaiting allocation to case officer
		4654	39	0.84%	

Information updated since last annual report

2.13 Number of breaches in key legislation - Human Rights, Health & Safety, Sex Discrimination, Disability Discrimination and Race Relations Acts

Information on sex, disability, race and human rights was collated with employment tribunal cases (see 2.13) but collected separately from April 2006.

Type of Case	2006/07	2007/08	2008/09
Sex		1	1
Disability		1	2*
Race			1
Age		1	2
Human Rights			
Health & Safety prosecutions			
Total	0	3	6

*Case withdrawn

None of the above cases was found against KCC.

2.14 Levels of sickness

KCC's primary aim is to maximise employee attendance through positive management, both to enable the organisation to deliver and also to ensure the health and well-being of its employees.

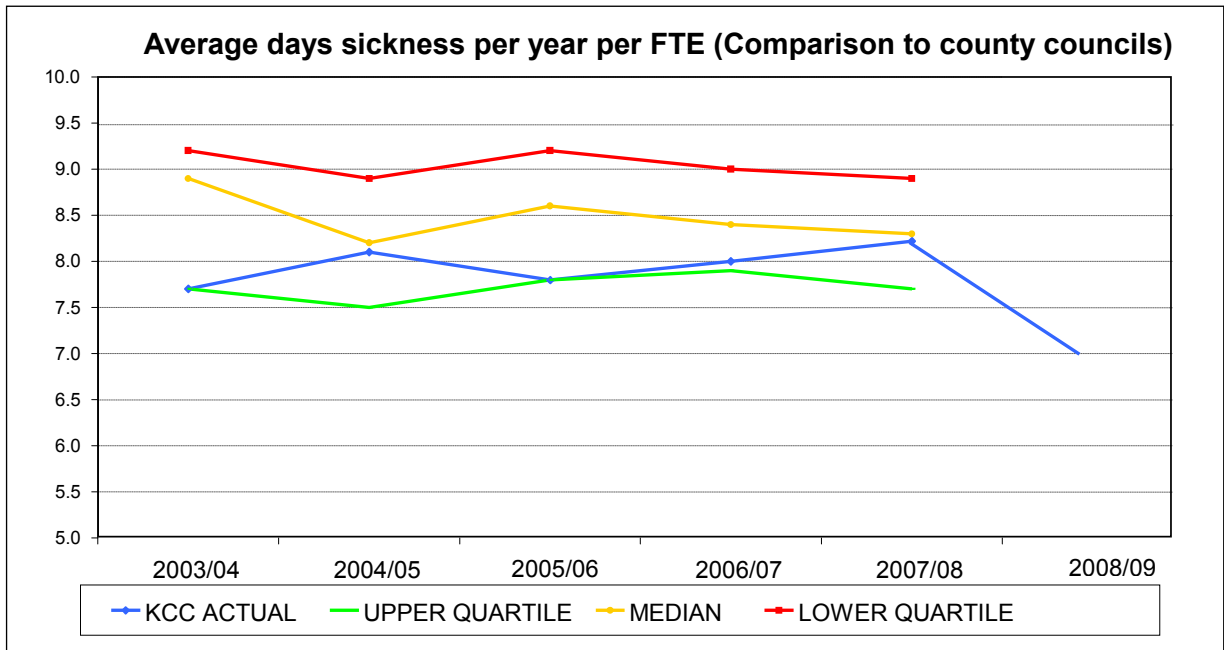
Staff Care Services provide proactive and preventative occupational health services that include health promotion and assessments.

Support Line Services provide a confidential (self-referral) staff counselling service, coaching and workplace mediation.

Work & Wellbeing activity offers staff facilities and information that promote the general health & wellbeing of staff.

There has been an initiative underway to address health, well-being and attendance issues across the organisation, which is aimed at those with high or unsustainable levels of sickness absence. There is anticipated to be an increase in the numbers of people exiting the organisation as a result of this, either through dismissal, ill health retirement or resignation.

Comparative BVPI data on sickness levels has not been collected on a national basis since 2007/8. However local monitoring shows that overall sickness levels in KCC including schools dropped to 7.02 days in 2008/9. This was due to a significant reduction in non schools sickness levels (number of calendar days lost reduced by 40,000) as a result of a drive led by Personnel to review and reduce long term sickness in conjunction with managers.



2.15 Levels of grievance and disciplinary cases

Type of Case	Number of Cases						
	2002	2003	2004*	2005/6**	2006/07	2007/08***	2008/09***
Disciplinary	70	129	215	165	219	71	72
Capability	47	107	232	74	157	37	52
Grievance/Harassment	36	56	103	96	130	51	54
Ill-Health	184	314	568	137	300	135	102
Redundancy (at risk/ review)	57	54	162	115	208	38	53
Employment Tribunal	22	32	44	6	12	10	10
Total	416	692	1,324	593	1,026	342	343

* Data quality issue (double counting)

** 15 month period

*** figures exclude schools. Due to a new system this information is not available.

2.16 Levels of retention or recruitment

Recruitment	2006/07		2007/08		2008/09	
		%		%		%
Total number of applicants*	25,491		38,221		45,881	
Number appointed	957	3.75	1,875	4.91	2,082	4.54
Black & minority ethnic applicants	2,375	9.32	3,951	10.34	5,903	12.86
Number appointed	62	2.61	100	2.53	82	1.39
Disabled (DDA) applicants	1,031	4.04	1,275	3.33	1,447	3.15
Number appointed	53	5.14	69	5.41	31	2.14

Despite an increase in the number of BME applicants the % of appointments has continued its downward trend. The number of DDA applicants has increased but there has been a drop in the number appointed in 2008/09.

* Does not include Schools, Commercial Services and 'non- APTC' staff in Home Care and Older People Direct Service Unit

Leavers 2008/09

	2006/07		2007/08		2008/09	
	Leavers	Leavers (as % of total)	Leavers	Leavers (as % of total)	Leavers	Leavers (as % of total)
Number of leavers - male	1,358	22.81%	1,575	23.25%	1,345	24.51%
Number of leavers - female	4,595	77.19%	5,199	76.75%	4,141	75.49%
Number of leavers - DDA	52	0.87%	63	0.93%	42	0.76%
Number of leavers - BME	72	1.21%	75	1.10%	88	0.16%
Total number of leavers	5,953		6,774		5,486	

3 CONCLUSION

3.1 All KCC members, managers and staff have a role in ensuring effective governance by their behaviours and by their actions and these are governed by the Constitution and other protocols. All the information contained within the performance indicators is already monitored within Directorates as a matter of good practice.

4 RECOMMENDATIONS

4.1 Members are asked to endorse the action taken in this report.

Janice Hill

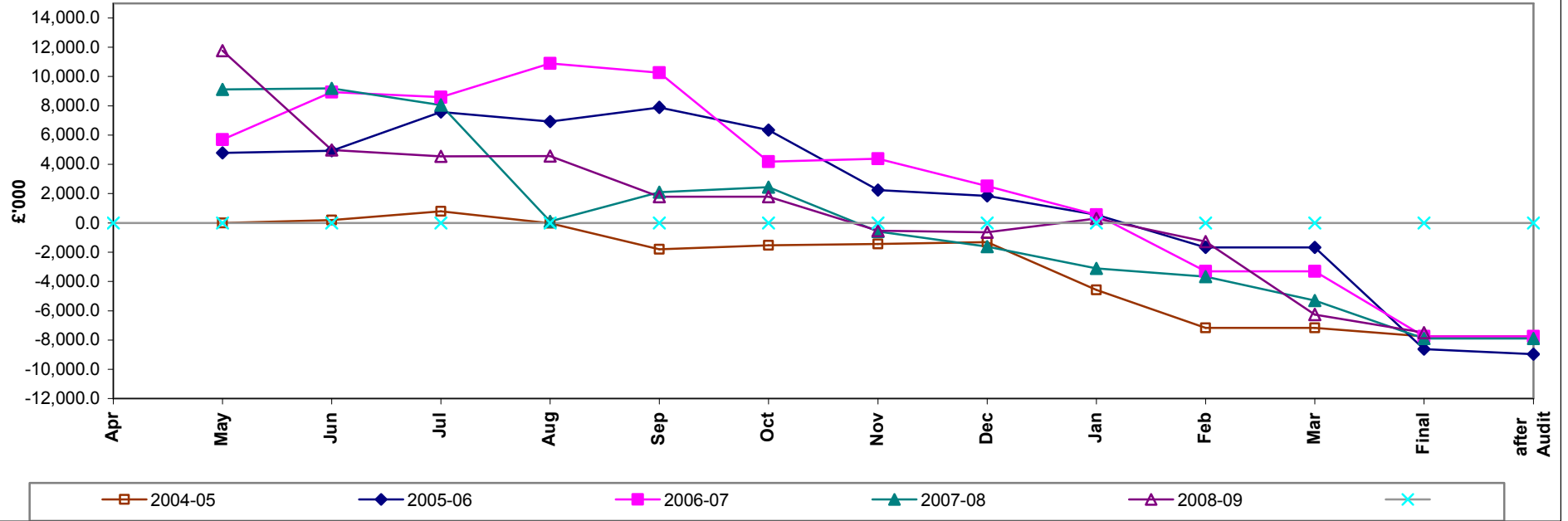
Performance Manager
Performance Management Group
Ex 1981

Geoff Wild

Director of Law & Governance
Ex 4302

Background Documents: None

Revenue Budget Monitoring Analysis 2004/05 - 2009/10 (£'000)



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By: Cabinet Member for Corporate Support Services and
Performance Management
Robert Hardy, Director of Improvement and Engagement

To: Governance & Audit Committee 1 December 2009

Subject: KCC Annual Complaints Report 2008/09

Classification: Unrestricted

File Ref:

Summary: This report provides Members with overview information of the
KCC's handling of complaints in 2008/09

FOR INFORMATION

1. Introduction

1.1 This report provides information about the operation of the Councils complaints, comments and compliments procedure between 1 April 2008 and 31 March 2009. The main focus is on complaints, but for the sake of completion, statistics are also included about compliments and comments as all three categories represent 'unsolicited' feedback which, although not statistically representative, is nevertheless very valuable in service development.

1.2 As reported to Corporate Policy Overview and Scrutiny Committee in September 2009, the Council has introduced a new two step corporate complaint procedure to replace and improve on the former three stage procedure in operation since 1991/92. The emphasis in the current complaints procedure is to try to resolve complaints at a local level and we now record complaints at Stage One for monitoring purposes. As from April 2009 Kent Adult Social Services (KASS) statutory complaint procedures no longer have review panels and will also only have two steps. Transitional arrangements are in place for any complaints falling within the old process, which were not resolved prior to the implementation of the new process. This means that complaints falling within this category can still proceed through to a Review Panel if applicable. The statutory complaint procedures for children will still follow a three stage process, with different time scales and procedural requirements until April 2010. (see CFE Appendix 1)

1.3 Within the Council we have developed a whole range of forums and engagement processes which enable people to express their views, which are then fed into the appropriate development/delivery processes for services. This provides people with alternative avenues, rather than resorting to making a complaint.

1.4 The revision of the corporate complaints process is one part of the developing strategy to transform customer service by listening to what our customers want and expect. The aim is to reduce the bureaucracy involved. This strategy includes changing the culture within the Council by encouraging staff to deal with complaints speedily and sympathetically, apologising when things go wrong and taking action to resolve the source of complaints by learning lessons from what causes them.

2. Operation of the Complaints Procedure in 2008/09

2.1 In 2008/09, 2,394 complaints were recorded compared with 2,046 for 2007/08, an increase of 348 (17%) complaints. It is easy when analysing complaints to assume that an increase or decrease in the number of complaints received reflects a change in the standard of service provided but it is not as straightforward as this. An overall increase in complaints could indicate that a Directorate welcomes complaints and views them as a positive tool for improving services and that people are well informed about how to make a complaint. What is more important is to be able to identify where there is an increase in the number of complaints received for a particular service and carry out further investigation to establish the reason.

2.2 A contributing factor to the increase in 2008/09 has been a better understanding amongst staff about what constitutes a complaint that should be recorded and the change in the complaints procedure with complaints now being recorded at the local resolution stage. It also reflects the fact that people are better informed about how to make a complaint following the revision of the Complaints, Comments and Compliments leaflet and its increased availability. We are expecting there to be an increase in the number of complaints monitored in 2009/10 in certain business units as we improve how we give information to the public on making a complaint and improve our recording.

2.3 As from 2008 a full report by each directorate is presented to Policy Overview Committees. Appendix 1 gives an overview of each of the directorate's performance for the year.

2.4 KCC has now set consistent standards for acknowledging (three working days) and responding to complaints (20 working days). These turnaround performance standards (Appendix 2) are now monitored half yearly and reported on kent.gov.uk.

2.5 The majority of the Communities Directorate's units achieved 100% compliance to the 2008/09 standards for sending out acknowledgements and responses to complainants. The compliance rate for the Directorate as a whole (based on figures where data is available) is 96% for acknowledgements and 74% for responses. The latter rises to 94% if Libraries results are excluded. The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how complaints are recorded and reported by some front line members of staff. This has been addressed and early indications for 2009/10 data show that improvements are already being made.

2.6 Information is collected so that we can make comparison of complaints over time (Appendix 2). There appears to be an increasing trend for complainants to complain about more than one issue when they complain.

2.7 There has been an increase in the number of complaints relating to the residential care category. This has been apparent for the past two years and customer care will be monitoring this regularly to establish whether there are any patterns emerging. The "increase" from 400 to 526 in KASS is as a result of us aiming to gather all the issues on a complaint rather than just recording separate issues as one complaint.

2.8 The majority of complaints are still received in writing, letter 49% and email 26% followed by 19% by phone. Comment cards are very successful at getting feedback where they have been introduced and we are looking at increasing their availability across services.

2.9 Satisfaction with the way complaints were handled was a best value performance indicator (BVPI) BV 4 and measured in the BVPI general surveys which took place every three years. The results of the last three surveys in 2000, 2003 and 2006 were 33%, 32% and 27%, putting KCC's scores in the third, first and fourth quartile respectively.

2.10 BV 4 ended with the deletion of all BVPIs and their replacement with the National Indicator (NI) set on 1 April 2008 and none of the new National Indicators deals with satisfaction with the handling of complaints.

2.11 The BVPI survey has now been replaced by the Place Survey and one aspect of a question in the Place Survey which took place in September 2008 concerned how well respondents felt they were informed about how to complain to the Council, where 41% felt well informed and 55% felt not well informed. A KCC satisfaction questionnaire following up a number of complaints concluded that satisfaction with complaints handling was low when the complaint was not resolved and was high if it was.

2.12 The initial contact with someone who has concerns or wishes to complain about any aspect of a service is crucial so that the outcome is more likely to be to the satisfaction of everyone involved. It is important to:

- Make sure the issues are clearly understood
- Find out what the complainant wants to happen as a result
- Obtain the right information to assess the seriousness of a complaint
- Agree a plan and timescale at the outset
- Maintain regular communication
- Act as quickly as possible.

2.13 We are currently looking at best practice on complaints handling and monitoring the satisfaction with the handling of complaints with other local authorities and the private sector.

2.14 The KCC Complaints, Comments and Compliments leaflets has been redesigned taking into account feedback from the public and widely distributed within Kent. Work has been undertaken to increase the availability of comment cards and improve how to complain information on kent.gov.uk.

3. New Developments

3.1 Adult Social Services

Under the Kent Adult Social Services (KASS) statutory complaint procedures new process, cross boundary complaints are to be dealt with via a single, co-ordinated response with the nominated lead organisation ensuring that this is achieved. To optimise joint working arrangements between Complaints Managers in Kent and Medway, a joint protocol has been developed to ensure these obligations are met. KASS has already signed up to the protocol. The Kent and Medway Complaints Managers Network is in the process of gaining organisational sign up for all health and social care partners in the area.

3.2 The current Adult Social Care statutory process for complaints does not cover Self-Funding people who self fund their adult social care either themselves or by way of a direct payment. This omission in provision is being rectified within The Health Bill 2009, which proposes that the Local Government Ombudsman extend its jurisdiction to cover an independent complaints handling role in respect of self funded adult social care. The new service is expected to commence in 2010.

3.3 Children, Families & Education

In September 2008, the Department for Children School and Families issued a consultation document entitled "A New Way of Handling Parents Complaints about School Issues". As a result of the consultation there are likely to be changes to the procedures.

3.4 The Apprenticeship, Skills, Children and Learning Bill 2009 proposed making the Local Government Ombudsman the new independent complaints handling function for schools. The Ombudsman would consider the complaint after the governing body of the school had considered it. Subject to legislation, the new service is likely to be piloted in September 2010.

3.5 Communities

A number of practical improvements to the process are also being introduced by individual units this year including: giving front line staff an opportunity to give feedback about some "low level" expressions of dissatisfaction which may not warrant the application of formal complaints procedures; developing joint processes with other agencies to cover complaints that involve two or more organisations and incorporating analysis of complaints into future service and workforce development planning.

4. Valuing Diversity

4.1 The Council collects diversity and equalities information as required by the statutory guidance. A form is issued to people who have made a complaint to seek information on ethnicity, gender and age of the complainants. Not everyone completes and returns the form so the details are not known for all complaints.

4.2 Monitoring information is used to inform practice, however due to the relatively low response rate to our equality and diversity monitoring forms it has not been feasible to make judgments and set specific objectives or actions from the feedback received.

4.3 As from 1 April 2009 when complaints are acknowledged a Complaints Equalities Monitoring Form (EMF) has been included with the acknowledgement letter. Early indications are that this new procedure has significantly improved the number of equality monitoring responses received by the Council.

5. Vexatious and Repetitious Complainants

5.1 Dealing with a complaint is generally a straightforward process. In a small number of cases, people pursue their complaints in a way which can either impede the investigation of their complaint or can have significant resource issues for the Council. This can happen either while their complaint is being investigated or once the Council has finished dealing with the complaint.

5.2 The number of such complaints is increasing to such an extent nationally that in Autumn 2007 the Local Government Ombudsman published a Guidance Note on 'Unreasonable and persistent complainants'. The Council can review a complaint and give a decision without formal Investigation where it considers it to be deliberately repetitious or vexatious.

5.3 KCC's guidance on vexatious and repetitious complainants has helped staff respond in this difficult situation and I am pleased to report that we have not had to record any complaints as vexatious and repetitious in 2008/09.

6. Kent Health Watch

6.1 The service was launched in October 2008 having been established by Kent County Council in partnership with the NHS to help local residents express their views about all health and social care services in Kent. This service was developed to enhance, rather than replace, the existing feedback mechanisms currently available within health and social care, with the aim of improving services.

