

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 30th November, 2010

10.00 am

**Medway Room, Sessions House, County Hall,
Maidstone**



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

**Tuesday, 30th November, 2010,
at 10.00 am**

**Medway Room, Sessions House, County
Hall, Maidstone**

Ask for: **Andrew Tait**

Telephone: **01622 694342**

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

Membership (13)

Conservative (12) Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman),
Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd,
Mr D A Hirst, Mr P W A Lake, Mr J F London, Mr R J Parry,
Mr R Tolputt and Mr C T Wells

Liberal Democrat (1): Mr T Prater

Webcasting Notice

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

By entering the meeting room you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured then you should make the Clerk of the meeting aware.

UNRESTRICTED ITEMS

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

1. Substitutes
2. Declarations of Interest in items on the agenda for this meeting
3. Minutes for Approval - Governance and Audit Committee (Pages 1 - 6)
4. Treasury Management 6 Month review 2010-11 (Pages 7 - 16)
5. Debt Management (Pages 17 - 24)
6. Committee Work Programme (Pages 25 - 28)
7. Member Development Programme (Pages 29 - 30)
8. Change to Keep Succeeding (Pages 31 - 88)
9. Strategic Risk Register Update (Pages 89 - 102)

10. Audit Commission Annual Audit Letter (Pages 103 - 130)
11. Effectiveness of External Audit Liaison (Pages 131 - 132)
12. Self assessment of anti-fraud and anti-corruption arrangements (Pages 133 - 134)
13. Internal Audit Progress Report (Pages 135 - 152)
14. Audit Fees update (Pages 153 - 160)
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

Monday, 22 November 2010

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 Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 15 September 2010.

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

ALSO PRESENT: Mr R W Gough and Mr J D Simmonds

OFFICERS: Ms L McMullan (Director of Finance), Mr G Wild (Director of Law and Governance), Mr D Tonks (Head of Audit & Risk), Mrs J Armstrong (Senior Audit Manager), Mr D Cloake (Head of Emergency Planning), Mrs K Hunter (Employee Relations Manager), Mrs K Watson (Operational Services Manager), Mr N Vickers (Head of Financial Services), Mr A Wood (Head of Financial Management), Mrs D Mattingly (Corporate Risk & Insurance Manager), Ms J Hill (Performance Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Mrs E Robinson of the Audit Commission

UNRESTRICTED ITEMS

36. New Committee Terms of Reference

(Item 3)

The Committee noted its new Terms of Reference as appended to these Minutes.

37. Minutes - 30 June 2010

(Item 4)

RESOLVED that the Minutes of the meeting held on 30 June 2010 are correctly recorded and that they be signed by the Chairman.

38. Committee meeting dates in 2011

(Item 5)

The Committee noted the following dates for its meetings in 2011.

Wednesday, 16 March 2011;
Thursday, 30 June 2011;
Wednesday, 14 September 2011; and
Tuesday, 29 November 2011.

39. Committee Work Programme

(Item 6)

(1) A forward work programme was presented to the Committee for approval.

(2) The Head of Audit and Risk confirmed that following a meeting of the Member Group set up on 30 April 2010, a programme of pre-meeting training would commence in November 2010.

(3) RESOLVED that subject to (2) above, the forward work programme for 2010/2011 be agreed.

40. Business Continuity

(Item 7)

(1) The Head of Emergency Planning reported on the current position of the management of Business Continuity across the County Council, giving details of the way forward and the timetable being undertaken.

(2) Members of the Committee asked questions, including questions on the supply chain during pandemic scares, heavy flooding and the regional failure of the electricity supply system.

(3) The Head of Emergency Planning responded by saying that flooding was recognised as very high risk, requiring a comprehensive multi-agency response. This was in place. Lessons regarding electricity supply failure had been learned during the recent four day power outage in Dartford. Plans addressing the provision of critical supplies in emergency situations had been or were in the process of being developed. He also said that he had no concerns that Emergency Planning was placed within the Communities Directorate rather than the corporate centre.