6.2 The service is available 24 hours a day, seven days a week, by telephone, textphone and email. It operates like a Directory Enquiry service, signposting callers to the right contact within health or social care should they wish to register compliments, comments, complaints or concerns. Data collected by Kent Health Watch - either by telephone or email – is recorded and reported back to the relevant NHS organisations and KASS.

Quarter to :	Dec 08	Mar-09
Calls received	140	148
Cases created	96	65

7. Local Government Ombudsman Annual Letter 2008/09

7.1 Each year the Local Government Ombudsman produces an individual Annual Review for every Council. The Annual Letter for 2008/09 is attached as Appendix 3 to this report.

7.2 The purpose of the Annual Letter is to help Councils learn from the outcome of complaints to the Ombudsman, underpin effective working relationships between Councils and the Ombudsman's office and help improve the Councils complaint handling.

7.3 As can be seen in Appendix 3 - Appendix 2 of the Ombudsman report, 164 complaints about KCC were received in 2008/09 compared to 146 in 2007/08 and 148 in 2006/07. These figures include premature complaints, (the Ombudsman was unable to investigate as KCC had not had the opportunity to try and resolve the complaint). The increase relates to an increase in complaints about Children & Family Services (30, eight more than last year), Transport & Highways (30, seven more than last year) and "Other Service Areas" – this includes planning applications, consumer affairs, trees and waste management – (17, nine more than last year).

7.4 90 of the 125 complaints that the Ombudsman issued a decision couldn't have been avoided as KCC had done nothing wrong, the complainant was simply unhappy with a decision or policy that went against them.

7.5 A main criticism of KCC in this year's Local Government Ombudsman letter is the deterioration of the Council's response times to their enquiries from 29.4 days in 2007/08 to 38.1 in 2008/09. The Ombudsman expects a response to their initial approach within 28 calendar days and the Council was well outside of this target. Although some responsibility does lie with a few operational units who have been slow to provide the Corporate Access to Information Coordinator with the information requested by the Ombudsman, the link officer's own lack of resources, increased workload and prioritising responses to FOI requests (which have a statutory deadline to meet) over complaints were primary factors.

7.6 A new member of staff was recruited at the beginning of this financial year and this has already had a positive effect; the average number of days to respond to the Ombudsman has fallen so far this year, to within the Ombudsman's target.

7.7 Several Business Units are working with the Ombudsman this year to look at how we can improve our complaints handling and the Council has agreed to review its procedures and published material relating to applications and appeals for school places and the handling of complaints on highway issues. We are also looking at the % of complaints that are settled when the Ombudsman becomes involved.

A brief summary of each Directorate's ombudsman involvement is included below.

7.8 Adult Social Services

The Ombudsman decided four complaints as local settlement relating to complaints received in 2007/08 relating to complaints regarding Adult Care.

7.9 In 2008/09, three people contacted the Ombudsman's office to complain about Kent Adult Social Services. One of these referrals was not upheld and two were deemed premature and therefore outside the jurisdiction of the Ombudsman. These complainants were referred to the Adult Social Services complaints procedure.

7.10 Children, Families & Education

The Ombudsman considered 17 complaints relating to Kent Children's Social Services in 2008/09. Two complaints were outside the Ombudsman's jurisdiction. In five complaints there was no evidence of mal-administration, five others were not pursued under the Ombudsman's discretion and five were resolved by local settlement. One finding of maladministration causing injustice was made in May 2009 in respect of a 2007/08 complaint about the Direct Payments Policy. This policy has since been amended to avoid a similar circumstance arising again.

7.11 A meeting was held with the Assistant Local Government Ombudsman (LGO) to discuss complaints arrangements particularly relating to Stage Two of the procedures. The LGO considered that the procedures appeared to be working well and that investigations were good. They were also very positive about the number of children and young people accessing the procedures compared with other Local Authorities.

7.12 In 2008/09, the Ombudsman considered 85 complaints about Education related services. Of the 85 complaints, 58 related to school admissions, four about school transport and six related to special educational needs and in 31 cases, the Ombudsman found no evidence of maladministration, in 27 cases the Ombudsman used his discretion not to pursue and investigation, four cases were considered outside the Ombudsman's jurisdiction and in 23 cases there was a local settlement. It is pleasing to note that Education complaints have fallen for the third year in a row.

7.13 Communities

One complaint resulted in a finding of 'no maladministration' and the case was closed in July 2009. A second complaint was also closed during the 2008/09 reporting period when the LGO determined that there were insufficient grounds for investigation.

7.14 Environment, Waste and Highways

The Ombudsman decided 22 complaints about highway management. Three complaints were outside their jurisdiction. In seven complaints, there was no, or insufficient, evidence

of maladministration and, in one other the Ombudsman used his discretion not to pursue an investigation.

7.15 There were six related complaints about the way in which the Council had kept and maintained its highway records, and given inconsistent advice about the status of a highway and land adjoining it. The Ombudsman has asked us to review the handling of complaints on highway issues.

8. Conclusion

8.1 In 2008/09 the Council continued to provide a robust and effective complaints procedure in line with new statutory regulations and guidance. Lessons are learned from complaints and used to improve service delivery. We are working with the Local Governments Ombudsman's office to improve our performance and with our partners to provide an easy and accessible service to the public.

Recommendations

Members of the Governance and Audit Committee are asked to note this report.

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Background Documents

Annual Complaints Report 2008/09, Joint Children, Families & Education Policy Overview Committee 18 September 2009

Adult Social Services Annual Complaints Report, KASS Policy Overview Committee November 2009

E & R Annual Complaints 2008/09, E H& W Policy Overview Committee, 15 September 2009

Chief Executives Department Annual Complaints, Comments and Enquires Report, Corporate Policy Overview Committee, 25 September 2009

Annual Complaints Report 2008/09, Communities Policy Overview Committee 17 September 2009

Connecting with Communities Annual Report R & E Policy Overview Committee 24 September 2009

Other useful information -

It is a statutory requirement under the following items of legislation for local authorities to have in place a complaints and representations procedure:

- Children Act 1989 Representations Procedure (England) Regulations 2006
- NHS & Community Care Act 1990 (section 50)
- Health & Social Care Act 2000

- Local Authorities Social Services Complaint (England) Regulations 2006 (including associated Guidance; Learning From Complaints – Social Services Complaints Procedure for Adults)
- Local Government Act 2000.

1. Adult Social Services

- 1.1 In 2008/09, there were over 31,300 referrals to Adult Social Services; there were also over 34,400 people in receipt of services in March 2009. In 2008/09, 359 complaints were received, this represents a 3.75% increase from the previous year when 346 complaints were recorded.
- 1.2 Of the 359 complaints received, 297 were logged as statutory complaints under the NHS and Community Care Act. In comparison to those reported the previous year, (295), this reflects a less than 1% increase in the number received. The remaining 62 complaints were from “non qualifying individuals” (not service users or carers); these complaints do not fall within the statutory process, but are responded to nonetheless.
- 1.3 Of the 297 statutory complaints received in 2008/09, 288 were investigated under Stage One and nine were investigated under Stage Two of the complaints procedure. There were no Complaints Review Panels held during this reporting period.
- 1.4 In 2008/09, there were 133 complaints about services for older people. This accounts for 45% of the total number of statutory complaints received. Each individual complaint is broken down into the issues relating to that complaint; the aim is to identify any trends that need addressing. In broad terms the numbers of complaints received within the categories of older people services do not show significant fluctuations from those received the previous year.
- 1.5 When analysing the residential care category, it is noted that the number of issues within an individual complaint are increasing, although the reverse is true for domiciliary complaints. This has been apparent for the past two years and will be monitored to establish whether there are any patterns emerging.
- 1.6 There were 44 complaints representing 15% of the total number of statutory complaints received, related to learning disability. This total does not indicate any significant fluctuations in comparison to the previous year's figures. Issues falling within this category included care management, day care and residential.
- 1.7 Those complaints about services for adults with physical disabilities total eight or 2.7% of the total number of complaints logged. Care management account for the majority of these.
- 1.8 The common themes falling within these areas of complaint include people who are dissatisfied with either the outcome of their assessment where they feel there is insufficient service provision, the quality of care or poor timekeeping.
- 1.9 In total, 29 complaints (9.7%) were received about the Occupational Therapy (OT) Bureau, (one of which related to Deaf Services). Again, this is broadly in line with the figures received the previous year. The number of complaints relating to the Blue Badge scheme indicates an upward trend as a result of tighter assessment criteria for people applying or renewing within the scheme.
- 1.10 Those complaints specifically relating to OT typically arise as a result of delays in providing equipment or completion of adaptations following an assessment. This is an ongoing issue as funding for this work is obtained via the Disabled Facilities Grants (available from Borough and District Councils).

1.11 In total 30 complaints (10%) were received about other Direct Provision services (Specialist Services). The services that fall within this category include the in-house provision for learning disabilities and in-house registered care centres for older people. When comparing the figures against the previous year, there are not any significant increases/decreases to report. Figures are once again broadly in line with those recorded for 2007/08. The typical reasons for people complaining include poor communication and/or concerns about the quality of care.

1.12 Method of Contact

The majority of complaints 240 (69%) were received by letter, followed by 69 (19%) received by telephone and 35 (10%) by e-mail. This year six (2%) complaints were received through the kent.gov.uk website.

1.13 Timescales

The compliance rate for the Directorate as a whole is 96% for acknowledgements and 85% for responses

1.14 Learning the Lessons from Complaints

The following examples illustrate the lessons learned as a direct result of complaints and the positive impact this has on the respective services:

- As a result of a complaint regarding the lack of accurate personal information at a day centre whereby relatives could not be contacted in an emergency, the manager discussed with staff the importance of ensuring this type of data was kept up to date. In addition, staff were advised of the need to keep relatives informed of any changes in circumstance. This will impact upon all current and future service users within the day centre.
- Several separate complaints highlighted the issue of poor or inadequate communication. As a result, the relevant district managers addressed the issues of poor tone and manner of communication with staff through supervision. In another example, the district manager reviewed the process for logging calls to prevent the poor response to such calls from recurring. To ensure there is continuity of service provision when service users transfer between districts, increased communication between the relevant teams has been implemented, following a complaint, removing the risk of a potential lapse in service.

1.15 Compliments

There were 463 compliments received in 2008/09.

1.16 Training

Briefings have been circulated to staff to inform them of the new single complaint process and how this would be implemented, including the practicalities, within each area.

1.17 A presentation on complaints and customer care is delivered to all new KASS staff as part of their Induction Day training. Additional core training covering complaints handling and customer care is also offered to new and existing staff on a self referral basis. Individual team training is also provided by area teams as required. A rolling programme of customer care training is to be delivered by customer care teams to ensure that this key area is highlighted and reiterated to all staff every 2-3 years. Customer care teams will utilise the "Complaints Made Easy" tool to assist with the delivery of this training, which will coincide with existing team meetings to minimise disruption to teams

and maximise staff attendance. It is anticipated that this training will commence in early 2010.

1.18 The Local Government Ombudsman staff will be carrying out training on “Effective Complaints Handling”. Staff at Team Leader level and above have been targeted for this training in order to meet the anticipated increased demand for investigations under the new process. The first tranche of training commenced in September 2009.

2. Children Families and Education

2.1 The Children Families and Education Directorate continues to operate a robust and effective complaint procedure for children’s social care services in accordance with statutory requirements. Every effort is made to ensure service users and carers are aware of their right to complain if they are not satisfied with the service provided. Looked After Children are advised how to complain and information is provided in leaflets, cards and on the website so that children in receipt of services and the adults in their lives are aware of their right to complain. Complaints can be made by text and e-mail as well as the more traditional formats.

2.2 In February 2009 an independent review was commissioned to review complaint arrangements in the Children, Families and Education (CFE) Directorate in relation to developing a unified complaints system across the Directorate. The review also addressed the need to have clear complaint management arrangements and to have processes in place to ensure complaints comply with statutory and KCC corporate requirements. Following the review it was decided to establish a single complaints team for CFE. The new arrangements for complaints handling will form part of the restructuring of services currently underway in CFE for implementation by April 2010.

2.3 This section is divided into two parts, Children’s Social Services, whose complaints procedure is required by the “Children Act 1989 Representations Procedure (England) Regulations 2006” and then other information regarding the complaints and comments received in the wider CFE Directorate.

2.4 Number of Children Social Services Complaints Received in 2008/2009

The number of complaints needs to be seen in the context of the number of people accessing the services. In 2008/09 there were 17,358 referrals to Children’s Social Services, an increase of 44% over 2007/08. The proportion of complaints received is small (1.5%) when seen in this context.

2.5 In 2008/09, 187 complaints were logged at Stage One and 30 at Stage Two (six complaints went directly to Stage Two).

2.6 If the complainant remained dissatisfied with the outcome of Stage Two, there is an option to request that a Complaints Review Panel be convened. The Panel consists of a Chair and two other people. All three panel members are independent of the Local Authority. The responsibility of the Panel is to review the handling of the complaint, rather than reinvestigate the complaint, and make any recommendations to the Director, who considered these before responding to the complainant.

2.7 The Panel consists of a Chair and two other people. The Chair and one of the panellists are independent people, with an elected Member as the third panellist. The responsibility of the Panel is to review the administration of the complaint, (rather than

reinvestigate the complaint), and make any recommendations to the Managing Director, who will be considered these before responding to the complainant.

2.8 Five complaints were considered by a Complaints Review Panel, these related to complaints that had been received and investigated in 2007/08. One complaint was upheld.

2.9 Method of Contact

The majority of complaints 355 (71%) are still received by letter, with 99 (20%) received by email, 44 (9%) are received by phone, with 1% by other means such as face to face.

2.10 Timescales

The timescale for Stage One complaints is 10 working days for most complaints and 20 working days for more complex complaints (for example complaints that involve another agency). The majority of Stage One complaints were responded to within the statutory timescales with 73.9% responded to within 10 working days and 53.8% of the more complex complaints responded to within 20 working days. It proved difficult to meet the time scales for Stage Two complaints due, in part, to the complexity of the complaints being dealt with at this stage.

2.11 Learning the Lessons from Complaints

Complaints have led to changes in policy and practice. For example:

- Following one complaint training was provided for staff on financial assessments relating to Special Guardianship and there was a change to documentation to make processes clearer.
- In another case there were changes to the Direct Payments policy after criticism arising from a complaint.

2.12 Comments

There were 98 comments in 2008/09 with 94 in 2007/08. Comments are mostly from MPs raising issues on behalf of constituents. Examples include asking for information about support for disabled children or where a family is thought to be in need of assistance, or when an adaptation to a property might be completed. Occasionally where there is a dispute or problem in a family, someone will contact an MP and the MP in turn will contact Children's Social Services to see if any help can be provided.

2.13 Compliments

There were 71 compliments a significant increase on the 36 merits received in the previous year. The compliments were from a variety of sources including children and young people, parents, courts and schools.

2.14 Complaints relating to other Children, Families and Education services.

There are not the same statutory requirements for complaints about education services. When a complaint is made about a school issue, then it is referred to the school to be considered within the school complaints procedure. Although there are some occasions where a local manager is asked to intervene to assist in bringing about a resolution.

2.15 Appeals processes exist for parents/carers to challenge decisions they are not satisfied with, for example appeals processes relating to school admissions, transport and statementing. Consequently not all "dissatisfaction" is handled through the complaint procedure.

2.16 Where complaints do not fall within the remit of Children Social Services, school complaints procedures or the appeals processes then they are dealt with in accordance with the KCC corporate complaints procedures.

2.17 In 2008/09, 231 complaints were received. A change in the way complaints are logged means that the statistics about complaints received in 2008/09 are not directly comparable with those from 2007/08 but as a general indication there were 218 complaints and 110 enquiries in 2007/08.

2.18 The complaints received reflect the diversity of services delivered, however, school issues, provision for children with special needs and decisions about admissions were the areas that gave rise to most complaints.

2.19 Comments

180 enquires were recorded in 2008/09 compared with 110 in 2007/08. The enquiries included letters from MPs where they raised an issue or advocated on behalf of a constituent. Examples are where a family wants a child admitted to a particular school, or where there is an issue around school transport arrangements.

2.20 Compliments

Compliments will be recorded from 1 April 2009.

2.21 Training

In 2008/09 various training courses were provided for staff relating to complaints including a training course provided by the Local Government Ombudsman on investigation, a training course on writing letters of response to complaints and training on dealing with difficult situations and vexatious complainants.

3. Communities

3.1 Number of Communities Complaints Received in 2007/2008

The total number of complaints in 2008/09 was 799 compared with 521 recorded during 2007/08. A contributing factor to the increase in 2008/09 has been a better understanding amongst staff about what constitutes a complaint that should be recorded.

3.2 The main grounds for complaints during 2008/09 are categorised below. Capturing systematic information under these headings is a possible development for introduction in 2010:

- Timings or delays involved in delivering services or responding
- Price or pricing of services
- Availability of services (including accessibility and eligibility)
- Quality of the experience
- Physical location, buildings and facilities
- Dissatisfaction with services or products received
- Administrative errors and operational mistakes
- Disagreement with decisions or policies made
- Staff conduct
- Poor communication or information
- By association or about a third party

3.3 Learning the Lessons from Complaints

- The Community Safety Unit improved communications with Parish Councils and the public about the role of the Community Wardens.
- KEY Training simplified its induction booklet and other information that is given to service users. It has also introduced a centralised 0800 contact number to help assure a quick response and better partnership working. KEY Training has re-introduced a focus group to help share good practice and further identify areas where services could be improved.
- Turner Contemporary's website, communications and publicity messages were all made clearer to ensure that the public and local residents are kept well-informed and up to date about the project.
- Libraries and Archives have made 226 local changes in response to comments from customers.
- Kent Youth Service's togogo website has been changed since its launch in response to feedback gained from users and a new version is scheduled for release winter 2009/10.
- Feedback is given to tutors if dissatisfaction has been expressed about Adult Education classes and they have been supported in making improvements. If courses have had to be cancelled as a result of late notice of tutor unavailability, KAES has recruited new tutors and re-instated some courses. Car parking issues at some KAES centres have also been resolved by investigating local alternatives and telling students about alternative parking.
- The Registration service has speeded up certificate issue by simplifying the process.
- Kent Scientific Service has removed a 2MB maximum size filter set on the email system to speed up transfer of documents to clients.
- The Sports, Leisure and Olympics Service considered complaints about some of the rules during the Kent School Games and amended them as a result. The event specification will also be sent out earlier than previously.

3.4 The priority for improvement to the process during 2008/09 has been to consolidate consistent recording and reporting across the whole Directorate and implement new corporate requirements. Communities' staff are based in more than 200 different locations, and many are part time, so this has been a big undertaking over the last three years and will continue to be so.

3.5 A number of practical improvements to the process are also being introduced by individual units this year including:

- Giving front line staff an opportunity to give feedback about some "low level" expressions of dissatisfaction which may not warrant the application of formal complaints procedures
- Developing joint processes with other agencies to cover complaints that involve two or more organisations
- Incorporating analysis of complaints into future service and workforce development planning; and implementing complaints management training.

3.6 Methods of contact

Email is the most popular method for submitting a complaint with 39% of complaints being submitted this way, followed by telephone (31%) and letter (25%). The remaining complaints were received in person and by fax (less than 1% combined). Most people prefer to put their complaints in writing (64%) but a significant minority use the telephone. The range of methods used for complaining indicate that units must be able to provide the same high level of customer service and complaints handling no matter how the complaint was received.

3.7 Timescales

The majority of the Directorate's units achieved 100% compliance to 2008/09 standards for sending out acknowledgements and responses to complainants. The compliance rate for the Directorate as a whole (based on figures where data is available) is 96% for acknowledgements and 74% for responses. The latter rises to 94% if Libraries is excluded (see paragraph below).

3.8 The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how complaints are recorded and reported by some front line members of staff. This has been addressed and early indications for 2009/10 data show that improvements are already being made.

3.9 Compliments

The high number of compliments (1,361) is encouraging, with Libraries & Archives, the Youth Service, Community Safety and Registration Services, in particular, all receiving high numbers of positive comments from customers.

3.10 Training

The following training and information needs were identified during 2008/09 as a result of complaints monitoring and are being met during 2009/10:

- Togogo data quality training for Youth Service HQ staff and Youth Centre staff
- Library Management System training for all staff in Libraries
- Tutor development and customer care for some frontline Adult Education staff
- Development programmes for individual members of staff
- Training on a new complaints management and reporting system in Turner Contemporary, especially for front of house staff.
- Improved training for staff registering work in Kent Scientific Services.
- Introduction of a package of targeted training for staff in KEY training including customer service.
- Ensuring that any issues arising from complaints are fed into the workforce development programme for YOS staff.

4. Environment and Regeneration

4.1 Number of Environment & Regeneration Complaints Received in 2008/2009

In 2008/09 KHS received 195 complaints (45%), E&W received 231 (54%) and Strategy & Planning received three (1%).

4.2 Of the 231 complaints received by E&W in 2008/09, the majority came from two main service areas – Country Parks (93 complaints) and the Household Waste Recycling Centres (HWRC) 129 complaints. In 2008/09, there were approximately 1.4 million visitors to the Country Parks and four million visitors to the Household Waste Recycling Centres (HWRC), so the level of complaints received in comparison to the number of customer visits is very low.

4.3 Within KHS, we received 99,480 enquiries (requests for service) in 2008/09 so again the volume of complaints (195) in relation to this figure is comparatively low.

4.4 The majority of complaints are received are about the quality of the service received 131 (31%). 82 complaints were about the lack of action or delays (19%).

4.5 Complaints to the Local Government Ombudsman

The Ombudsman decided 22 complaints about highway management. Three complaints were outside their jurisdiction. In seven complaints, there was no, or insufficient, evidence of maladministration and, in one other the Ombudsman used his discretion not to pursue an investigation.

4.6 There were six related complaints about the way in which the Council had kept and maintained its highway records, and given inconsistent advice about the status of a highway and land adjoining it. The Ombudsman has asked us to review the handling of complaints on highway issues.

4.7 Learning the Lessons from Complaints

Although complaints volumes overall have decreased in 2008/09 from the previous year, they have provided valuable customer feedback to enable EHW to improve customer service delivery. As such, the following service improvements have been implemented:

- E&W has been more proactive this year in ensuring customer feedback is captured by a number of methods, e.g. Country Park Comment Cards, Explore Kent website and customer surveys. This feedback has then been used to review the customer service experience and implement customer service improvements.
- In E&W, the HWRC opening hours and height barriers were reviewed as these were two areas of concern highlighted as issues in customer satisfaction surveys. Following the review, a number of changes have been implemented, including longer hours on certain days and increasing the height of barriers.
- In Country Parks, regular visitor feedback surveys were held as well as consultations on the improvements being made within the parks, e.g. new and improved visitor facilities such as car parking, toilets and visitor centre improvements.
- KHS launched a Dashboard in November 2008 to provide officers with a day to day view of customer requests. All teams now use the dashboard to monitor and manage their customer request workload.
- KHS launched weekly performance reporting in November 2008 which has enabled a two-way flow of feedback leading to customer service delivery improvements e.g. the most recent external customer tracker survey for 2008 recorded a 30% increase in net satisfaction with the way KHS had dealt with the customer's service requests.

- KHS have created a Knowledge Hub that provides the Contact Centre with up-to-date information on KHS activities. This has enabled contact centre agents to give improved and up to date information to customers.

4.8 Method of Contact

30% of complaints were received by e-mail compared with 38% in 2007/08 followed by 27% by telephone and 26% by letter, 17% of complaints are received on comment cards.

4.9 Timescales

In 2008/09 411 (96%) were acknowledged within five working days and 416 (97%) were responded to in full within 20 working days.

4.10 Compliments

Although fewer compliments were received between April 2008 and March 2009 than in the previous year, this does not necessarily reflect a change in the level of service provided. As our standard of customer service has increased (which is reflected by the decrease in the number of complaints received between April 2008 & March 2009 compared to the previous year and in the most recent KHS customer tracker survey results for 2008 which recorded a 30% increase in net satisfaction with the way we dealt with customer's service requests), our customer expectations are likely to have increased as well. This will lead to fewer compliments being received.

5. Chief Executives Department

5.1 Number of Chief Executives Department Complaints Received in 2008/09

In 2008/09, 143 complaints were received in 2008/09 compared with 44 for 2007/08. There was a change in how we report complaints during 2008/09 and this accounts for the increase in numbers reported this year.

5.2 Business Solutions and Policy including Regeneration

Business Solutions and Policy received no complaints from the public.

5.3 Commercial Services

Commercial Services received 68 complaints compared with 16 the previous year. The increase in recorded complaints relates to complaints now being reported at Stage One.

5.4 The majority of these complaints are from parents who are not satisfied regarding the mode of transport to school provided for their child.

5.5 Corporate Finance

Within Corporate Finance there were 20 complaints regarding the processing or decisions taken by our insurers relating to claims and 8 connected to council tax. These related to potholes and comments in the press about the Local Government Pension Scheme and Members expenses.

5.6 Finance have also dealt with 67 enquires regarding Council Tax increase, Icelandic Banks, the Chief Executive's salary, senior staff salaries, support to Asylum Seekers, potholes and refuse disposal and recycling. The majority of these enquiries are received by e-mail.

5.7 Legal & Democratic Services

The eight complaints to Legal and Democratic Services are mainly to do with decisions made by Legal Services which the complainant disagrees with.

5.8 Personnel

Ten complaints were received regarding the KCC recruitment process (a total of 1,855 posts were advertised and over 50,346 application forms from candidates were processed during the year). These complaints relate to the feedback to candidates.

5.9 Property Group

There were 13 complaints concerning KCC Property Group. The majority of complaints received relate to work carried out near schools. Three complaints were received about the standard of accommodation at Oakwood House.

5.10 Strategic Development and Public Access

KCC Gateways are managed by the Strategic Development and Public Access Department. Complaints about the Gateways service are dealt with by the relevant business service using the Gateway and will not be reported here.

5.11 The Gateway Service itself received five complaints. As from April 2008 complaints received about public access and the Contact Centre will be reported within the Chief Executives Department complaints report. There were no complaints about public access.

5.12 There were 12 complaints regarding Kent TV. These ranged from Cost of service to tax payers, accessibility to the service including technical problems and content of specific videos.

5.13 The Contact Centres current Customer Relationship Management (CRM) System is unable to give us enough information to monitor the level of complaints regarding the service offered by the contact centre. The current CRM is being updated and a project is being undertaken to find an alternative method of recording complaints until the new system is up and running.

5.14 Method of contact

The majority of complaints 60% are received by letter, with 20% of complaints received by telephone and 17% by e-mail.

5.15 Timescales

All complaints were answered within the 20 working days standard. Only Commercial services failed to acknowledge all complaints within three working day achieving 95%.

5.16 Learning the Lessons from Complaints

Identified improvements to service delivery introduced in response to complaints includes the following:

- Commercial Services have reviewed the process for chasing medical reports and the process for collecting equality & diversity information and provided more customer service training.
- The Personnel Team now chase the outcome of vacancies following the shortlisting and interview stages of recruitment to ensure that all candidates are contacted with an outcome and Recruiting Managers now need to contact applicants post

interview within two days or contact the recruitment team who will follow this through with immediate effect.

- Following complaints the Gateways radio advert script was revised to make clearer the services offered and the risk assessment process for filming was enhanced to take into account the type of appointments booked into the Gateway when 'filming' is planned.

5.17 Comments

Finance have also dealt with 67 comments regarding Council Tax increase, Icelandic Banks, the Chief Executive's salary, senior staff salaries, support to Asylum Seekers, potholes and refuse disposal and recycling. The majority of these comments were received by e-mail.

5.18 Compliments

There were 589 compliments, the majority being received by the recruitment section within Personnel.

1. COMPARISON OF COMPLAINTS NUMBERS FOR 2007/08 and 2008/09

1.1 KENT ADULT SOCIAL SERVICES

Service	2007/08	2008/09
Total	400	526

1.2 CHILDREN FAMILIES AND EDUCATION

Service	2007/08	2008/09
Children & Families non-statutory	89	73
Children & Families statutory	178	193
Education (01/09/07-31/03)	218	231
TOTAL	485	497

1.3 COMMUNITIES

Service	2007/08	2008/09
Contact Centre*	0	
Arts Development	0	2
Community Safety	20	9
Emergency Planning	0	0
Kent Adult Education	27	31
KDAAT	2	10
Kent Volunteers	0	0
Kent Scientific Services	1	28
Key Training		29
Libraries	370	600
Registration & Coroners	10	8
Sport, Leisure & Olympics	0	4
Trading Standards	15	9
Turner Contemporary	5	4
Youth Offending Service	0	3
Youth Service	7	56
SIP **		6
TOTAL	457	799

* Transferred to Chief Executives Dept 2008/09

**Transferred from Chief Executives Dept 2008/09

1.4 CHIEF EXECUTIVES

Service	2007/08	2008/09
Business Solutions & Policy	1	0
Commercial Services	16	67
Finance	4	8
Insurance	12	20
Legal & Democratic Services	5	8
Personnel	4	10
Property	1	13
Strategic Development & Public Access	1	*17
Contact Centre	0	0
TOTAL	44	143

*Not included in report to Corporate POC on 25/9/09
12 Kent TV complaints

1.5 ENVIRONMENT & REGENERATION

Service	2007/08	2008/09
Environment & Waste	426	231
Kent Highway Services	232	195
Strategy & Planning	1	3
Regeneration & Economy*	1	
TOTAL	660	429

* Transferred to Chief Executives Dept 2008/09

APPENDIX 2

2. Complaints information 1 April 2007 – 31 March 2009

2.1 Acknowledgement and Response Times against standards

	COMPLAINTS	COMPLIMENTS	ENQUIRIES	% answered within our standards	
				ACKNOWLEDGEMENT	RESPONSE
COMMUNITIES					
2007/08	457	-	-	Not available	
2008/09	799	1361	521	96%	74%*
ENVIRONMENT AND REGENERATION					
2007/08	660	1398	-	93%	97%
2008/09	429	941	-	96%	97%
CFE					
2007/08	483	36	204	Not available	
2008/09	496	71	278	Not available	
KENT ADULT SOCIAL SERVICES					
2007/08	346	455	264	96%	92%
2008/09	359	463	198	91%	85%
CHIEF EXECUTIVES DEPARTMENT					
2007/08	44	-	100+	95%	100%
2008/09	143	589	67	96%	100%

*The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how complaints are recorded and reported by some front line members of staff. This has been addressed and early indications for 2009/10 data show that improvements are already being made.

2.2 How complaints were received

	Total No.	How complaint was received								
		Phone	Letter	E-mail	On-line	KMS	Face-to-face	Comment Card	Fax	Other
COMMUNITIES										
2007/08	457	21	51	14			1	370		1
2008/09*Ex Libraries	184	57	46	71			9		1	
ENVIRONMENT AND REGENERATION										
2007/08	660	119	215	213	6	29	1	75	2	
2008/09	429	115	113	129				72		
CHILDREN, FAMILIES AND EDUCATION										
2007/08	483	52	350	70						11
2008/09	496	44	355	92						5
KENT ADULT SOCIAL SERVICES										
2007/08	346	59	247	26	6		2		1	5
2008/09	359	69	240	35	6		4		3	2
CHIEF EXECUTIVE'S DEPARTMENT										
2007/08	44	1	38	5						
2008/09	143	23	28	88						4

Some people complain about more than one issue, therefore the total adds up to less than the total number of complaints

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By: Cabinet Member for Finance
Director of Finance

To: Governance and Audit Committee – 1 December 2009

Subject: **TREASURY MANAGEMENT**

Classification: Unrestricted

Summary: To report on Treasury management

FOR DECISION

INTRODUCTION

1. As part of the new control regime for treasury management it is proposed to report quarterly to Governance & Audit Committee. Previously the committee only received the annual review.

CONSTITUTIONAL RESPONSIBILITIES

2. Financial Regulations state that Governance & Audit Committee is responsible for:

“monitoring the operation of borrowing and investment policies and Treasury management activity”.
3. The Director of Finance is responsible for the Council’s treasury management activities. The Financial Regulations define these as:

C.22 The Director of Finance is responsible for:
 - I. Reporting to the Cabinet member for Finance, in accordance with CIPFA’s Code of Practice: Treasury Management in the Public Services, on the creation and maintenance, as the cornerstones for effective treasury management, of suitable treasury management practices (TMP’s), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - II. Reporting to the Cabinet and the County Council on the treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year.
 - III. Implementing and monitoring the treasury management policies and practices.

- IV. Establishing procedures to monitor and report on performance in relation to treasury management prudential indicators set by the Council.
- V. Reporting to the Governance and Audit Committee and the Cabinet Member for Finance on the activities of the treasury management operation and on the exercise of his delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.
- VI. All decisions on borrowing, investing or financing.
- VII. Ensuring that all borrowing and investment of money are made in the name of the authority on in the name of an approved nominee.”

GOVERNANCE ARRANGEMENTS

4. In July the Treasury Advisory Group (TAG) was established to work with the Director of Finance on treasury management issues.
5. The group consists of:
 - Cabinet Member for Finance
 - Deputy Leader
 - Chairman Corporate Policy Overview Committee
 - Chairman Superannuation Fund Committee
 - Liberal Democrat Finance Spokesman
 - Leader Labour Group

The group meets on a quarterly basis.

6. The agreed Terms of Reference are:

“The Treasury Advisory Group will be responsible for advising the Cabinet and the Director of Finance on treasury management policy within KCC’s overarching Treasury Management Policy”.
7. All policy decisions on treasury management issues are then taken at Cabinet.

PROPOSED REPORTING

8. The operation of the Council’s treasury management arrangements is the responsibility of the Executive of the Council. This report puts forward proposals for the information which this Committee receives to enable it to monitor the effectiveness of treasury management

arrangements. This is primarily from the perspective of risk and adherence to internal control processes.

9. The proposal is that on a quarterly basis the Committee should receive:
 - Draft minutes of any TAG meetings held.
 - A summary of major developments, such as the change in counterparty policy agreed by Cabinet on 12 October.
 - A performance report for each quarter end date. Members of TAG receive this report monthly.
 - A statement of deposits again for each quarter end date. Members of TAG receive this report weekly.
10. A full annual review will be submitted to the June meeting of the Committee.

TREASURY ADVISORY GROUP

11. Draft minutes of the TAG on 3 September are attached in Appendix 1.

SUMMMARY OF MAJOR DEVELOPMENTS

12. The major developments in the period have been:
 - (1) Appointment of a Treasury & Investments Manager – this is a new senior level post within Corporate Finance. An experienced commercial accountant previously working at the Corporation of Lloyds has been appointed.
 - (2) New Internal Control Processes – with assistance from Arlingclose the Treasury Management Practices have been totally revised as have the detailed operational procedures behind them. Improved separation of duties has been achieved by separating the treasury dealer and back-office roles.
 - (3) Approach to deposits – following detailed examination at two TAG meetings and with substantial support from Arlingclose, Cabinet agreed a new approach to deposits on 12 October. Five financial institutions; Lloyds / HBOS, RBS, Barclays, HSBC and Abbey National have been added to the counterparty list – the Debt Management Office remain on it. Each has a £40m limit. Deposits cannot be made for periods of longer than 6 months.

- (4) Borrowing – no borrowing has been undertaken. With the low rate of interest on deposits and the differential with long term borrowing costs we will avoid taking long term borrowing for as long as possible.
- (5) Debt refinancing – in October £60m of short term loans maturing in January 2010 were refinanced. A new PWLB loan for 25.5 years at 4.1% was taken out. Since then rates have increased substantially (4.45% 5 November).

QUARTERLY PERFORMANCE REPORT

13. A performance report as at 30 September is attached in Appendix 2.

STATEMENT OF DEPOSITS

14. Given the change in counterparty policy for this report a statement at 30 October rather than 30 September is attached in Appendix 3.