(4) RESOLVED that the report be noted.

41. Capita Payroll services to Schools

(Item 8)

(1) The Employee Relations Manager reported on the payroll service provided by Capita to Kent County maintained schools and on how information was provided for the Teachers' pensions returns.

(2) RESOLVED that the report be noted.

42. Audit Fee Update

(Item 9)

(1) The Director of Finance reported on the current position in relation to the Audit Commission fee for the 2010/11 financial year. She drew attention to the letter dated 9 August 2010 from Mr Gareth Davies of the Audit Commission which did not fully address the County Council's concerns. She confirmed that she had stopped all payments to the Audit Commission pending a satisfactory resolution. She suggested that Mr Davies should be invited to a meeting with the Chairman, herself, the Head of Audit and Risk and any Member of the Committee who wished to attend. This was agreed.

(2) RESOLVED that:-

- (a) the report be noted; and
- (b) an invitation be extended to Mr Gareth Davies of the Audit Commission to meet the Chairman, Finance Director, Head of Audit and Risk and other Members of the Committee in order to more fully discuss the County Council's concerns.

43. Treasury Management Update

(Item 10)

- (1) The Head of Financial Services presented a quarterly treasury management update.
- (2) The Committee noted that the report author was the Cabinet Portfolio Holder for Finance rather than the Chairman of the Superannuation Fund Committee.
- (3) The Committee discussed the questions of whether borrowing should be for a period of 49 – 50 years or whether it had been necessary to borrow at all during the quarter. The Finance Director and the Cabinet Portfolio Holder explained in detail the reasons for their decisions on borrowing.
- (4) RESOLVED that the report be noted.

44. Final Accounts 2009/10

(Item 11)

- (1) The Director of Finance updated the Committee on the final Annual Governance Report from the External Auditors relating to the 2009/10 Statement of Accounts.
- (2) RESOLVED that the Annual Governance Report for 2009/10 be noted.

45. Report on Insurance Activity

(Item 12)

- (1) The Corporate Risk and Insurance Manager provided an overview of insurance activity over the past twelve months. She explained that the reason for the unusually high level of public liability claims had been the unexpected deterioration of the highways network since December 2009 which had generated claims over potholes.
- (2) RESOLVED that the report be noted.

46. Update on the Audit Commission

(Item 13)

- (1) The Head of Audit and Risk reported the announcement by the Communities and Local Government Secretary that the Audit Commission would be abolished. He summarised the consequences for the County Council.

(2) The Director of Finance offered to bring a report on the tender specification to a future meeting of the Committee.

(3) RESOLVED that the report be noted.

47. Internal Audit Progress Report

(Item 14)

(1) The Head of Audit and Risk summarised the outcomes of Internal Audit activity for the period April to July 2010.

(2) RESOLVED to note:-

(a) the amendments to and progress against the 2010/11 audit programme; and

(b) the assurance provided in relation to the County Council's control environment as a result of the outcome of the internal audit programme completed to date.

48. Internal Audit Benchmarking results

(Item 15)

(1) The Head of Audit and Risk summarised the 2009/10 Internal Audit benchmarking results. A further report would be made to the next meeting of the Committee once the means of overheads recording by the comparator County Councils had been clarified.

(2) RESOLVED that the report be noted.

49. Ombudsman Complaints

(Item 16)

(1) The Performance and Improvement Manager reported the Local Government Ombudsman's Letter and Annual review for 2009/10 together with the latest position on complaints about the County Council which had escalated to the Ombudsman between 1 April and 30 July 2010.

(2) RESOLVED that the report be noted.

APPENDIX

(Paragraph 36 of the Minutes refers)

Governance and Audit Committee

13 Members

Conservative: 12; Liberal Democrat: 1.