RECOMMENDATION

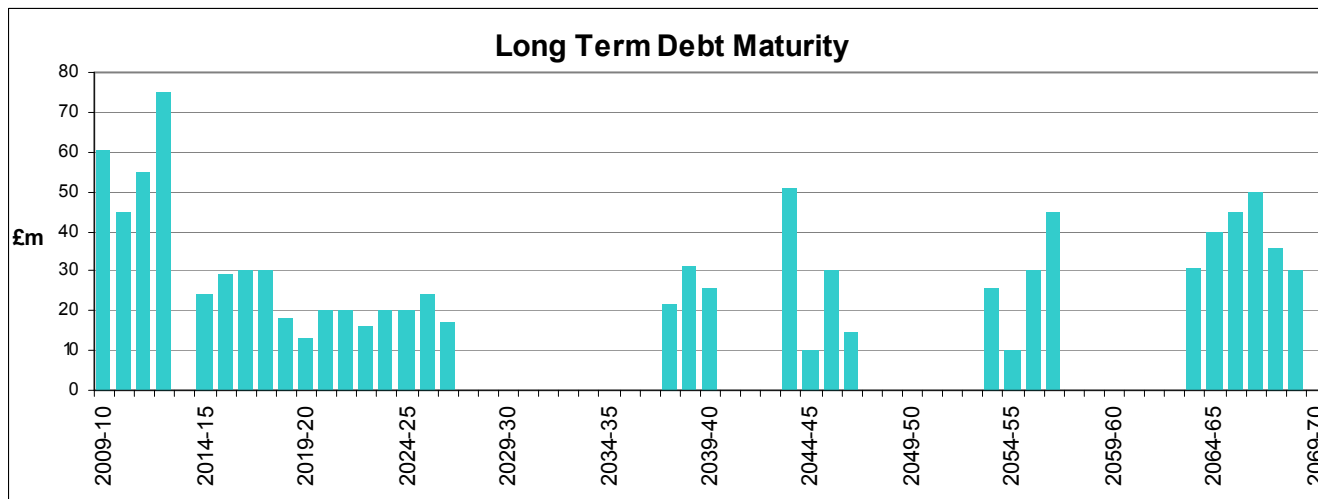
15. Members are asked to:-
 - (1) Agree the format for future reporting to the Committee.
 - (2) Note the quarterly report.

Nick Vickers
Head of Financial Services
X4603

Treasury Management Report for the month of September 2009

1. Long Term Borrowing

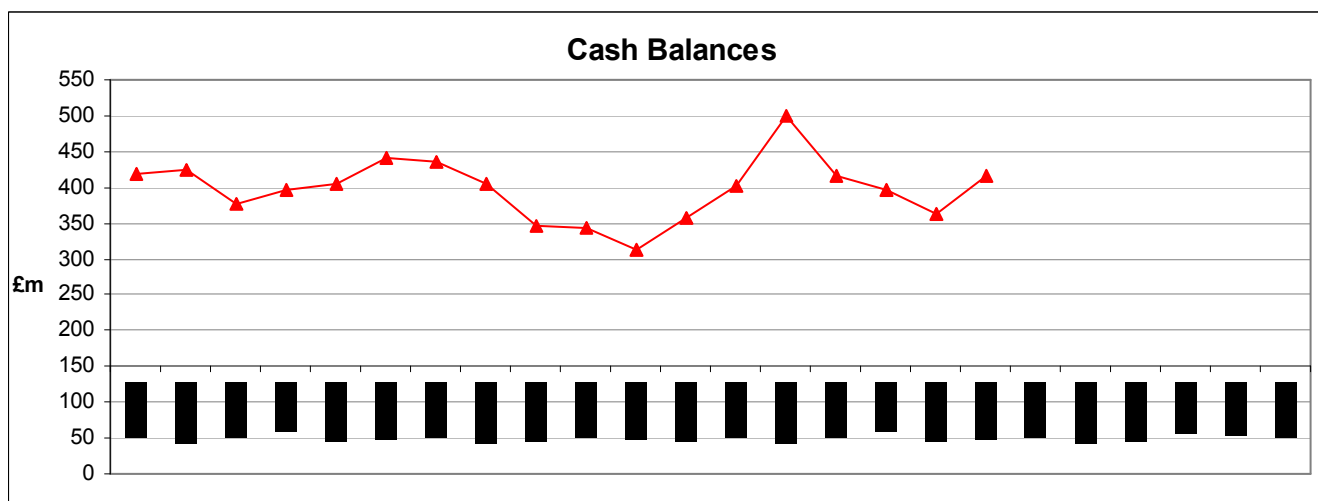
During September there was no borrowing activity so total borrowings remain at £1,042.4m with the maturity profile being as follows.



This includes £50.3m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt. The council continues to fund all new borrowing requirements by using available cash balances (i.e. internalising the debt).

2. Investments

The total value of cash under management at the end of September was £415.41. The following graph shows the movement in cash balances over the period April 2008 – September 2009.



This includes principal amounts currently at risk in Icelandic bank deposits (£47.4m), Pensions Fund cash (£103.4m), Kent Fire and Rescue balances (£16.8m), balances of schools in the corporate scheme (£75.9m), other reserves and funds held in trust.

2.1 Deposit Portfolio

A schedule of deposits as at 9 October 2009 is attached.

2.2 Counterparty List

All new deposits placed in September were timed deposits with the DMO (Debt Management Account Deposit Facility). The total that could be invested at any time is £450million and the maximum duration is 6 months. The total amount with the DMO at the end of September was £328.85million.

2.3 Average return and comparison

The average return on new deposits in September was 0.25% vs 7 day LIBID 0.38%

3 Interest on Cash Balances / Debt Charges for the year 2009-10

Cash Limit			Variance		
G	I	N	G	I	N
£000	£000	£000	£000	£000	£000
117,921	-12,769	105,152	-3,209	-422	-3,631

The net variance is due to the write down of the discount saving from 2008-9 debt restructuring, no new borrowing and increased interest on balances.

4 Risk management

Credit Score matrix shows that over the period October 2008 through to September 2009 the risk rating of the deposits has improved reflecting the large proportion of short term deposits in the DMO.

	October 2008		September 2009	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A+	5.3	AA	3.0
Time Weighted Average	AA-	4.0	AA-	4.2

Credit risk scored 1 – 10; 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D

Operational Controls - no failures

5 Interest Rate Forecasts

The September commentary on the economy and outlook for interest rates provided by Arlingclose is attached.

Alison Mings
9 October 2009

Instrument Type	Counterparty	Amount	Start Date	End Date	Interest Rate	Next Call option / Rate Review Date
Fixed Deposit	Dexia Bank	£10,000,000.00	15/04/09	31/10/11	0.505	
	Total Belgian Bank Deposits	£10,000,000.00				
LIBOR Fixed Deposit	Glitnir	£5,000,000.00			0	n/a
Fixed Deposit	Glitnir	£5,000,000.00			0	n/a
Fixed Deposit	Glitnir	£5,000,000.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£3,250,000.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£4,600,000.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£5,000,000.00			0	n/a
1st Tranche Creditor Payment	Heritable Bank Ltd	-£2,959,121.00			0	n/a
Fixed Deposit	Heritable Bank Ltd	£1,500,000.00			0	n/a
Fixed Deposit	Landsbanki Islands	£5,000,000.00			0	n/a
Fixed Deposit	Landsbanki Islands	£2,000,000.00			0	n/a
Fixed Deposit	Landsbanki Islands	£5,000,000.00			0	n/a
Fixed Deposit	Landsbanki Islands	£5,000,000.00			0	n/a
	Total Icelandic Bank Deposits	£47,390,879.00				
Same Day Call Account	Abbey	£40,000,000.00	13/10/09		0.8	
Fixed Deposit	Barclays Bank	£5,000,000.00	02/06/08	31/05/13	6.8	
Callable Deposit	Barclays Bank	£5,000,000.00	13/06/08	13/06/13	7.1	13/12/09
Same Day Call Account	Barclays Bank	£25,000,000.00	05/11/09		0.7	
Same Day Call Account	HBOS	£35,000,000.00	13/10/09		0.85	
Callable Deposit	Lloyds TSB	£5,000,000.00	13/06/08	13/06/13	7.53	13/06/10
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	21/09/09	19/09/11	0.97313	21/12/09
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	20/10/08	18/10/13	1.17688	18/01/10
Same Day Call Account	Royal Bank of Scotland	£30,000,000.00	13/10/09		1.15	
	Total UK Bank Deposits	£155,000,000.00				
Fixed Deposit	Chelsea Building Society	£5,000,000.00	06/08/07	06/08/10	6.25	
LIBOR Fixed Deposit	Nationwide BS (formerly Dunfermline BS)	£5,000,000.00	07/11/07	07/11/09	1.105	n/a

LIBOR Fixed Deposit	Nationwide Building Society	£5,000,000.00	17/04/08	19/04/10	1.07688	18/01/2010
Fixed Deposit	Nationwide Building Society	£5,000,000.00	03/06/08	03/06/10	6.25	
LIBOR Fixed Deposit	Principality Building Society	£5,000,000.00	21/04/08	21/04/11	1.18625	21/01/10
Fixed Deposit	Skipton Building Society	£5,000,000.00	04/04/08	06/04/10	5.92	
	Total UK Building Society Deposits	£30,000,000.00				
Fixed Deposit	Debt Management Office	£5,200,000.00	16/09/09	09/11/09	0.25	
Fixed Deposit	Debt Management Office	£14,000,000.00	18/09/09	10/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,300,000.00	18/09/09	11/11/09	0.25	
Fixed Deposit	Debt Management Office	£5,000,000.00	07/10/09	11/11/09	0.25	
Fixed Deposit	Debt Management Office	£6,000,000.00	18/09/09	12/11/09	0.25	
Fixed Deposit	Debt Management Office	£1,150,000.00	06/11/09	13/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,000,000.00	18/09/09	13/11/09	0.25	
Fixed Deposit	Debt Management Office	£5,000,000.00	18/09/09	16/11/09	0.25	
Fixed Deposit	Debt Management Office	£5,000,000.00	18/09/09	17/11/09	0.25	
Fixed Deposit	Debt Management Office	£6,000,000.00	18/09/09	18/11/09	0.25	
Fixed Deposit	Debt Management Office	£8,000,000.00	02/10/09	20/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,750,000.00	02/10/09	23/11/09	0.25	
Fixed Deposit	Debt Management Office	£8,000,000.00	08/10/09	24/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,000,000.00	09/10/09	25/11/09	0.25	
Fixed Deposit	Debt Management Office	£5,500,000.00	08/10/09	25/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,000,000.00	09/10/09	26/11/09	0.25	
Fixed Deposit	Debt Management Office	£2,200,000.00	20/10/09	27/11/09	0.25	
Fixed Deposit	Debt Management Office	£4,700,000.00	09/10/09	27/11/09	0.25	
Fixed Deposit	Debt Management Office	£15,000,000.00	20/10/09	30/11/09	0.25	
Fixed Deposit	Debt Management Office	£6,000,000.00	20/10/09	01/12/09	0.25	
Fixed Deposit	Debt Management Office	£6,300,000.00	22/10/09	04/12/09	0.25	
Fixed Deposit	Debt Management Office	£9,400,000.00	21/10/09	07/12/09	0.25	
Fixed Deposit	Debt Management Office	£6,000,000.00	22/10/09	08/12/09	0.25	
Fixed Deposit	Debt Management Office	£4,000,000.00	22/10/09	09/12/09	0.25	
Fixed Deposit	Debt Management Office	£6,000,000.00	23/10/09	10/12/09	0.25	
Fixed Deposit	Debt Management Office	£6,350,000.00	26/10/09	11/12/09	0.25	
Fixed Deposit	Debt Management Office	£3,000,000.00	27/10/09	14/12/09	0.25	
Fixed Deposit	Debt Management Office	£3,450,000.00	28/10/09	14/12/09	0.25	
Fixed Deposit	Debt Management Office	£2,400,000.00	03/11/09	15/12/09	0.25	
Fixed Deposit	Debt Management Office	£6,050,000.00	04/11/09	16/12/09	0.25	
	Total UK Govt. Deposits	£170,750,000.00				
	Grand Total of All Deposits	£413,140,879.00				

Instrument Type	Counterparty	Amount	Start Date	End Date	Interest Rate	Next Call Option / Rate Review	Broker	Territory
Fixed Deposit	Dexia Bank	£10,000,000.00	15/04/09	31/10/11	0.505	n/a	Direct	Belgian Bank
	Belgian Bank Total	£10,000,000.00						
LIBOR Fixed Deposit	Glitnir	£5,000,000.00	21/01/08	21/01/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	06/02/08	06/02/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	20/08/08	19/08/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£3,250,000.00	01/10/08	30/10/08	0	n/a	Garban Inter	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	03/09/08	03/11/08	0	n/a	Garban Inter	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	08/11/07	10/11/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£4,600,000.00	02/05/08	23/12/08	0	n/a	Tullet Prebor	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£5,000,000.00	02/10/08	02/07/09	0	n/a	Martins	Icelandic Bank
1st Tranche Creditor Payment	Heritable Bank Ltd	-£2,959,121.00		30/07/09	0	n/a	Direct	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£1,500,000.00	18/08/08	17/08/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	19/09/08	24/10/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£2,000,000.00	08/11/07	10/11/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	22/04/08	22/04/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	02/05/08	05/05/09	0	n/a	Martins	Icelandic Bank
	Icelandic Bank Total	£47,390,879.00						
Same Day Call Acc	Abbey	£40,000,000.00			0.8	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000.00	02/06/08	31/05/13	6.8	n/a	Tradition	UK Bank
Callable Deposit	Barclays Bank	£5,000,000.00	13/06/08	13/06/13	7.1	13/12/09	Tullet Prebor	UK Bank
Same Day Call Acc	HBOS	£35,000,000.00			0.85	n/a	Direct	UK Bank
Callable Deposit	Lloyds TSB	£5,000,000.00	13/06/08	13/06/13	7.53	13/06/10	Tradition	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	19/09/08	19/09/11	0.97313	21/12/09	Tullet Prebor	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	20/10/08	18/10/13	1.17688	18/01/10	Tradition	UK Bank
Same Day Call Acc	Royal Bank of Scotland	£30,000,000.00			1.15	n/a	Direct	UK Bank
	UK Bank Total	£130,000,000.00						
Fixed Deposit	Chelsea Building Society	£5,000,000.00	06/08/07	06/08/10	6.25	n/a	Tradition	UK Building Society
Fixed Deposit	Nationwide Building Society	£5,000,000.00	03/06/08	03/06/10	6.25	n/a	Tradition	UK Building Society
LIBOR Fixed Deposit	Nationwide BS (formerly Dunfermline BS)	£5,000,000.00	07/11/07	07/11/09	1.105	n/a	Tradition	UK Building Society

LIBOR Fixed Deposit	Nationwide Building Society	£5,000,000.00	17/04/08	19/04/10	1.07688	18/01/2010	Tradition	UK Building Society
LIBOR Fixed Deposit	Principality Building Society	£5,000,000.00	21/04/08	21/04/11	1.18625	21/01/10	Tradition	UK Building Society
Fixed Deposit	Skipton Building Society	£5,000,000.00	04/04/08	06/04/10	5.92		Martins	UK Building Society
	UK Building Society Total	£30,000,000.00						
Fixed Deposit	Debt Management Office	£2,600,000.00	30/10/09	02/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,700,000.00	14/09/09	02/11/09	0.29	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	15/09/09	03/11/09	0.27	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£10,000,000.00	02/10/09	04/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£7,300,000.00	15/09/09	06/11/09	0.27	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,200,000.00	16/09/09	09/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£14,000,000.00	18/09/09	10/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,300,000.00	18/09/09	11/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	07/10/09	11/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,000,000.00	18/09/09	12/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,000,000.00	18/09/09	13/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	18/09/09	16/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	18/09/09	17/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,000,000.00	18/09/09	18/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£8,000,000.00	02/10/09	20/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,750,000.00	02/10/09	23/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£8,000,000.00	08/10/09	24/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,000,000.00	09/10/09	25/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,500,000.00	08/10/09	25/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,000,000.00	09/10/09	26/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£2,200,000.00	20/10/09	27/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,700,000.00	09/10/09	27/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£15,000,000.00	20/10/09	30/11/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,000,000.00	20/10/09	01/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,300,000.00	22/10/09	04/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£9,400,000.00	21/10/09	07/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,000,000.00	22/10/09	08/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,000,000.00	22/10/09	09/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,000,000.00	23/10/09	10/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,350,000.00	26/10/09	11/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£3,000,000.00	27/10/09	14/12/09	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£3,450,000.00	28/10/09	14/12/09	0.25	n/a	Direct	UK Govt.
	UK Govt. Total	£191,750,000.00						
	Grand Total	£409,140,879.00						

KENT COUNTY COUNCIL

TREASURY ADVISORY GROUP

DRAFT MINUTES of a meeting of the Treasury Advisory Group held in the Stour Room, Sessions House, County Hall, Maidstone on Thursday, 3 September 2009.

PRESENT: Mr J D Simmonds (Chairman), Mrs T Dean, Mr E E C Hotson, Mr A J King, MBE and Mr J E Scholes

IN ATTENDANCE: Mr N Vickers (Head of Financial Services), Ms A Mings (Treasury & Investments Manager) and Mr G Mills (Democratic Services Manager (Executive))

UNRESTRICTED ITEMS

5. Minutes - 29 July 2009

(Item 1)

- 1) The minutes of the meeting held on 29 July 2009 were agreed as a true record.
- 2) Mr Vickers confirmed that he would arrange a training session on Treasury Management for those Members who had been unable to attend the meeting held on 29 July.
- 3) Mr Vickers said that he would submit to the next meeting of the Group a report on the Council's Debt Management policies and how the introduction of new technology would further enhance the Council's capabilities of monitoring the money markets.

6. Treasury Investments

(Item 2)

Item 2 – (Report by Cabinet Member for Finance and Director of Finance)

- 1) This report focused on the management of Treasury Investments as part of the County Council's overall Treasury Strategy. The report also set out proposals for asset allocation, selection of counter parties, counter party limits and the duration of deposits.
- 2) During the course of discussion on this item, Members of the Group asked a number of questions of detail to which Mr Vickers and Ms Mings replied as appropriate. In particular, it was confirmed that the proposed move away from the sole use of the Debt Management Office would be on a step by step basis – a very limited range of counterparties could be introduced now and due diligence would be undertaken on other options. Also, institutions covered by the Government Credit Guarantee Scheme could offer slightly better returns than the DMO. The motivation for using these would not necessarily be for achieving higher returns per se but if institutions had the same security as the DMO could offer but with better rates then it would be right for the County Council to effectively utilise its resources by using them.

3) On the basis of the criteria detailed in the report for the selection of a counter party, the Group agreed the recommended list of counterparties in addition to the DMO should be:-

- Abbey National
- HSBC
- HBOS/Lloyds TSB
- Royal Bank of Scotland
- Barclays

4) The previous maximum counterparty limit with the strongest financial institutions was £40 million and the report recommended that this level should remain in place. However, it had to be recognised that these institutions would not always be seeking short term funds and that a proportion of the total deposit would remain in the DMO.

5) In reply to further questions, Mr Vickers confirmed that the Director of Finance in consultation with the Cabinet Member for Finance would suspend the use of any institution if they had any immediate concerns and that Members of the Group would also be kept informed. If the Director of Finance and the Cabinet Member for Finance wished to add any institution to the list then that would be the subject of consultation with the Group and agreement by Cabinet. Mr Vickers said that the overall policy remained that any changes in the County Council's approach to Treasury Management would remain small and incremental and in accordance with the criteria agreed at the last meeting. Mr Vickers also said that whilst for the moment the County Council would be keeping all its investments within the UK, Arlingclose had been asked to submit at an appropriate time and to a future meeting of the Group, a report covering if and how the County Council should once again undertake overseas investments.

6) Mr Vickers also confirmed that an EU compliant procurement process had been commenced for Treasury Advisory Services. The Treasury Advisory Group would interview those short listed for the contract and to make a recommendation as appropriate to the Cabinet Member for Finance. In the meantime Arlingclose would have their appointment extended in order to see the Council through to the end of the tendering period.

7) In noting that there would be a report on the matters discussed by the Group to the October meeting of Cabinet, the Group agreed as follows:-

- (1) to the use of cash deposits, call accounts and fixed deposits, with selected financial institutions and the DMO;
- (2) to the criteria set out in paragraph 11(2) of the report;
- (3) to the use of Abbey National, HSBC, HBOS/Lloyds TSB, Royal Bank of Scotland and Barclays;
- (4) The 5 institutions set out above to have a maximum limit of £40m;
- (5) Deposits must not be made for a period of longer than 6 months;

- (6) Noted the new Control environment;
- (7) Noted the new Governance arrangements; and
- (8) Noted the extension of the Arlingclose contract.

7. Arlingclose Economic and Interest Rate Forecast

(Item 3)

1) The Group noted the information provided in this report and that an update on the information it contained would be circulated to Members of the Treasury Advisory Group and other members of the Council as appropriate on a monthly basis.

8. Any other business

(Item 4)

- i. In response to a question from Mr Hotson on credit ratings and status Mr Vickers said that he would commission Arlingclose to prepare a detailed response and for a copy of that to be circulated to members of the Group.
- ii. **Iceland** – Mr Vickers updated the Group on the current position with the Council's investments in Icelandic Banks and the prospects for those investments to be repaid. Mr Vickers said that a package of measures to repay creditors had now been approved by the Icelandic Parliament and this was a significant move in ensuring that those who had invested in Icelandic Banks would get a significant proportion of that money returned. Mr Vickers said that whilst the Icelandic Government's efforts to resolve the situation were obviously honourable creditors such as KCC had to accept that an element of risk none the less remained. The Group noted there would be further creditor meetings taking place in the Autumn and Mr Vickers said that he believed there was the potential for the County Council to be fully paid by Glitnir at least by June of next year. As to the money owed to the Council by Heritable, the base payment of 80% looked secure and Mr Vickers was optimistic that the County Council would recover all its monies except for that which it had paid to Ernst & Young in fees. On that point it was said, and agreed, that the County Council needed to keep a close eye on its expenditure on legal fees as these could quickly build to a level where they mitigated against any monies that may be recovered by pursuing legal action.
- iii. The Group agreed that the report which was to be submitted to the October meeting of Cabinet should also include details of the process to be adopted for the appointment of the Treasury Advisers. It was also agreed that immediately following the Cabinet meeting steps should be taken to publish a comprehensive and clear press release setting out the latest position on the County Council's claims in relation to its Icelandic Bank investments.

9. Date of the next meeting

It was agreed that the date of the next meeting would be arranged so as to coincide with the interviews of those companies selected for detailed tender evaluation in relation to the Treasury Advisory contract.

By: Cabinet Member for Finance
Director of Finance

To: Governance & Audit Committee – 1 December 2009

Subject: **DEBT RECOVERY**

Classification: Unrestricted

Summary: To report on the Council's debt recovery position

FOR INFORMATION

INTRODUCTION

1. The purpose of this report is to provide the Governance and Audit Committee with a summary of the Council's outstanding debt position i.e. amounts owed to the Council.
2. The report will be issued on a six-monthly basis and will provide information pertaining to current outstanding debt levels.

DEBT MANAGEMENT POLICY

3. A council wide debt management policy was introduced in April 2004 and was agreed by the Chief Officers Group (COG). The policy was revised in November 2006. The objective of the policy is to set best practice with consistent and effective processes for the maximisation of income and the management of the Council's sundry debt.
4. Given the nature of their debt, Kent Adult Social Services (KASS) have implemented their own debt management policy. This has been effective from 1 December 2007.
5. As of the 1st October 2009 KASS social care debt is no longer managed within Exchequer Services in CED but has passed to the KASS Directorate. The KASS reporting policy will be to base their data included within both this and any future reports, on the four weekly client billing cycle, not month end.

MANAGEMENT SUMMARY

6. The overall debt position as at 31 October (sundry debt) / 26 October (social care debt) is £42,508,401.70. This represents social care debt of £16,142,660.61 and sundry debt of £26,365,741.09.
7. Based on the four weekly client billing cycle referred to above, the total social care debt recorded on the ORACLE system, as at the 26th October 2009 is £16.265m, of which £4.370m is not yet due. However, £0.200m of this relates to

payments made by instalments, when adjusting for this the social care debt, we believe, that is owed to KCC is £12.095m. The age profile of this debt is.

- 0 - 60 days £2.9m
- Over 60 days and under 6 months £2.2m
- Over 6 months £7.0m

7. The remainder of this report relates to sundry debt only.
8. For the purposes of this report the debt aged zero days or less (totalling £12,967,263) has been excluded as it is deemed not yet due for payment. This means that the figures and tables within this report are based on the outstanding debt amount of £13,398,478.
9. Please note that throughout this report Chief Executive will include the old Corporate debt, CFE will include the old Education debt, and E&R will include the old Strategic Planning debt. We are unable to retrospectively amend Oracle to reflect the new directorate structure. The debt reporting is calculated from the invoice due date and not the invoice date.
10. The table below is an analysis of the summary position as at 31 October 2009.

Directorate	Outstanding Debt (excluding debts not yet due) £	0 – 60 Days £	Over 60 Days and Under 6 Months £	Over 6 Months £
Chief Executive	3,321,839	3,056,222	163,269	102,348
CFE	4,002,631	1,861,364	1,201,811	939,455
E&R	2,558,771	1,806,184	454,147	298,441
Communities	593,352	367,205	189,163	36,984
KASS (Sundry)	2,921,885	2,088,933	290,249	542,704
Total	13,398,478	9,179,907	2,298,639	1,919,931

DEBT LEVELS OVER SIX MONTHS OF AGE

11. Below is an analysis of the categories of debt over 6 months old.

Directorate	Status of Debt	Amount Over 6 Months Old
Chief Executive	Instalments	3,142
	Referred to legal services	5,828
	Referred to directorate for action	45,421
	Ongoing action	47,958
	Sub total	102,349

CFE	Instalments	19,459
	Referred to legal	5,832
	Referred to directorate for action	153,039
	Ongoing action	360,209
	Internal school charges	400,917
	Sub total	939,456
E&R	Referred to legal services	47,602
	Referred for write-off	1,212
	Ongoing action	51,919
	Referred to directorate for action	169,613
	Insurance	28,095
	Sub total	298,441
KASS (Sundry debt)	Instalments	18,582
	Referred to legal	12,259
	Referred for write-off	850
	Ongoing action	56,691
	Health debt	386,248
	Referred to directorate for action	68,073
Sub total	542,703	
Communities	Instalments	5,068
	Referred for write-off	203
	Referred to directorate for action	5,466
	Ongoing action	25,037
	Referred to legal services	1,210
	Sub total	36,984

DEBT RECOVERY PERFORMANCE INDICATORS

12. There are two corporate performance indicators that the Debt Recovery team aims to achieve. The performance indicators are based on a percentage of the total outstanding debt rather than on the value of the outstanding debt. This provides a more meaningful indication of how effective debt recovery action, by the team, is.
- (1) Total outstanding sundry debt less than 60 days old – target 65% or more.
(2) Total outstanding sundry debt over 6 months old – target 20% or less.
13. As at 31 October 2009 84% of the total sundry outstanding debt is under 60 days old and 5% is over 6 months old.
This means that on 31 October 2009 both targets were achieved.

DEBTS WRITTEN-OFF

14. From April 2009 the following debts have been through the authorisation process and have been input on the financial systems.

Directorate	Total £
Chief Executives	2,396

CFE	9,066
E&R	125,953
KASS (Sundry debt only)	62,404
Communities	9,788
Total	209,607

RECOMMENDATION

15. Members are asked to note this report.

By: John Simmonds, Cabinet Member for Finance
Lynda McMullan, Director of Finance

To: Governance & Audit Committee

1 December 2009

Subject: The risks to KCC resulting from the Private Finance Initiative

Summary: This report serves three key purposes:

- i. Provides a detailed explanation of the Private Finance Initiative (PFI)
- ii. Outlines Kent County Council's current exposure to PFI contracts
- iii. Identifies what our exposure to PFI might be in the future

FOR INFORMATION

BACKGROUND – WHAT IS PFI?

1. The Private Finance Initiative (PFI) is a form of contracting for large projects between the public and private sector, with the aim of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services. It is based on:
 - A long term service contract between a public sector body (Authority) and the SPV¹
 - Integration of design, building, financing and operation by the SPV
 - Allocation of risk to the party best able to manage and price it
 - Required performance standards set out in an 'output specification'
 - Single annual payment from the Authority (the Unitary Charge)
 - 'Pay for what you get' allowing for deductions for poor performance
 - Off-balance-sheet determination, leaving the Authority's borrowing capacity in tact (although this will not be the case for the 2009/10 Accounts)
 - Central Government support delivered through 'PFI credits'
2. The term 'PFI' does not define how services are designed or provided, simply how the provision of services are financed. However, the introduction of private finance and the transfer of operating and financial risk from the Authority to the SPV mean that there are strong pressures on the SPV from its funders to meet (if not exceed) the requirements of the Authority, so that the private capital is not at risk. Hence, additional time and resources are spent during the procurement process in defining in very precise terms the specification of the design, the replacement profiles and the levels of services required.
3. One or more Central Government departments will sponsor a PFI project. The sponsoring department(s) pay a stream of quarterly payments to the authority – the PFI credits. These are calculated to cover the notional capital element of the project, including both the initial capital expenditure and planned life cycle expenditures. The authority is responsible for funding the planned service package (Unitary Charge) from existing or enhanced revenue budgets.
4. During the procurement of a PFI project, the aim is to match the 'affordability curve' – the profile of PFI credits available to the Authority against the profile of Unitary Charges expected. The 'affordability gap' is the difference that arises between the two.

¹ The term 'Special Purpose Vehicle' (SPV) refers to the project company with which the public sector contracts

5. The provision of private finance to support the development of public services has been a part of the public sector landscape since 1992. The development of private finance has taken place against a background of public sector reform in virtually every area of the public sector. It should be recognised that PFI is a creature of its time and was entirely cognisant of successive governments' policies of modernising public services.
6. Appendix A provides an outline of the pros and cons of being involved in Private Finance Initiative contracts.

THE IFRS DEBATE: AN UPDATE

7. KCC has several long term PFI contracts. In accordance with the requirements of Application Note F – Private Finance Initiative and similar contracts as an amendment to Financial Reporting Standard 5 (Reporting the substance of transactions)', it is our accounting policy to write out the proportion of the assets that have been transferred, and create a prepayment to recognise this transfer of our assets. This is then written down over the life of the contract. We also create a long term debtor to recognise the residual value of the asset returning to us at the end of the contract, which is built up over the life of the contract. At the end of the contract the value of the long term debtor should match the transferring value of the asset and will be a simple transfer between balance sheet entries.
8. The full introduction of International Financial Reporting Standards (IFRS) in 2010/11 will result in PFI contracts being accounted for on-balance-sheet. SORP 2009 requires PFI contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC12 *Service Concession Arrangements* contained in the Government's Financial Reporting Manual, as this will assist in the transition to IFRS.
9. This means that from 2009/10, there will be a change of accounting treatment for PFI contracts. The new accounting treatment will apply where:
 - a. The local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price, and where;
 - b. The local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement.
10. The new accounting arrangements for PFI contracts will have no impact on council tax due to mitigating adjustments. CIPFA have clarified that they do not expect to see an increase in council tax as a result of the move to International Financial Reporting Standards.

KCC EXPOSURE TO PFI

11. The existing charges as outlined in KCC's 2008/09 Statement of Accounts are outlined below.
12. Westbrook and Westview Recuperative Care Facilities
In 2008/09 the authority made payments of £3.4m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Authority is committed to making payments of £3.2m for 2009/10 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract, which will run until April 2033.
13. Gravesham Place Integrated Care Centre
In 2009/10 the Authority is committed to making payments estimated at £2.2m per year under a contract with Land Securities for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, and is also dependent on the performance of Land Securities in delivering the services under the contract (£2.2m was paid in 2008/09). The contract will run until April 2036.

14. Swan Valley and Craylands Schools
In 2001, the Council contracted with New Schools (Swanscombe) Ltd to provide Swan Valley Secondary School and Craylands Primary School under a PFI. The schools opened in October 2002. Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The Unitary Charge commenced in October 2002, PFI credits were received from April 2003 and were backdated to October 2002. At the time the contract was signed the total estimated contract payments were £65.5m over the 25 year contract period (termination end of September 2027). In 2009/10 KCC will make a Unitary Charge payment of £2.4m.
15. Six New Schools
In October 2005, the Council contracted with Kent Education Partnership to provide six new secondary schools (Hugh Christie Technology College, Holmesdale Technology College, The North School, Ellington School for Girls, The Malling School and Aylesford School – Sports College) under a PFI. The development of these schools straddles both the 2006/07 and 2007/08 financial years. Three of these schools opened part of their new buildings in 2006/07; the other three schools opened their new buildings during 2007/08. The Unitary Charge commenced in November 2006, PFI credits commenced in June 2007 and were backdated to November 2006. At the time the contract was signed, the total estimated contract payments were £373.9m over the 28 year contract. The Unitary Charge payment in 2009/10 will be £11m.
16. Central Government provides a grant to support the PFI schemes (PFI credit). This Revenue Support Grant is based on a formula related to the capital expenditure in the scheme: this is called the notional credit approval, and amounts to £11.62m of credits for Swan Valley and Craylands and £80.75m for the six schools. This approval triggers the payment of a Revenue Support Grant over the life of the schemes of 25 and 28 years respectively. This grant amounts to just under £23m and just over £177m over the respective periods.
17. Better Homes Active Lives Extra Care Accommodation
In October 2008 the Authority signed a PFI contract with Kent Community Partnership to provide 357 units providing a range of Extra Care accommodation, units for people with learning difficulties, and units for people with mental health problems. The construction phase will last for two years and the contract for the provision of services will last until 2038/39. In 2008/09 the authority paid £66k to the contractor as two of the buildings were completed and ready for occupation. More of the buildings will be completed this financial year, and it is anticipated that the authority will pay £3.8m under this contract in 2009/10.
18. The PFI schemes outlined above have been classified as “off-balance-sheet” in the 2008/09 accounts, and payments to contractors have been treated as revenue expenditure.
19. Appendix C provides a detailed projection of our Unitary Charge commitments for the remaining terms of our current PFI contracts. Appendix D plots these Unitary Charges against the PFI credits we expect to receive from Government over the same period.

BUILDING SCHOOLS FOR THE FUTURE

20. The schools in Wave 3 of Building Schools for the Future (BSF) are at various stages of construction, with some early phases of the non-PFI Schools having already been completed and handed over. The PFI schools are all due to be completed and handed over during June/July of 2010.

21. The capital expenditure for Wave 3 (excluding Portal House Special School which has been delayed until Wave 4) is broken down as follows:

Wave 3	Capital Expenditure £m	% of Total
Design & Build Schools (Conventionally Funded)	127.87	64.7
PFI	69.75	35.3
Total	197.62	100.0

22. PFI credits of £98.94m were allocated to the Wave 3 PFI schools and the annual affordability gap, at Financial Close in October 2008, was £901k (based on April 2009 prices). This affordability gap will be charged to the Dedicated Schools Grant (DSG). The figure of £901k per annum was a considerable reduction from the estimate contained in the original report to Cabinet of £3.3m per annum.
23. The level of PFI credits allocated to projects in Wave 3 was based on 100% new build, rather than the usual funding model of 50:35:15 (new build/refurbish/refresh). This generated a higher level of PFI credits for Wave 3 than would otherwise be received. Although the allocation of funds towards the PFI projects beyond the 50:35:15 split generates a more efficient funding model, there may not always be sufficient funding to be able to achieve this, in which case the annual affordability gap would be higher than experienced on Wave 3.
24. The capital expenditure for Wave 4 is estimated as follows:

Wave 4	Capital Expenditure £m	% of Total
Design & Build Schools (Conventionally Funded)	120.9	58.2
PFI	86.8	41.8
Total	207.7	100.0

25. BSF Wave 4 will involve £138.3m worth of PFI credits (subject to final approval by Partnership for Schools), with a current estimated affordability gap of £3.22m per annum. This has been agreed by Cabinet in principle, subject to sign-off of the final business case, and will be included in the next capital programme.
26. It is intended that any affordability gap will be charged through the DSG for Wave 4 and future BSF Waves.
27. Plans for Waves 5 and 6 are yet to be agreed by Members. For Wave 5, current figures indicate four PFI schools with an estimated capital cost of some £104m out of a total of £223m and an estimated affordability gap of some £3.65m per annum. For Wave 6, current figures indicate four PFI schools with an estimated capital cost of some £83m out of a total of £157m and an estimated affordability gap of some £3.3m per annum.
28. Given the current economic climate and the added uncertainty of a potential change in Government in the near future, there is not much clarity to help in planning for future waves of BSF (ie. Waves 7-15). However we have a very early estimate of PFI capital expenditure of £176m from a total capital expenditure of £726m (i.e. approximately 24%) with an estimated affordability gap of some £9m per annum.

RISKS

29. The PFI approach to risk is to pass as much as possible to the private sector. The more risk transferred, the higher the unitary charges paid by the public authority. This risk transference can be considered to be worthwhile, due to the better track record of the private sector's ability to deliver capital projects on time and on budget compared to the public sector.

30. However, questions need to be asked as to whether risk transference under PFI deals is always appropriate, notwithstanding the problems associated with placing a value on risk transfer. This issue is particularly pertinent at this time, as the global credit crunch is making PFI schemes even more expensive due to rising risk premia. In essence, the pricing of risk may not always have been optimal.
31. Under PFI, responsibility for the design, build, financing and operation of a project is transferred to the private sector, along with the associated risks. It is accepted that, while it may be a more expensive route, the private sector is better equipped to handle the risks and responsibility for the designing and building elements. However, it is suggested that the operating stage of PFI deals would be better handled by local authorities.
32. Other risks associated with KCC's future involvement in PFI contracts include:
 - Can the Government afford to keep providing support through PFI credits?
 - Will the Government continue to provide financial support to existing contracts over the long life span of those contracts?
 - Can we afford to keep plugging the affordability gaps which arise in many PFI contracts?
 - If schools agree to take a charge from the Dedicated Schools Grant (DSG) to contribute towards the Unitary Charge, there is a risk to KCC
33. The Building Schools for the Future Board fully considers all the risks before entering into PFI contracts. This Board helps the Authority to mitigate against these risks.