The purpose of this Committee is to:

1. ensure the Council's financial affairs are properly and efficiently conducted, and
2. review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

On behalf of the Council this Committee will ensure the following outcomes:

- (a) Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- (b) The Council's Corporate Governance framework meets recommended practice (currently set out in the CIPFA/SOLACE Good Governance Framework), is embedded across the whole Council and is operating throughout the year with no significant lapses.
- (c) The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- (d) The appointment and remuneration of External Auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- (e) The External Audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- (f) The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- (g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- (h) Accounting policies are appropriately applied across the Council.

- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.

By: Cabinet Member for Finance
Acting Director of Finance

To: Governance and Audit Committee – 30 November 2010

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW
2010-11**

Classification: Unrestricted

Summary: To present the Treasury Management 6 Month Review.

FOR DECISION

1 INTRODUCTION

- 1.1 The Treasury Management Strategy for 2010 - 11 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year.
- 1.2 This authority is reflecting Best Practice in accordance with CIPFA's recommendations as Governance and Audit Committee now receive quarterly updates on Treasury Management and Cabinet have received Treasury reports in June and September.
- 1.3 There has been no Treasury Advisory Group (TAG) meeting since the last report to this Committee however members of that group do receive weekly details of the KCC deposit portfolio and monthly reports. TAG will be meeting on 8 December to look at options on treasury strategy
- 1.4 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.5 This report for the six months to 30 September 2010:
 - Is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code;
 - Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
 - Reports on the risk implications of treasury decisions and transactions;
 - Provides details of the estimated outturn position on treasury management transactions for 2010 – 11;

- Confirms compliance with treasury limits and Prudential Indicators.

2 ECONOMIC BACKGROUND

- 2.1 The UK continued to emerge from recession but the level of activity remained well below pre-crisis levels. GDP registered 0.3% growth in the first calendar quarter of 2010 and 1.2% in the second.
- 2.2 The Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 0.5% and Quantitative Easing at £200bn. However, the minutes of the Bank of England's September meeting contained the possibility of further Quantitative Easing to keep the economy and inflation on track in the medium term.
- 2.3 Inflation continued to decline although the annual CPI to August 2010 still stood at 3.1%. This has resulted in two open explanatory letters from the Bank of England's Governor to the Chancellor. In the coming months higher food and fuel prices raise the risk that we may not see inflation come down much more until 2011, and then it will rise back again in January with the signalled hike in VAT to 20%.
- 2.4 The Bank of England's August Quarterly Inflation Report showed inflation remaining above the 2% target for longer than previously projected. Although the recovery in economic activity was expected to continue, the overall outlook for growth was weaker than presented in the May report.
- 2.5 The formation of a coalition government dispelled uncertainty surrounding a hung parliament result in May's General Election. The new government's Emergency Budget laid out tough action to address the UK's budget deficit, aiming to eliminate the structural deficit by 2014/15. This is to be achieved through austerity measures – £32bn of spending cuts and £8bn of net tax increases. Gilts have benefitted from this decisive plan as well as expected reductions in supply for each year of the forecast. The expected level of spending cuts and tax rises looks to be enough to extinguish the recent concern about inflation expectations.
- 2.6 The US Federal Reserve kept rates on hold at 0.25% following signs of a slowdown in American growth. At its meeting in September the Fed sent a strong signal that it is prepared to do more and moving closer to a second wave of unconventional monetary easing, and indeed commenced additional action on 4 November. The European Central Bank maintained rates at 1%. The major ongoing worries in Europe extended from sovereign weakness in the 'PIIGS' nations (Portugal, Italy, Ireland, Greece and Spain), the exposure of the continent's banking sector to the sovereign and corporate debt of these nations and the risk of contagion extending to other countries. The sovereign ratings of Greece, Ireland, Portugal and Spain were downgraded by the rating agencies.
- 2.7 The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors, highlighted that only 7 (2 Greek, 1 German and 4 Spanish "caja" banks) of the 91 institutions that made up the scope of the analysis were classed to have failed the adverse scenario tests. The tests are a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK Banks' (Barclays, HSBC, Lloyds and RBS)

Tier 1 ratios all remained above 9% under both the 'benchmark scenario' and the 'adverse scenario' stress tests.