CONCLUSIONS

34. KCC has hugely benefitted through the Private Finance Initiative. For example, we already have ten new secondary schools and one new primary school (one secondary and one primary under the Swan Valley and Craylands Schools PFI, six secondary schools under the Six Schools PFI, and three secondary schools under BSF Wave 3).
35. The change in accounting treatment for PFI contracts from 2009/10, resulting from the introduction of IFRS, will have no impact on council tax.
36. The new accounting treatment of PFI contracts under IFRS will result in the value of the assets and full liabilities being disclosed in the accounts. This will make the disclosure of PFI contracts more transparent.
37. In 2009/10 we are committed to paying a total Unitary Charge of £23.6m in relation to our PFI contracts. This will peak in 2026/27 at £41.6m.
38. We expect to enter into further PFI contracts in the future Waves of the Building Schools for the Future programme, therefore the Authority's Unitary Charge commitments are likely to increase in future years.

RECOMMENDATION

39. Members are asked to note this report.

PFI: the pros and cons

Successful PFI projects are able to achieve budget savings and are more likely to be completed on time compared to conventionally procured projects. There are a number of possible contributing factors towards this:

- i. Integration of service delivery with design, construction and maintenance
- ii. Identification and allocation of risks during the procurement phase
- iii. Investment in service delivery is possible over the full contract period
- iv. Focus on the needs of service users linking through to payment mechanism (though it is questionable whether PFI leads to unnecessary over-specification of assets/services)
- v. Incentivisation to provide services to the required standard as quickly as possible through the operation of deductions from the Unitary Charge
- vi. Stability and certainty in the delivery of services and level of payments required during the operational phase
- vii. Standardisation of project documentation allowing for quicker resolution of ideas.

The disadvantages associated with the PFI include the following:

- i. The resources required to deal with procurement is significant – the time and cost of delivery is high
- ii. Bid costs borne by the successful SPV will be recouped from the authority through the Unitary Charge (albeit as a price for risk transfer, which is difficult to quantify)
- iii. Preferred bidder games – if competition is less, there may be unplanned price increases to financial close
- iv. Potential inflexibility in accommodating changes in service provision, although this should be properly negotiated in the change mechanism to leave the Authority 'no better or worse' than before
- v. Termination payment where Authority chooses to exit contract prematurely
- vi. Inflexibility in reducing payments where Authority is facing revenue pressures – the unitary charge stream is effectively fixed
- vii. Approvals required – internally and from Government – adds to procurement time
- viii. Perceived loss of control over public services to the private sector.

The National Audit Office report, *The performance of PFI construction*, which studied public sector building projects worth over £20m completed in 2008, has found that 35% exceeded budget and 31% suffered time delays. This indicates a slip in PFI performance in the last five years. However, the report also found that the PFI remains more reliable than alternative methods of financing public building projects, where only 63% of non-PFI projects were completed on time, and 54% to the contracted price². KCC building projects tend to be worth less than £20m, and have much more positive outcomes than those in the National Audit Office report.

An attraction of the PFI to Central Government has always been that the costs of procuring a new asset are treated as revenue expenditure in the accounts of the public sector organisation. It records neither the asset nor the debt, but it is required to disclose its future commitments under PFI contracts as a note to the balance sheet. This means that within the balance sheet, UK public sector borrowing is not shown to be increasing as much as it otherwise would. However, as outlined in Section 5 of this paper, the introduction of International Financial Reporting Standards (IFRS) will require that PFI contracts be accounted for as a public and not a private sector balance sheet entry. This technical change could have a significant impact on the government's appetite to push PFI.

² PFI projects going over budget, auditors find (Public Finance, 5 October 2009, David Williams)

Irrespective of the balance sheet treatment, a legitimate question to ask is, "Do PFI schemes offer value for money?" A PFI scheme is unlikely to be the cheapest solution, but in 2001 the NAO reported that, "Acceptance of the lowest priced bid does not provide value for money in construction cost or life cost."

As PFI project experience increases it has become apparent that it is best used for high value, high risk areas which have not previously been identified as possible areas for procurement and for which the employer would not have the capital available to invest upfront. However, the question of whether PFI is the most appropriate route needs to be tested by qualitative and quantitative value for money analysis.

The experience of local authorities has resulted in a sense of mixed feelings about whether PFI projects deliver good value for money.

There is an uneven playing field between the PFI and other procurement routes, because of the availability of PFI credits. In many cases therefore, PFI has been "the only game in town", because projects would otherwise be unaffordable.

Appendix B contains a recent article from Public Finance magazine, which identifies that a recent National Audit Office inquiry has been unable to find strong evidence that private funding for building schemes offers the best value for money.

No evidence that private funding schemes provide value, says NAO

By Tash Shifrin

Public Finance, 13 November 2009³

Ministers do not have strong evidence to show that private finance funding for building schemes offers the best value for money, auditors have warned.

In evidence prepared for a parliamentary inquiry, the National Audit Office said there were now more than 500 Private Finance Initiative projects in England. They have a capital value of more than £28bn, with other public-private partnerships adding £18bn.

But it warned: 'Our view is that private finance can deliver benefits, but it is not suitable at any price or in every circumstance.'

The warning comes as Wakefield Metropolitan District Council confirmed it will not sign off its £700m waste disposal contract until next year.

The scheme was set to be the next major PFI deal, but the council has struggled to reach financial close since selecting preferred bidder VT Group in November 2007. Construction had been planned to begin in 2009.

Wakefield chief executive Joanne Roney told *Public Finance* that moving towards financial close had been 'a complex and challenging process in view of the economic climate'.

The NAO paper, produced for the Lords economic affairs committee, noted that 'assessing the pros and cons of alternative procurement routes is especially important in the recession'. Rising costs of private finance since the credit crunch had 'implications for their value for money'.

The paper added: 'We have yet to come across truly robust and systematic evaluation of the use of private finance built into PPPs at either a project or programme level' – evidence that committee chair Lord Vallance described as 'quite unequivocal'.

Systems to collect comparable data from projects using different procurement routes were 'not in place', the paper said. 'Unless such systems are established, together with robust evaluation of the overall whole-life costs of alternative forms of procurement, government cannot satisfy itself that private finance represents the best VFM option.'

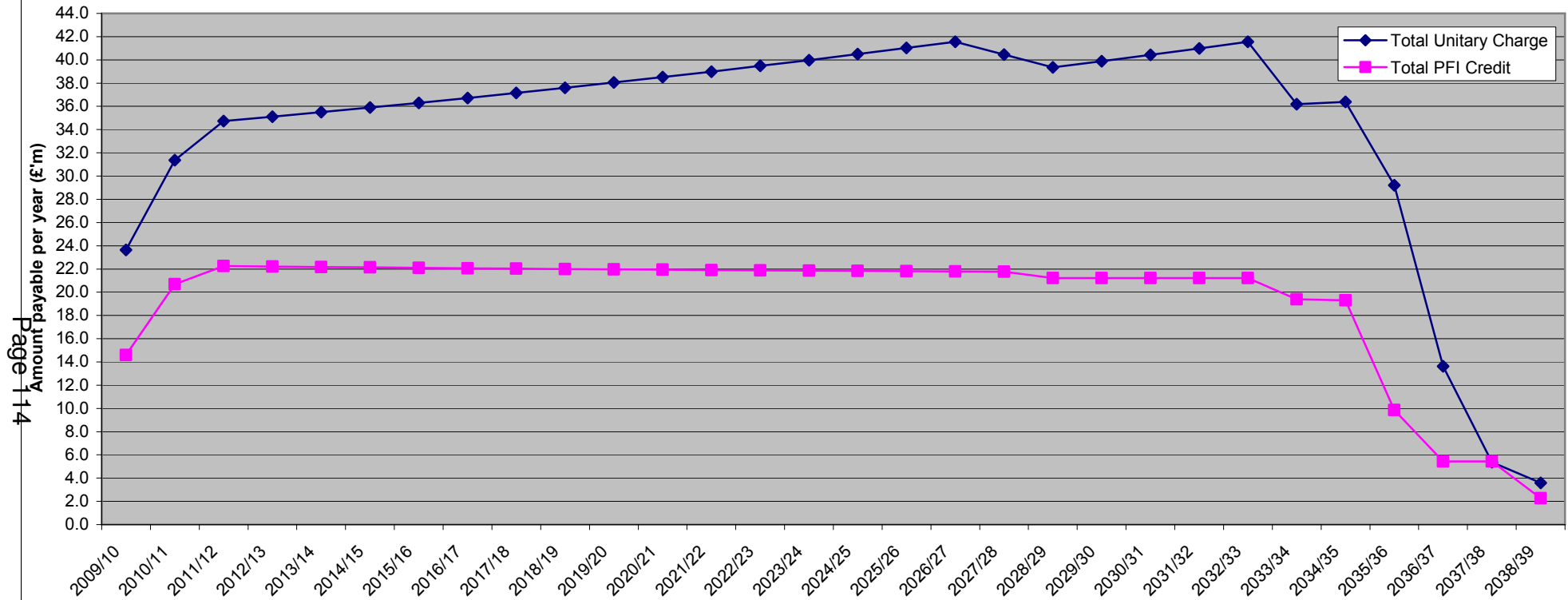
NAO head Amyas Morse told the committee: 'I think it's symptomatic of... how little of a universal culture of evidence and measurement there seems to be in a number of complex government activities.'

³ Article available at www.publicfinance.co.uk Page 112

APPENDIX C

Year	Projected Unitary Charge Payable						
	Swan Valley & Craylands £'m	Six schools £'m	BSF Wave 3 £'m	Westbrook & Westview £'m	Gravesham Place £'m	Better Homes Active Lives £'m	Total £'m
2009/10	2.5	11.9	0.0	3.2	2.2	3.8	23.6
2010/11	2.6	12.0	5.9	3.3	2.3	5.4	31.4
2011/12	2.6	12.1	9.0	3.4	2.3	5.4	34.7
2012/13	2.6	12.2	9.0	3.5	2.4	5.4	35.1
2013/14	2.7	12.4	9.1	3.6	2.4	5.4	35.5
2014/15	2.7	12.5	9.2	3.7	2.4	5.4	35.9
2015/16	2.7	12.6	9.3	3.8	2.5	5.4	36.3
2016/17	2.8	12.8	9.4	3.9	2.5	5.4	36.7
2017/18	2.8	12.9	9.5	4.0	2.6	5.4	37.2
2018/19	2.9	13.1	9.5	4.1	2.7	5.4	37.6
2019/20	2.9	13.2	9.6	4.2	2.7	5.4	38.0
2020/21	2.9	13.4	9.7	4.4	2.8	5.4	38.5
2021/22	3.0	13.5	9.8	4.5	2.8	5.4	39.0
2022/23	3.0	13.7	9.9	4.6	2.9	5.4	39.5
2023/24	3.1	13.8	10.0	4.7	2.9	5.4	40.0
2024/25	3.1	14.0	10.1	4.9	3.0	5.4	40.5
2025/26	3.2	14.2	10.2	5.0	3.0	5.4	41.0
2026/27	3.2	14.4	10.4	5.2	3.1	5.4	41.6
2027/28	1.6	14.5	10.5	5.3	3.2	5.4	40.5
2028/29	0.0	14.7	10.6	5.4	3.2	5.4	39.4
2029/30	0.0	14.9	10.7	5.6	3.3	5.4	39.9
2030/31	0.0	15.1	10.8	5.8	3.4	5.4	40.4
2031/32	0.0	15.3	10.9	5.9	3.4	5.4	41.0
2032/33	0.0	15.5	11.1	6.1	3.5	5.4	41.6
2033/34	0.0	15.7	11.2	0.3	3.6	5.4	36.2
2034/35	0.0	16.0	11.3	0.0	3.6	5.4	36.3
2035/36	0.0	16.2	3.9	0.0	3.7	5.4	29.2
2036/37	0.0	8.2	0.0	0.0	0.0	5.4	13.6
2037/38	0.0	0.0	0.0	0.0	0.0	5.4	5.4
2038/39	0.0	0.0	0.0	0.0	0.0	3.6	3.6

Projected Unitary Charges and related PFI credits over remaining term of existing PFI contracts (2009/10 onwards)



This graph shows the gap simply between the anticipated Unitary Charges for the remainder of the contract periods and the PFI credits paid to the Authority for the following PFI contracts: Westbrook and Westview Recuperative Care Facilities, Gravesham Place Integrated Care Centre, Swan Valley and Craylands Schools, Six New Schools, Better Homes Active Lives Extra Care Accommodation, and schools under Wave 3 of the Building Schools for the Future programme.

When considering the liability of the Authority the following points should also be taken into account.

- Indexation - increases or decreases which are different from those anticipated in the financial modelling
- The contract management costs incurred by the Authority
- Interest on balances during the life of the contract
- Market testing of Facilities Management services (every five years)
- Significant fluctuations in cost such as insurance due to changes in the market

By: Cabinet Member for Finance
Director of Finance

To: Governance and Audit Committee – 1 December 2009

Subject: **ePAYMENT PROJECT**

Classification: Unrestricted

Summary: To report on improvements underway to the Council's processes for making payments to suppliers.

FOR DECISION

INTRODUCTION

1. With an external spend on goods and services approaching £1bn per annum the Authority needs to be able to transact payment processes in an efficient way. This report updates members on a new project aimed at achieving a step change in how we transact business.

CURRENT POSITION

2. The main means of making payments currently are:
 - (1) Oracle Accounts Payable – this is our main payment system and is part of the Oracle suite of financial software used by the Authority. Accounts Payable processes around 370,000 commercial manual invoices annually – a further 50,000 commercial invoices are processed electronically through interfaces linked to business systems.
 - (2) Oracle iProcurement – iProcurement was implemented in November 2007 and processes around 30,000 Purchase Orders annually. The scope of iProcurement is limited as it excluded transactions going through the Council's major business systems eg. SRP in KASS and MIDAS in Highways.
 - (3) Purchase Cards – a limited roll-out of purchase cards has been undertaken for low value, low frequency transactions. There are around 500 cards currently issued. Purchase cards do have internal control risks as well publicised issues recently at the Metropolitan Police illustrates.

- (4) Imprest Accounts – these are local cheque accounts, some with a facility for cash. Purchase cards have been used to reduce the number of imprest accounts.

BUSINESS IMPROVEMENT PROJECT

3. This project was launched in July 2009 by the Chief Executive and Director of Finance. The main focus for the project was the scope to reduce the number of manual invoices and identify other efficiencies in the payment process. The report was completed in September.
4. The key metrics from the report were:
 - 17,500 suppliers on the Accounts payable system.
 - January – July 2009 3,500 “commercial suppliers” set up
 - 1 April 2008-31 May 2009 400,000 invoice processed
 - 13,681 suppliers who have invoiced KCC between 1 and 10 times (34,005 invoices) – value £104m
 - 6,542 suppliers with an account value of less than £500
 - 35 suppliers who invoiced KCC over 1,000 times
 - 48,000 Commercial services invoices, 16,000 Kent top temps invoices
5. In the Appendix a summary of the Project Plan is attached. The Project sponsor is Lynda McMullan and Finance Strategy Board is the project steering group. The timeline for completion of the work is April 2010.
6. The project has strong links with the major Procurement Review now underway.
7. We will report progress in 6 months time.

RECOMMENDATION

8. Members are asked to endorse the approach set out.

Nick Vickers
Head of Financial Services
X4603

Business Improvement Project Plan

Workstream Owner	Activity	Month 1				Month 2				Month 3				Month 4				Month 5				Month 6			
		WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4	WK1	WK2	WK3	WK4
Project Manager	Project Management - Meetings, Reporting	▶																							
Project Manager	Communications	▶																							
Linda Arnold	Pcard Use - Standardised document	▶																							
Linda Arnold	Pcard - eSolutions Software Implementation	▶																							
Kerrie Cameron	Invoice Process Improvement - 34 Key Suppliers	▶																							
Les Coulson	Invoice Process Improvement - Commercial Services	▶																							
Kerrie Cameron	New Supplier eForm & Approval Process	▶				▶																			
Kerrie Cameron	Knet Supplier Search Capability	▶				▶																			
Kerrie Cameron	Supplier Rationalisation Programme	▶				▶																			
Owner - ISG (TBC)	Oracle																								
Project Manager	Project Close	▶																							

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By: Roger Gough – Member for Corporate Support Services
and Performance Management
David Tonks – Head of Audit and Risk
To: Governance and Audit Committee – 1 December 2009
Subject: INTERNAL AUDIT PROGRESS REPORT
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity.

FOR INFORMATION AND DECISION

Introduction

1. This report summarises the progress against the 2009/10 internal audit programme, provides the results from reviews that we have completed in the period since the last report to the Governance and Audit Committee, and reports the achievement against Internal Audit's Key Performance Indicators.

Overview of Progress

2. This report contains the outcome of Internal Audit's work completed during August, September and October 2009 and audits started, or at draft report stage up to 31 October 2009. During this period 12 audits were completed, 11 draft reports were issued, and 11 audits started.
3. Annex A provides an update on the residual work from the 2008/09 audit programme. Of the seven reviews listed, six have been completed since the last progress report. The remaining review is at draft report stage and will be finalised by the end of quarter three. Detailed progress against the planned audits for 2009/10 is listed at annex B, and a summary of each of the 11 audits completed in the period is at annex C.
4. The audit programme is progressing well in line with the timetable agreed by the Governance and Audit Committee in March 2009. There have been some necessary and routine adjustments to the timing of individual audits, but it is anticipated that 95% of the plan (in line with our target), will be finalised by March 2010.
5. Due to operational requirements there have been amendments made to the content of the internal audit programme for 2009/10. These are detailed at annex D, and show a small overall increase in the level of work to be completed. The changes made have all been agreed by the Head of Audit & Risk and the Senior Audit Manager, and do not represent any compromise on the independent position of Internal Audit, and still provide the required level of assurance in relation to risks identified.

6. Other information included in this report is:

- Directorates' progress against the implementation of recommendations made and agreed which were due to be actioned by October 2009 (annex E)
- A summary of the advisory and other work of Internal Audit (annex G)
- A detailed breakdown of Internal Audit Performance Indicators (annex H).