- 2.8 Gilts rallied as the growth momentum faded and the UK seemed to offer a safe harbour from Euroland's turbulence. 5- and 10-year gilt yields fell to lows of 1.57% and 2.83% respectively.

3 BORROWING REQUIREMENT AND STRATEGY

	Balance on 01/04/2010 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance on 30/09/2010 £000s	Increase/ Decrease in Borrowing
Short Term Borrowing	0	0	0	0	0	0
Long Term Borrowing	1,042,363	46,031	40,027	90,000	1,092,336	49,974
TOTAL BORROWING	1,042,363	46,031	40,027	90,000	1,092,336	49,974

- 3.1 During the six months the differential between debt costs and investment earnings continued to be significant. The Council's strategy is to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles.
- 3.2 In total £90m of new loans have been arranged which include the replacement of maturing debt. The PWLB remains the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide.
- 3.3 In May the Council borrowed £50m from the PWLB to finance maturing debt at an average rate of 4.28% over 22/48 years. In early September as rates had fallen to a historic low the Council borrowed a further £40m from the PWLB, £20m over 10 years at a rate of 1.94% and £20m over 49/50 years at 3.95%. In addition in May, having taken advice from Butlers, the Council arranged 2 future dated Market loans from Barclays to be drawn in August 2011 at a rate of 3.83%.
- 3.4 There was no rescheduling of existing debt during the period.
- 3.5 Changes in the debt portfolio over the 6 months have achieved a reduction in the overall debt cost by £3.8m whilst increasing the average life from 27.22 years to 28.04 years.

4 INVESTMENT STRATEGY

- 4.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

4.2 Investments

	Balance on 01/04/2010 £000s	Investments Made £000s	Investments Repaid £000s	Balance on 30/09/2010 £000s	Increase/ Decrease in Investments £000s
Short Term Investments	210,220	1,658,512	1,617,451	251,281	41,061
Long Term Investments	55,000	0	25,000	30,000	(25,000)
TOTAL INVESTMENTS	265,220	1,658,512	1,642,451	281,281	16,061

4.3 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2010 - 11. This restricted new investments to the Debt Management Office and Deposits with UK Banks and Building Societies systemically important to the UK banking system.

4.4 Counterparty credit quality is assessed and monitored with reference to:

- Credit Ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's)
- Credit Default Swaps
- Country exposure eg Sovereign support mechanisms, GDP, the country's net debt as a Percentage of GDP
- Share Price

4.5 The counterparties currently approved by Cabinet are:

- Barclays
- HSBC
- Lloyds Banking Group
- Royal Bank of Scotland
- Nationwide

Santander UK was suspended on 30 April 2010 as a result of concerns about the creditworthiness of the Banco Santander group following the downgrading of Spain's long-term sovereign credit rating.

4.6 In June Cabinet approved an increase in duration to 1 year and in early September longer term deposits were placed with Nationwide

4.7 Counterparty credit quality has been maintained through the first half of the year, as can be demonstrated by the Credit Score Analysis summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2010	5.4	A+	3.8	AA-
30/06/2010	4.4	AA-	4.4	AA-
30/09/2010	4.4	AA-	4.4	AA-

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

- D = lowest credit quality = 15

-Aim = A+ or higher credit rating, with a score of 5 or lower, to reflect current investment approach with main focus on security

4.8 Average cash balances were £313m during the period. These included schools balances in the corporate scheme (£65.3m), KCC working capital (£60m) created by differences in income and expenditure profiles, Iceland deposits (£43m) and other reserves and funds held in trust

4.9 The UK Bank Rate has been maintained at 0.5% since March 2009 and short-term money market rates have remained at very low levels. New deposits have been made at an average rate of 0.61% and the Council's forecast investment income for the year has been estimated at £2.0m / 0.64% for the whole year.