Irregularities

7. Since the end of August 2009 three cases of suspected irregularity have been reported, each involving either KCC finances or business processes. These are currently under investigation. Two investigations have been concluded during the period which are summarised at annex F.

Implications for Governance

8. No significant control weaknesses have been identified from the audits completed or the irregularities investigated in the current financial year. All audits are allocated an assurance level which are defined in annex I. Of the 11 audits completed in the current reporting period, none were given the lowest category of assurance (minimal) which could indicate a significant risk for the Council.

Recommendation

9. Members are asked to:

- Consider the report and comment on the
 - progress to date against the 2009/10 audit programme, and
 - changes to the audit programme.
- Consider and comment on the implications for governance as a result of the outcome of the internal audit programme completed to date.

David Tonks

Head of Audit & Risk

Ext: 4614

16 November 2009

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW01 2009	Corporate Governance	<p>Work to include high level review of corporate governance arrangements against best practice and will also consider adequacy of processes underpinning Governance Statement.</p> <p>The review will consider a sample of directorates' progress against their actions stated in the Annual Governance Statements.</p>	Q4	6 Mar 09	21 July 2009	25 Aug 2009	High	
AW02 2009	Risk Management	<p>Work to build on the high level review undertaken in 2007/2008 to focus on the adequacy of corporate risk management arrangements and the linkages between; Business planning, Performance appraisal, Budgeting processes.</p>	Q4	16 Mar 09	6 Aug 09	10 Sep 2009	Substantial	
AW04 2009	Contract monitoring and tendering process	<p>Review of tendering procedures and contract monitoring. Scope to include, processes for tender evaluation and selection of suppliers, review of processes to manage key contracts, quality assurance of suppliers processes. The individual contracts that are reviewed will include Building Schools for the Future (BSF)</p>	Q2/3	Apr 09	10 July 09			<p>A meeting was held with the directorate to discuss their responses to the draft report. The directorate has provided some further information and a second report will be drafted.</p>
AW08 2009	ICT Procurements (originally Third party ICT Provision – Procurement)	<p>Review the contractual arrangements for the provision of ICT services by third parties to business-critical computer systems. Sample to be agreed with management prior to audit.</p>	Q3	16 Mar 2009	18 Sep 2009	16 Oct 2009	Substantial	

Progress against 2008-9 Audit Plan

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S08(b) 2009	Payroll Amendments	Substantive "Cradle to Grave" approach, following through samples of payments for example, permanent and temporary changes to pay.	Q4	1 Dec 2008	7 Aug 2009	24 Aug 2009	High	
KASS01 2009	Capital Projects	Post implementation review of a capital project.	Q4	12 Jan 2009	1 Oct 2009	9 Nov 2009	N/A	
ER08 2009	Local transport plan	Examine system and process for prioritising KCC transport schemes.	Q4	6 April 2009	3 Aug 2009	6 Oct 2009	High	

**Progress Against 2009-10 Audit Plan
Quarters 1,2 and 3**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW03 2010	Governance of Partnerships	Follow up of prior year audit; and to provide assurance on the adequacy of processes to ensure that objectives of partnerships are achieved and that expected outcomes can be demonstrated.	Q2					Start delayed until Q3
AW04 2010	Pro-active Fraud work - Contracts	Review procurement practices in a sample of areas to provide assurance that potential of fraud is minimised.	Q1					This will be on going throughout the year
AW07 2010	Premises Security	A review of premises security including the processes in place for decommissioning premises.	Q1	12 May 2009	10 July 2009	16 Sep 2009	Substantial	
AW10 2010	Use of databases and spreadsheets	A review of the use of databases and spreadsheets which hold sensitive data separately from the core systems	Q2					Start delayed until Q3
AW11 2010	Business Continuity Planning	Follow up to work carried out in 2008/09 to review progress being made	Q2					Start delayed until Q3/4
S01	Year End Accounts Closedown	Assurance that income and expenditure are accounted of in the correct financial year.	Q1	7 Apr 2009	15 May 09	11 June 2009	Substantial	Completed
S03	General Ledger	Testing of the adequacy of input controls including feeder system interfaces into the General ledger and reconciliation of control and expense accounts.	Q4	9 Oct 2009				
S04	Imprest Accounts	A review of imprest accounts in the Authority to assess whether they are operated within approved limits and identify any accounts surplus to requirements.	Q1	29 June 2009				Report being drafted. The scope of the original audit was expanded to include a review of the transactions of the accounts.
S05	Accounts Payable	Review of Accounts Payable system and processes	Q2	17 Aug 2009				

**Progress Against 2009-10 Audit Plan
Quarters 1,2 and 3**

Annex B

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S07	Treasury Management	A review of treasury management arrangements	Q1					This audit will take place in Q3/4 to allow officers to embed changes made recently in the staffing roles & responsibilities.
S10	Pension Contributions	A review of the system for transfers in and transfers out of the Local Government Pension Scheme	Q2	18 Aug 2009	13 Oct 2009	22 Oct 2009	High	
S13	Management Review	To provide assistance at year end for the 'close down'.	Q1	8 May 2009	N/A	N/A	N/A	Completed
S14	Overtime Payments	Final follow up to overtime payments audit to review the implementation of key changes, including how working time directives are managed	Q3	12 Oct 09				Report being drafted
CED01	Income – Legal Department	Provide assurance that all income due is completely recorded, invoiced and collected in a timely manner.	Q1	15 June 2009	25 Sep 2009	6 Nov 2009	Limited	
CED02	Routewise	Provide assurance on accuracy and validity of payments made via Routewise	Q2					Audit to be incorporated into CFE04 SEN Transport– see below.
CED03	Property Management System Security	Property management application security controls, including users' access rights, web access and segregations of duties.	Q1	16 July 2009	18 Sep 2009	22 Oct 2009	Substantial	
CED05	Staffcare Services	A review to provide assurance that payments for Staffcare Services are made only for reasonable/appropriate services received by KCC staff; which are adequately evidenced and payments are appropriately authorised.	Q3	21 Oct 2009				

**Progress Against 2009-10 Audit Plan
Quarters 1,2 and 3**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CED07	Axis Pensions System	A review of application controls, security and management of the operation of the Axis Pensions system.	Q1	3 Aug 2009	18 Aug 2009	25 Aug 2009	Substantial	
CFE01	Data Quality	An audit to assess controls the Directorate rely upon to ensure the accuracy of the information used to complete DCSF statutory returns.	Q1	19 Aug 2009				Report being drafted
CFE04	SEN Transport	A review of the Special Education Needs (SEN) transport provision to confirm the arrangements meet pupil needs whilst achieving VFM (use of taxis) and effectiveness use of finances. The audit will incorporate CED08 Routewise – the system used to manage SEN transport and will include the accuracy and validity of payments.	Q3	12 Oct 09				
CFE08	ContactPoint	A review of the IT security controls and arrangements in place for training, granting access and monitoring.	N/A					Ongoing advice and information provided on the implementation of the ContactPoint system.
CFE12 2010	Asylum Imprest Account	A follow up to the work undertaken in 2008/09 to confirm that the imprest account is managed and accounted for correctly	Q1/2	12 Oct 2009				Start of audit delayed at request of directorate.
CFE12	Children's Centre Resource system	Review of project management or review of the design of the application controls within the system.	Q3/4	6 May 2009				Ongoing – providing pro active input to the project
CMY03	Business and Project Risk Identification	An assessment of the processes that enable the Directorate to identify and respond to key risks.	Q1					This audit is no longer going ahead

**Progress Against 2009-10 Audit Plan
Quarters 1,2 and 3**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CMY05	Coroners' Imprest Accounts	A follow up audit to review the progress of the implementation of recommendations made.	Q2	10 Aug 09	7 Sep 2009	6 Oct 2009	Limited	
CMY08 (a)	Key Training	A review of the processes for forecasting and managing the budget. Part (b) will review the effectiveness of action plans to address the budget deficit.	Q2	9 July 09	24 Aug 2009	27 Aug 2009	N/A	A second review will take place to evaluate progress against the action plan that has been put in place to recover the deficit.
CMY09	Apprenticeship Scheme	Examination of costings by Key Training for delivering the Apprenticeship Scheme		16 Sept 2009	23 Oct 2009			
KASS01	CRB - Volunteers	Follow up audit of controls relating to CRB checks on volunteers used in KASS	Q1	10 June 09	5 Oct 09			
KASS03	Direct Payments	Evaluation of the effectiveness of the operation of Direct Payments	Q2	7 Sept 2009				Ongoing
KASS09	Swift – Client Billing	Post implementation review	Q1	6 May 09	20 Aug 2009			Awaiting Directorates response
ER01	Kent Highways Service	Evaluation of costings	Q1	9 Nov 2009				ToR issued work has commenced
ER02	Kent Thameside Regeneration	Review of how the engagement strategy is being applied in practice for the Kent Thameside Regeneration project.	Q2	1 Sep 2009				
ER03	Ashford Regeneration	Review of how the engagement strategy is being applied in practice for the Ashford Regeneration project. This audit will be carried out in collaboration	Q2					This audit will now commence in Q4.

**Progress Against 2009-10 Audit Plan
Quarters 1,2 and 3**

Annex B

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		with Ashford BC						
ER07	Allington Incinerator	To provide assurance on the effectiveness of the systems to support the operation of the waste to energy plant.	Q3	26 Oct 2009				

Audits highlighted in bold indicate completed audits

AW01 (2009) – Corporate Governance

Scope

This audit reviewed the following areas:-

- The functioning of the Policy Overview and Cabinet Scrutiny Committees
- The role of the Monitoring Officer
- A sample of the action plans for improvements in key controls as identified in the directorates' Annual Governance Statements (AGS).

Overall Assurance - High

KCC has adopted a multi committee model of overview and scrutiny and has four Policy Overview Committees (POCs) representing the four directorates; a Health Overview Committee and a Policy Overview Co-ordinating Committee as well as a separate Cabinet Scrutiny Committee. We found that the Overview and Scrutiny function complies with the main requirements of the Local Government Act (2000) and the Department for Communities and Local Government (DCLG) guidance, and works effectively to discharge its role. We reviewed the POCs for KASS and E&R directorates. We found that proceedings of the committees are compliant with DCLG guidance and that they play an important role in influencing policy decisions and reviewing performance of the directorates.

The Constitution has designated the Director of Law & Governance as the Monitoring Officer for the Council. We found that the Monitoring Officer discharges his responsibility through the organisational structure and processes he has in place in his department. The staff in Legal Services routinely provide advice

on legality issues and highlight any areas of concern directly to the business units concerned as well as escalate them to the Monitoring Officer if required.

The directorate managing directors and the CED unit heads are required to prepare and Annual Governance Statement (AGS) in relation of their areas which then informs the overall AGS of the Council. We found that there were not always specific action plans for the areas identified in the AGSs, however, these areas were monitored by senior management of the directorates/units as part of their performance monitoring and risk management. There were no recommendations made for this audit.

AW02 (2009) – Risk Management

Scope

The objective of the audit was to review progress against recommendations made and agreed in the Risk Management audit completed in 2008.

Overall Assurance – Substantial

The audit found that there are a number of processes within the Council that help to identify and monitor risks which might prevent the unit, service or directorate from achieving its objectives. These include:-

- Business Planning and Business Performance Monitoring;
- Budget setting and financial reporting;
- Performance appraisals;
- Audits and inspections;
- Risk registers including a strategic risk register which is reviewed by the Chief Officer's Group and Cabinet.

A number of developments have also taken place during the year which have helped to further strengthen the risk management process including the establishment of a Risk Management Group, with representation from risk management leads across the Authority. The group has been set up to help develop the integration of risk management within business planning and performance. Other improvements are:

- Risk workshops and training – Workshops have been held for staff and Members. The aim of the workshops was to provide practical guidance about applying KCC's approach to business risk management in day to day activities. The Corporate Risk and Insurance Manager has developed a revised Risk Management Toolkit to assist staff.
- Risk Registers at service levels – All directorates now identify risks at both directorate and service unit level. Where there are not separate risk registers for service unit level risks these are included in their service plans. Risk registers are 'refreshed' twice a year and are reported to the respective Policy Overview Committees, the Chief Officer Group and the Governance and Audit Committee annually.
- A definition has been agreed for significant contractors, which will include partnerships. This will enable directorates to ensure that there is a business continuity plan in place. The Corporate Risk Register has also been amended to include key partnership risks.

One recommendation has been made which has been accepted by management.

AW07 – Premises Security (Communities Directorate)

Scope

KCC has a portfolio of over 1,400 establishments representing the diversity of the services offered by the Authority. The objective of the audit was to review security arrangements in a sample of establishments to ensure that premises, equipment and information are protected against unauthorised access and theft, and that staff are protected. Premises security will be carried out on a cyclical basis across the Authority.

Overall Assurance - Substantial

As part of the audit, 10 Communities establishments were visited. Although discussions with staff with responsibility for security demonstrated that they were aware of the security issues in relation to their premises, and had given full consideration to possible security risks, they had not received formal security training and there were no formal risk assessments or incident action plans. Therefore the mitigation of security risks lies with individual members of staff rather than any defined system. There was no central contact point for advice on security issues or methods of recording security incidents; which although rare, varied between premises.

The majority of premises visited as part of the audit were buildings that had public access. Access was restricted to non-public areas and visitor books were in place for non-public visitors for example, contractors. Although the audit concentrated on the Communities Directorate, several of the emerging issues apply across the whole Authority and this is reflected in the recommendations.

ICT Procurement

Scope

To review the processes in place for the procurement of ICT equipment and services across the Authority.

Overall Assurance – Substantial

A framework of controls is in place for the procurement of ICT systems and services across the Authority, with a number of sources of guidance and advice available to those involved in the procurement process. The following controls were identified:

- General procurement guidance (non-ICT specific) and a ICT Tendering Toolkit is available to Directorates
- An experience team is in place within ISG to provide further guidance and counsel during the procurement process
- A number of best practice guidelines have been adopted by ISG, such as those issued by OGC Buying Solutions
- Lunchtime information sessions have been held to raise awareness of staff of general procurement policies and procedures.

However, the following opportunities for greater co-ordination / cooperation across the Authority were identified:

- The discussion of ICT procurement activities underway within Directorates on an Authority-wide basis to share experience and to identify opportunities for joint procurement activity
- The issuance of formal guidance on ICT procurement (category management)

- The continuation of the risk assessment process for critical ICT service providers, during the current period of economic uncertainty
- The provision of ICT procurement (category management) training and awareness sessions for staff involved in such activity, to enable knowledge and experience to be shared more effectively.

Three recommendations have been made which have been accepted by management.

CED01 Legal Services – Income

Scope

The objective of the audit was to review the process in place to ensure that all income due is identified, that charges are correct, invoices are raised promptly and accurately, income is banked completely and promptly and debts are recovered.

Overall Assurance - Limited

Legal Services income for 2008/09 was over £6m, the majority of which was for legal services provided to internal clients (£4,726,000), with £1,365,500 received from external clients.

We found that charges for work carried out are costed, reviewed approved and communicated to clients annually. There are guidelines for recording chargeable time spent on cases. Charges for work carried out for internal clients is recovered each month via journal transfers and for external clients invoices are raised each month for legal costs incurred.

There is however, a lack of control over the identification, recovery and monitoring of costs due from third parties. There is no formal invoicing process in place, and we found examples where client's invoices comprised an email/letter by the 'fee earner'. This means that debts are not identified resulting in an increased risk that debts may not be recovered. We also found examples where the 'fee earner' had sent emails requesting payment and had received the cheque, giving rise to a lack of segregation of duties.

We also found examples where further legal work had been carried out after the conclusion of cases (for example enquiries, correspondence and clerical duties) which were not always charged, resulting in a potential loss of income.

Five recommendations have been made which have been accepted by management.

CED03 – Property Management System – Security Review

Scope

To review the Enterprise system application controls, focussing on users' access rights and segregations of duties.

Overall Assurance – Substantial

The Enterprise application is the asset management application used to enable the management of the KCC estate, and is supplied by a third party, Tribal. KCC's Enterprise database also holds individual data for schools on:

- Condition surveys and maintenance requirements

- Suitability assessments
- Sufficiency (capacity) assessments and admission numbers
- Documents including premises development plans and condition survey summaries.

The audit found that processes are in place for the identification of risks to the Enterprise system, the administration of users, segregation of user access and to mitigate the risk of unauthorised access. However, these should be further enhanced through

- The completion of an Enterprise system specific risk register
- Formally documenting the user administration processes that are in place
- Further hardening of the system password controls

Developing a segregation of duties matrix to support the system administration team when the system becomes interfaced with Oracle.

Four recommendations have been made which have been accepted by management.

CED07 AXISE Pensions System – System Security Review

Scope

To review AXISE system application security controls, focussing on users' access rights and segregations of duties.

Overall Assurance – Substantial

The AXISE application is a national system provided by Heywood, who provide the AXISE pension software to 87 of the 90 administering local authorities. The application is provided under the CLASS Group (a consortium of Local authorities) and as part of this agreement the system is administered at a local level by is developed and supported nationally. The following AXISE systems modules have been implemented:

- AXISE Administrator - Administration platform
- AXISE Task manager – Workflow management
- AXISE Image – Document imaging
- AXISE Payroll and Pensions

The audit found there was a robust control framework in place to identify risks to the AXISE system, administer users, restricting access and segregating duties. However, these should be further enhanced through:

- Assigned owners to each risk capture by the AXISE system risk register
- Reducing the level of access granted to some users by amending user access roles in consultation with Heywood

- Documenting the existing process for the review of the audit logs used to monitor user activity

S08(b) – Payroll – permanent and temporary changes to pay

Scope

A review of the processes and controls in place when permanent or temporary changes to employees pay are required.

Overall Assurance – High

During the audit, we checked a sample of amendments to employees pay, all of which had been appropriately authorised and input to the Oracle HR system. We also checked that the budget holders at the individual business units had checked their Oracle salary reports to ensure that the amendments were correct. We examined a sample of temporary amendments including changes to employees pay for 'acting up' (usually into a higher paid post), to ensure that salaries had been paid at the correct rate and that they salaries had reverted to reflect the employees' substantive post at the end of the acting up period or that the contract had been extended. We confirmed that amendments had been made correctly and had been appropriately authorised.

One recommendation has been made in respect of the recording of sickness absences, which has been accepted by management.

S10 – Pensions – transfers in, transfers out and retirement processes

Scope

The audit reviewed the processes in place for transferring benefits from other pension schemes into the Kent Local Government Pension Scheme (LGPS); and for members of the scheme transferring accrued benefits to other schemes.