4.10 Icelandic Investments Update

Following guidance from CIPFA, issued in September 2010, the following is now known:

- **Heritable** – It is now expected that 79p-85p/£ will be recovered overall. In July a further quarterly dividend was received of 6.27p in the £ or £1.15m and a further 4.14p in the £ or £0.75m received in October 2010. Total recoveries from the £18m deposited are now £8.4m. The Head of Financial Services continues to be actively involved as a member of the Creditors Committee in key decisions over the future administration of the bank.
- **Glitnir and Landsbanki** – The Winding-Up Boards have classed Local Authority deposits as non-priority claims however local authorities' legal advice remains that deposits have priority status under Icelandic law. KCC is a test case on both banks. The test cases will be submitted to the District Court in Reykjavik in September and court hearings will take place in early 2011.

5. COMPLIANCE WITH PRUDENTIAL INDICATORS

The Council can confirm that it has complied with its Prudential Indicators for 2010 - 11, which were set as part of the Council's Treasury Management Strategy Statement. Details can be found in Appendix 1.

6. TREASURY ADVISERS

- 6.1 KCC continues to use two firms of treasury advisers, Arlingclose and Butlers. An EU tender process was undertaken and responses received in May from Arlingclose, Butlers and Sector. However in October Sector announced that they were taking over Butlers and based on this change the Director of Finance, after consulting with TAG, decided to retender the advisor contract. The Butlers contract already runs to 31 March 2011 and the Arlingclose contract has been extended to this date.

7. TRAINING

- 7.1 The Director of Finance provides training to individuals or collective groups. KCC officers have attended conferences and workshops organised by CIPFA and Arlingclose.

8. SUMMARY

- 8.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first quarter of 2010 - 11. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

9. RECOMMENDATION

- 9.1 Members are asked to endorse this report and recommend that it is submitted to full Council.

Alison Mings
Treasury and Investments Manager

APPENDIX 1- PRUDENTIAL INDICATORS

1. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

Estimates of the Council's cumulative maximum external borrowing requirement for 2010 -11 to 2012 -13 are shown in the table below:

	31/3/2010 Actual £000s	31/3/2011 Estimate £000s	31/3/2012 Estimate £000s	31/3/2013 Estimate £000s
Capital Financing Requirement	1,250,296	1,236,211	1,376,297	1,415,220
Less: Existing Profile of Borrowing	1,042,363	1,092,336	1,092,336	1,092,336
Less: Other Long Term Liabilities	0	0	0	0
Cumulative Maximum External Borrowing Requirement	208,000	143,875	283,961	322,884

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

2. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2010 -11

(a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator 2010-11 £m	Position as at 30.09.10 £m
Borrowing	1,301	1,040
Other Long Term Liabilities	0	0
	1,301	1,040

(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator 2010-11 £m	Position as at 30.09.10 £m
Borrowing	1,349	1,092
Other Long Term Liabilities	0	0
	1,349	1,092

3. **Authorised Limit for External Debt**

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2010 -11 are:

(a) Authorised limit for debt relating to KCC assets and activities

	£m
Borrowing	1,341
Other long term liabilities	0
	<hr/>
	1,341
	<hr/>

(b) Authorised limit for total debt managed by KCC including that relating to Medway Council etc

	£m
Borrowing	1,389
Other long term liabilities	0
	<hr/>
	1,389
	<hr/>

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

4. **Upper Limits for Fixed Interest Rate and Variable Interest Rate Exposures**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11
	%
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50
Compliance with Limits:	Yes

5. **Maturity Structure of Fixed Rate Borrowing**

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/10	% Fixed Rate Borrowing as at 30/09/10	Compliance with Set Limits?
under 12 months	25	0	6,004	0.6	Yes
12 months and within 24 months	40	0	57,024	5.2	Yes
24 months and within 5 years	60	0	105,229	9.6	Yes
5 years and within 10 years	80	0	130,003	11.9	Yes
10 years and above	90	40	794,076	72.7	Yes

6. Upper Limit for Principal Sums Invested for Periods Longer than 364 days

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2010 - 11 was set at £50m.
- The Council's policy has been to keep investment maturities to a maximum of 12 months and no investments were made for a period greater than 364 days during this period.

This page is intentionally left blank

By: Cabinet Member for Finance
Acting Director of Finance

To: Governance & Audit Committee – 30 November 2010

Subject: DEBT MANAGEMENT

Classification: Unrestricted

Summary: To report on the Council's debt 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.
2. This report concentrates mainly on debt over 6 months old.

MANAGEMENT SUMMARY

3. The overall outstanding debt as at 31 October 2010 as shown on Oracle Accounts Receivable is £39,880,252.

This represents social care debt from SWIFT of £17,071,367 (29,014 invoices) and sundry debt (which includes some social care Health debt) of £22,808,884 (4,620 invoices).

4. Since October 2009 the responsibility for the collection and monitoring of KASS social care debt returned to the Directorate, the detail of which is reflected in sections 11 onwards, with sections 6 to 10 relating to sundry debt only. In section 12 the outstanding amount of debt is referred to as £17,311,131 which is different to the £17,071,367 mentioned above as it reflects the four weekly client billing run on 21st October rather than the month end position. The month end position would be lower as it allows for additional payments from clients to be processed.
5. Please note that throughout this report Chief Executive will include the old Corporate debt, CFE will include the old Education debt, and EHW will include the old Strategic Planning and E&R 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.

6. The table below is an analysis of the summary position for sundry debt as at 31 October 2010.

Directorate	Outstanding Debt (excluding debts not yet due)	Over 6 Months
Chief Executive	453,962	61,009
CFE	2,669,086	948,500
EHW	1,230,738	188,476
Communities	953,421	65,346
KASS (Sundry)	3,489,459	721,125
Total	8,796,666	1,984,456

The above figures do not include those debts which are not yet due, which total £14,012,218.

PERFORMANCE

7. There are two performance indicators that the Debt Recovery Team aims to achieve. The percentages are based on the total outstanding unsecured debt.
- Total outstanding sundry debt under 60 days old – greater than 65%
 - Total outstanding sundry debt over 6 months old – less than 20%
8. As at 31 October 2010 73% of the total sundry outstanding debt is under 60 days old and 15% is over 6 months old so these targets are being exceeded.

DEBT LEVELS OVER SIX MONTHS OF AGE

9. Below is an analysis of the categories of debt over 6 months old by directorate.

Directorate	Status of Debt	Amount Over 6 Months Old
Chief Executive	Instalments	925
	Referred to legal services	3,021
	Referred for write off	2,066
	Referred to directorate for action	18,471
	Ongoing action	28,498
	Secured	8,028
	Sub total	61,009

- The £18.5k of debt referred to directorate for action refers to 12 invoices with nothing significant outstanding.
- The £28,498 of debt tagged as ongoing action refers to 32 invoices with no invoice being over £5k in value.
- The £8k is on a debt that has been secured by a charge on a property.

CFE	Instalments	17,113
	Referred to legal services	8,040
	Referred for write off	1,580
	Referred to directorate for action	178,009
	Ongoing action	532,180
	Internal school charges	211,579
	Sub total	948,501

- The £532.2k of debt tagged as ongoing action refers to 58 invoices of which one invoice to the value of £507.4k is for a land transfer fee in respect of an academy where the school is waiting for transfer of monies from DFS.
- The £178k of debt referred to directorate for action refers to 45 invoices. There are 3 invoices totalling £15.6k to fostering agencies and one invoice of £19.4k to a training agency.

EHW	Instalments	4,278
	Referred for write-off	1,955
	Ongoing action	93,625
	Referred to directorate for action	65,269
	Insurance	12,099
	Referred to legal services	11,249
	Sub total	188,475

- The £93.6k of debt tagged as ongoing action refers to 27 invoices. One invoice to the value of £21.3k is to a utility company for an annual fee under Section 75 of the Highways Act. One invoice to the value of £5k is to a contractor for a Ramsgate development. One invoice to the

value of £50.5k is for a developer in respect of a Section 278 agreement of the Highways Act.