Overall Assurance - High

Staff in the Pensions Section are kept well informed of any changes in legislation by the Local Government Offices. Information is disseminated via emails and/or training sessions.

As part of the audit we reviewed a sample of 15 requests to 'transfer in', to ensure that the transfers had occurred within the appropriate deadline (i.e. within twelve months of joining KCC). Two had subsequently decided not to transfer their benefits, and one transfer was 16 days outside of the deadline. However, this delay was because of the previous employer not submitting the relevant documentation in time.

Members can transfer accrued benefits if they leave the scheme provided it is at least one year before they reach the age of 65. We confirmed that no transfers out had taken place to different pension provider after the employee had reached 64.

Calculations for transfers and retirement grants are completed electronically via the AXIS Pension System. AXIS is maintained by an external provider (Heywood) who ensures that the calculation process is accurate and up to date. We reviewed the

testing results sheets for both the live and test system for August and September 2009 and confirmed that the system was updated correctly and had been tested to ensure it was working properly.

One recommendation has been made which has been accepted by management.

CMY05 – Follow Up - Coroners' Imprest Accounts

Scope

The scope of the audit was to review the progress of the implementation of the recommendations made in the 2008/09 audit.

Overall Assurance – Limited

Following the original audit, eight recommendations were made to improve controls. Four of those had been implemented, but four are outstanding. A Finance Project Officer closely monitors all expenditure through the accounts and she has visited the coroners (except one, who was not available at the time) to advise on the operation of the accounts. Although all of the previous recommendations had not been implemented, the involvement of the Finance Project Officer has acted as a 'compensatory' control and therefore the operation of the accounts has improved since the previous audit.

Whilst we found that controls regarding the payments through the accounts had improved, our testing showed that only one of the four accounts had been reconciled during the 2009/10 financial year, and reimbursements were not occurring on a regular basis and at the time of the audit two of the accounts were overdrawn.

There increases the risk that unauthorised or incorrect payments may not be identified.

Five recommendations (four from the previous audit) have been made and accepted by management.

ER08 – Local Transport Plan (LTP)

Scope

The objective of the audit was to review the process for prioritising local transport schemes which will form part of the Local Transport Plan.

Overall Assurance – High

The audit found high levels of control with regards to identification of and input from stakeholders into the Local Transport Plan (LTP). The Authority's experience of engaging stakeholders with other strategies and partnerships has enabled it to maximise input to the consultation process. KCC established an external stakeholder's panel which included representatives from partners and the community to shape the development of the plan. KCC also identified 'hard to reach' groups and set up focus groups across the county to ensure their views were represented.

In accordance with guidance set by the Department for Transport, the Authority set out mandatory targets clearly linked to outcomes. These targets are monitored by officers who ensure that there are links to the LTP and wider objectives. LTP funding is limited and therefore a prioritisation scheme is required in order to assist with the resource allocation process. To ensure that schemes developed are contributing towards achieving the LTP objectives, the Prioritisation Investment Programmes on the Kent

Integrated Network (PIPKN) was created. This allowed officers to assess individual schemes against the LTP targets and objectives, as a score is applied to each scheme which corresponds to how well the scheme achieved the various LTP targets. Each scheme was ranked in accordance with its score. The ranked schemes were then reviewed further and investigations were made into the feasibility of the schemes and costs.

One recommendation has been made which has been accepted by management.

The following table details the amendments to the 2009/10 audit plan and shows audits that will no longer go ahead and new audits or pieces of work, together with the deleted and additional days.

Ref	Planned Audit	Comments	Impact (Days)
CED06 2010 Commercial Services	Cheque Payments	Originally a management request, however, only a few payments processed by cheque, therefore audit will no longer go ahead.	-20
CED08 2010	Routewise	This audit will be incorporated into the audit of SEN Transport (CFE04)	-20
CFE02 2010	Post 16 Education	The timescale for the streamlining of funding and commissioning for post 16 education has been delayed by the Department for Children, Schools and Families (DCSF)	-30
CFE09 2010	ContactPoint	This audit has been incorporated into CFE08 2010 which was a review of IT controls	-25
CFE11 2010	ICS Capita One	The audit was to review interface/application controls for a Foster Payment system, but the system is not being implemented.	-20
CMY03	Business and Project risk Identification	Originally a management request, but assurance was provided as part of the Risk Management audit.	-25
CMY01	Adult Education Budget Management	Directorate in the process of reviewing budget reporting arrangements, substituted audit of Key Training.	-20
KASS02	Transaction Data Matching	The directorate are in the process of introducing a number of changes to the process and this audit has been deferred until 2010/11.	-30
ER04 20101	Manston Development	Work was carried out in 2008/09 on governance arrangements. There has been no further developments and this audit has therefore, been deferred.	-25
Total days removed from plan			215

Amendments to the 2009/10 Audit Programme

Annex D

Ref	Planned Audit	Comments	Impact (Days)
S04 2010	Imprest Accounts	Additional scope for this audit. A review of six months' returns for 115 imprest accounts, to identify the use of accounts, type of expenditure.	45
CMY08 (a)	Key Training	A review to identify the processes and controls for forecasting and managing the budget (phase 1).	15
CMY08 (b)	Key Training	To evaluate progress against the action plan that has been put in place to recover the 2008/09 deficit.	15
CMY09	Apprenticeship Scheme	Evaluations of the costings by Key Training for delivering the Apprenticeship Scheme (management request)	15
E&R	KHS	Advisory work.	25
CFE	School	Follow up audit to review financial controls at a school	10
CFE	Pupil Referral Unit	A management request – reviewing purchasing arrangements	5
CFE04	SEN Transport	This audit will now incorporate the Routewise audit (CED08)	15
CFE	Schools	A management request to review the use of purchase cards at a selection of schools.	10
KASS	Residential Homes	A review of data and payments for residential care home.	30
CED	Overtime Payments	2 nd follow up to review completed action, including compliance with Kent Scheme of Overtime and local agreement and working time directives.	8
NFI	Data Matching	Additional time spent following up and investigating matches	20
AW	Financial Controls Matrices	Development of matrices identifying risks and controls in financial systems.	25
Total days added to plan			238
Total change in audit plan			23

**Directorates Progress with the Implementation of Audit Recommendations
(Covers August, September and October 2009)**

The tables on the following pages provide information on the directorates' progress with the implementation of agreed recommendations. All of the findings that the recommendations relate to are given a risk rating of either; Critical, High, or Medium. All of the recommendations that had a 'critical' rating have been implemented.

Table 1 – This details the recommendations that were due to be actioned between August and October 2009. 53 'actions' were due to be in place by the end of October; 45 have been implemented and five actions are outstanding; revised dates for implementing the outstanding recommendations have been provided.

Table 2 – This details the cumulative total of recommendations that were due to be implemented between April and October 2009. In total 73 recommendations were due to be implemented of which 63 have been implemented and 10 are outstanding. Revised dates have been provided for implementing these. Of the 10 outstanding actions, five are included in table 1.

Table 3 – This provides information of the cumulative progress of the implementation of recommendations from 2008/09. In total 99 recommendations were due to be implemented, of which 84 have been implemented and 15 are outstanding. New dates have been provided by accountable managers and Internal Audit continues to monitor their progress.

All recommendations from 2007/08 have been implemented.

**Directorates Progress with the Implementation of Audit Recommendations
(Covers August, September and October 2009)**

Table 1

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
Authority wide and S151	3	0			3	Schemes of Delegation	Recommendations have not yet been implemented in Communities and E&R	January 2010
	1	1				Accounts Receivable	All recommendations on this audit have been completed	
	1	1				Access to Information	All recommendations on this audit have been completed	
	1	1				Payroll – other allowances	All recommendations on this audit have been completed	
	1	1				Pension Contributions	All recommendations on this audit have been completed	
Chief Executive's Department	3	3				Axis Pensions System	All recommendations on this audit have been completed	
	1	1				Purchase cards	All recommendations on this audit have been completed	
Children, Families & Education	1	1				School Funding	All recommendations on this audit have been completed	
Kent Adult Social Services	5	5				Compliance with Adult Protection Procedures – West Kent	All recommendations on this audit have been completed	

**Directorates Progress with the Implementation of Audit Recommendations
(Covers August, September and October 2009)**

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
	6	6				Compliance with Adult Protection Procedures – East Kent	All recommendations on this audit have been completed	
	2	2				Financial Assessments	All recommendations on this audit have been completed	
	5	5				Occupational Therapy Bureau Equipment	All recommendations on this audit have been completed	
	1	0		1		LD Transfer	The S256 agreement is not yet in place and is currently being redrafted and considered	December 2009
Environment, Highways and Waste	2	2				Securing Adequate Funding	All recommendations on this audit have been completed	
	1	1				Landfill Trading Allowance Scheme	All recommendations on this audit have been completed	
	3	1			2	Housing Waste Recycling Contracts	ISG is working to improve the Performance Management System to enable contract supervisors to record contractor actions against issues raised during inspection. The Key Performance Indicator (KPI) obligations in the Housing Waste Recycling Contract are still to be reviewed.	April 2010
	5	5				Housing Development Loans	All recommendations on this audit have been completed	

**Directorates Progress with the Implementation of Audit Recommendations
(Covers August, September and October 2009)**

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
Communities	5	5				Internet Access by the Public – Adult Education	All recommendations on this audit have been completed	
	1	1				Internet Access by the Public – Libraries	All recommendations on this audit have been completed	
	5	3		2		Internet Access by the Public – KEY Training	KEY Training is currently in the process of implementing website filtering and internet activity monitoring logs.	December 2009
TOTAL	53	45		3	5			

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C= Critical
H = High
M = Medium

**Cumulative Progress with the Implementation of Audit Recommendations
(April to October 2009)**

Table 2

Directorate	Number of recommendations due to be implemented April 2009 – October 2009			Number of recommendations implemented			Number of recommendations still outstanding		
	Critical	High	Medium	Critical	High	Medium	Critical	High	Medium
Chief Executive's Department		2	2		2	2			
Kent Adult Social Services	13	5	9	13	4	4		1	5
Communities	1	13	5	1	11	3		2	2
Environment, Highways & Waste	1	1	8	1	1	6			4
Children, Families & Education		3	1		3	1			
Authority Wide & S151		3	6		2	3		1	3
Totals	15	27	31	15	23	19	0	4	14

**Progress with recommendations due to be implemented
between April 2008 and March 2009**

Annex E

Table 3:

Directorate	Actions due to be implemented	Actions in place	Actions still outstanding	Date actions will now be implemented	Audit title
Chief Executive's Department	14	11	2	December 2009	Microsoft Exchange
			1	November 2009	Payroll – Appointment to Payment of new employees
Kent Adult Social Services	23	21	2	Work in progress	SWIFT System Review
Communities	7	5	2	December 2009	Health and Safety – direction of travel
Environment & Regeneration	6	6	0	October 2009	Landfill Allowance Trading Scheme
Children, Families and Education	22	22	0	August 2009	School Funding
Authority Wide and S151	27	18	3	August 2009	Schemes of Delegation
		1	0	October 2009	Purchase cards
			2	Partially completed – ongoing	Property Rent Income
			1	March 2010	Data Protection
			1	December 2009	Governance of Partnerships
			1	Partially completed and ongoing	Accounts Payable
TOTAL	99	84	15		

Ref	Directorate	Details of Irregularities	Value if applicable	Details and Outcome
xx785	KASS	Allegation of copying and selling DVDs	No loss to KCC	<ul style="list-style-type: none"> • An anonymous allegation was received by Trading Standards from the Federation Against Software Theft (FAST) claiming that a KCC member of staff had been illegally copying DVDs. • The member of staff admitted this but claimed not to know that it was illegal. • The member of staff was given a management warning. A senior officer from Trading Standards also met with the member of staff to explain the seriousness of their actions and to give an informal warning.
xx786	CED	Overpayment of pension	£16,000	<ul style="list-style-type: none"> ▪ The National Fraud Initiative (NFI) exercise identified pension payments being made to a deceased pensioner. ▪ An investigation by the Pensions Section revealed that the pensioner's daughter who had a joint bank account with her mother, had forged her mother's signature on a Life Certificate form and got her neighbour to witness it. ▪ The case was passed to the police and taken to court. The person pleaded guilty and the court ordered her to pay £5,000 in compensation.

National Fraud Initiative

Collation and submission of data sets to the Audit Commission as part of the National Fraud Initiative (NFI) has been completed and reports of potential matches (i.e. matches with other data sets) have been received. The following KCC data sets were used: Pensions; Payroll; Creditors; Blue Badges; Visas; Residential Homes, and; Insurance Claims

From these data sets, a number of 'matches' were made, including details of deceased persons to people receiving pensions, deceased persons with Blue Badge; duplicate payments to creditors, people working with expired visas etc. Matches were prioritised and investigated either by Internal Audit or the relevant business unit. One fraud was identified involving a person receiving their deceased parent's pension (this is reported at appendix F). Some data quality issues were identified and Internal Audit provided advice on improving controls. Although there has only been one fraud identified, as part of this year's National Fraud Initiative, the exercise has provided assurance that processes and controls are working well to identify errors and prevent fraud.

Internal Audit also facilitates data match enquiries from other local authorities. In addition, we have collated and submitted data for the Kent fire and Rescue Service.

Advisory Work

The Internal Audit team is involved in a range of advisory work across the Authority, including:

- Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support, Oracle R12.
- Development of matrices for financial systems, identifying risks and controls.

Irregularities

The Internal audit team investigate a number of irregularities each year. These are either identified through our audit programme, or are reported to us. In addition to the two cases reported at annex F, we are currently investigating three other cases. When completed, these will be reported to the Governance and Audit Committee.

Audit work for external clients

Audit work completed on behalf of external customers includes:

- Grant claims
- Parishes
- Kent Fire and Rescue Service
- Review of financial forecasting techniques for the Kent Police Authority

Pro-active fraud work

- Newsletter – The newsletter now includes risk and insurance issues and will be published quarterly from December 2009.
- NFI data matching – see above.

The following table is designed to provide Members with Internal Audit's performance against Key Performance Indicators.

Performance Indicator	Target	Actual (Apr – October)
<u>Effectiveness</u> <ul style="list-style-type: none"> • % of recommendations accepted • % of recommendations implemented • CPA/CAA Score for Internal Control 	98% 90% Level 4	99% 64% 3*
<u>Efficiency</u> <ul style="list-style-type: none"> • % of plan delivered – • % of available time spent on direct audit work • % of draft reports completed within 10 days of finishing fieldwork • Preparation of annual audit plan • Periodic reports on progress • Preparation of annual report and Annual Governance Statement 	95% 80% 80% By March G&AC meetings By May	40% 89% 79% March G&AC meetings May
<u>Quality of Service</u> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	70%	90%

All of the above to be updated

* Percentage of plan delivered as at 31 October 2009

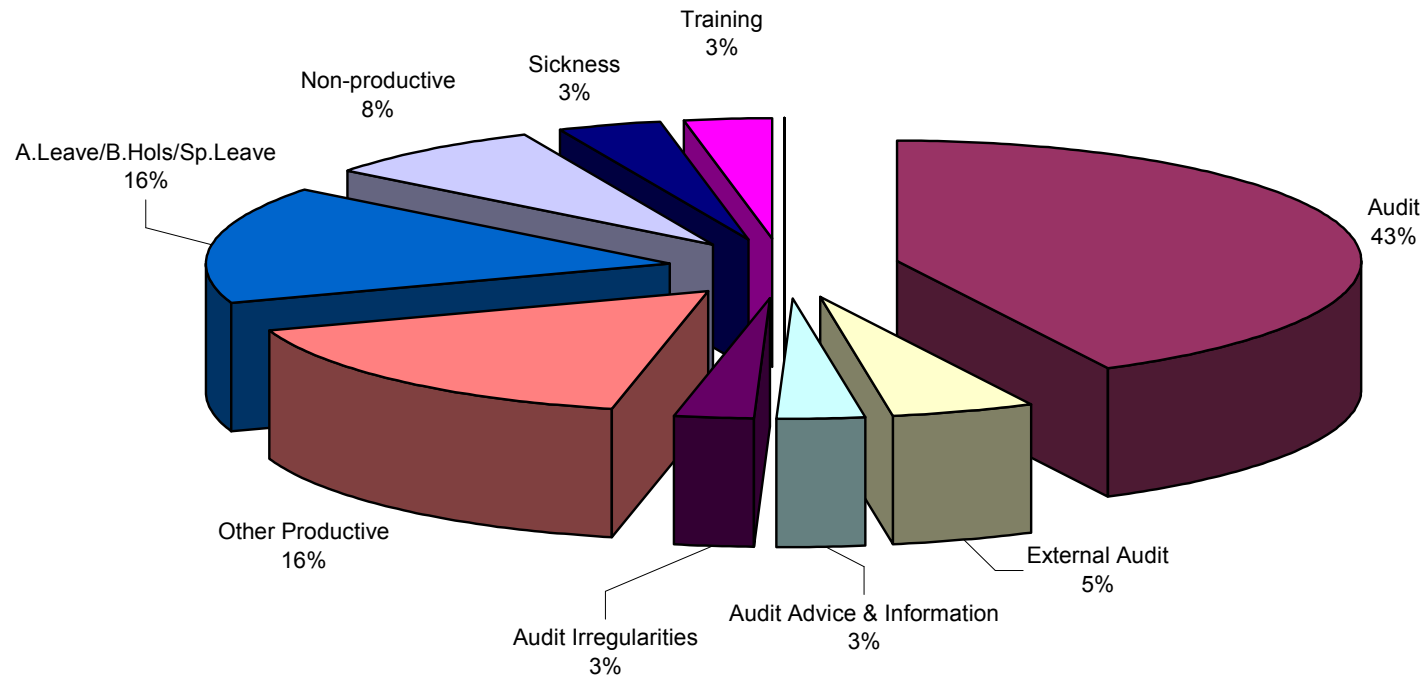
Team Structure

Number of staff 11 FTE

Qualified 6

Number of staff training 3

Breakdown of all time in Internal Audit April 2009 to October 2009



Assurance Level	Summary description	Detailed definition
High	Strong controls in place and complied with.	The system/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.
Substantial	Controls in place but improvements beneficial.	There is some limited exposure to risk of error, loss, fraud, impropriety or damage to reputation, which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.
Limited	Improvements in controls or the application of controls required.	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review e.g., error, loss, fraud/impropriety or damage to reputation.</p> <p>This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p>
Minimal	Urgent improvements in controls or the application of controls required.	<p>The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation.</p> <p>This is because key controls do not exist with the absence of at least one critical control, or there is evidence that there is significant non-compliance with key controls.</p>

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