KASS (Sundry debt)	Instalments	25,615
	Instalments – Small Claims	247
	Referred to legal services	26,134
	Referred for write-off	12,513
	Ongoing action	27,254
	Health debt	586,515
	Referred to directorate for action	40,014
	Small Claims Court	2,785
	Automatic Write Back	47
	Sub total	721,124

- Of the £586.5k of Health debt
 - £301.4k is under 1 year old;
 - £235.6k is debt between 1 and 5 years old;
 - £17.7k is debt over 5 years old
 - £31.8k is debt over 6 years old.

Communities	Instalments	5,526
	Referred for write-off	2,272
	Referred to directorate for action	4,955
	Ongoing action	45,565
	Referred to legal services	7,028
	Sub total	65,346

- The £45.6k of debt tagged as ongoing refers to 42 invoices. One invoice to the value of £15.1k is to a Borough Council for the provision of an emergency planning service. All other outstanding invoices are less than £5k each.

General comments

- Health Authorities have long term debts with KASS. This income is difficult to collect and involves protracted discussions.
- Exchequer Services are making more use of the Small Claims Court which now accessible on-line.
- When items are referred to legal services the process can be protracted as it can involve negotiation and court processes.
- Direct Debits are encouraged for instalment arrangements and there is a process of regular review.
- Write off process for KASS is long and drawn out and therefore there are more debts for KASS tagged as referred to write off than other directorates.

- The Exchequer Services Manager reviews 100 cases per month (randomly by value, age or directorate). She is confident that every debt is continually monitored.

TRENDS

10. Listed below is the outstanding debt over 6 months old as the percentage of the total debt as at 30 April for the last 5 years

30 April 2010	30 April 2009	30 April 2008	30 April 07	30 April 06
6%	11%	12%	20%	22%

The authority is therefore reducing the level of outstanding debt that is over 6 months old as a percentage of the total debt.

11. The numbers and values of invoices raised for the last 4 years are:

	09-10	08-09	07-08	06-07
Number of invoices raised	30,369	34,097	34,270	35,818
Value of invoices raised	£165,961,032	£183,804,045	£183,656,212	£122,957,342

Social Care Debt

12. Client Charging

(1) Clients are financially assessed to determine their contribution towards either their residential or domiciliary care costs.

(2) Residential Charging - This charging is distinct from non-residential (domiciliary) charging in that councils have a duty to charge for services under Section 22 of the National Assistance Act 1948. Councils have no discretion in how they charge individuals, and all councils are required to do so.

(3) Non-Residential Charging - Section 17 of the Health and Social Security and Social Services Adjudication Act 1983 gives councils the power to charge a person for non-residential services no more than it appears reasonable for them to pay. This means that each council has discretion in how they charge individuals for certain services and how much an individual has to contribute to the costs. In Kent we only charge for domiciliary type care.

(4) In 2009-10 the total amount of income charged to clients through the client billing system was as follows:

Residential	£45,859k
Domiciliary	£9,889k
Total	£55,748k

Analysis of Client Related Debt

13. (1) As at the 21st October the overall client related social care debt stood at £17,311k, the debt can be broken down as follows:

Residential	£14,801k
Domiciliary	£2,441k
Health Contributions	£69k
Total	£17,311k

(2) Of the £17,311k only £12,711k is actually due for payment, invoices had only just been dispatched for the remaining £4,600k. The £12,711k is different from the figure of £17,071k quoted in section 3 of the Management Summary as it reflects the last four weekly client billing run rather than the calendar month end position. Clients and Health have 28 days to pay their invoices.

(3) The £12,711k can be broken down between secured and unsecured debt as follows:

• Unsecured – ongoing clients	£5,519k
• Unsecured – terminated/deceased clients	<u>£901k</u>
• Total Unsecured	<u>£6,420k</u>
• Secured with legal charges	£6,214k
• Health contributions	£77k
Overall total of due debt	<u>£12,711k</u>

Aged Analysis of Unsecured Debt

14. The following table shows an analysis of unsecured debt that is due for payment:

	Under 6 months	Over 6 months	Over One Year	Total
Unsecured – ongoing client debt	£2,921k	£1,003k	£1,595k	£5,519k
Unsecured - Deceased/terminated client debt	£158k	£259k	£484k	£901k

Total unsecured client debt	£3,079k	£1,262k	£2,079k	£6,420k
------------------------------------	---------	---------	---------	---------

Unsecured – Ongoing client debt over 6 months equates to 355 debtors
Unsecured – Deceased/Terminated Client Debt equates to 314 debts for those with debts just over 6 months.
Unsecured – Ongoing client debt both over/under 6 months only equates to 745 debtors.
Unsecured - Deceased/ Terminated Client Debt equates to 60 debtors for those with debts both under/over 6 months.

Numbers of Unsecured Debtors

15. The table below analyses the number of debtors with an unsecured debt, both due and not yet due.

	Numbers
Unsecured – ongoing debtors with debts	11,930
Unsecured deceased/terminated debtors with debts	546
Total Unsecured Debtors	12, 476

Secured Debt

16. During 2009 KASS carried out a full review of all of the debts that we have been secured by legal charges on clients' houses. This review has continued throughout 2010 to ensure that the estimated valuations of the properties are not less than the values of the deferred debts, and if so 100% provision has been allowed for.

Bad Debt Provision – Client Related

17. (1) The total bad debt provision that exists for client related debt is £3,972k. This is calculated by looking at the value of all of the debts under various debt categories of those secured and unsecured. It also takes into account the age of the debt.

(2) Generally the percentages for the main categories used are as follows:

- Unsecured – ongoing (under 6 months) - 5%
- Unsecured – ongoing (over 6 months) - 60%
- Unsecured – terminated (under 6 months) - 33%
- Unsecured – terminated (over 6 months) - 75%

(3) The general provision is £2,405k. This covers all debts, secured, unsecured and Health. This provision is recalculated on a monthly basis, and any required changes are forecast within the revenue monitoring.

(4) In addition to the general provision that is calculated as described above we have allowed for an additional £1,567k of specific provisions. These relate to individual named clients for which we believe there is a high risk of the debt not being paid. This is reviewed during the course of the year to see if any payments have been made.

Write Offs

18. In 2009-10 £421k of client related debt was written off. The trend has been similar to previous years.

Reasons for Debt

19. (1) Many of the clients who we are charging do not actually manage their own financial affairs, especially those in residential and nursing care. It is likely that a family member is managing their affairs on their behalf. However the debt must remain the responsibility of the client, and we cannot take specific debt recovery action against the family member, only the client. In many debt cases the client is not even aware that their relative is not paying the monies due. This makes debt recovery against vulnerable people very difficult.

(2) When we are made aware that others may be misappropriating a client's finances, we can approach the Pension Service and ask that KCC becomes appointee for the client's benefit. This can be a complicated and lengthy process, and depends entirely on whether the client has mental capacity, and if so, whether they agree to us becoming responsible for their finances. In cases such as this it is likely that any debt that has accrued before we take on appointeeship, will never be paid, and will probably end up being written off.

Recommendation

20. Members are asked to note this report.

By: Chairman of Governance and Audit Committee
David Tonks, Head of Audit and Risk

To: Governance and Audit Committee – 30 November 2010

Subject: COMMITTEE WORK PROGRAMME

Classification: Unrestricted

Summary: A forward work programme ensures that the responsibilities of the committee are met and means sufficient time is allocated for members of the Committee to cover areas they collectively wish to examine in more detail.

FOR DECISION

Introduction and background

1. This is a standing item on each agenda to allow members to review the plan for the year ahead, and provide members with the opportunity to identify any additional items that they would wish to include.

Current work programme

2. Annex 1 shows the latest programme of work for the Committee up to November 2011. It has been restructured in line with the overarching responsibilities of the Committee, as agreed at the June 2010 meeting. The content of the programme have been matched to the new terms of reference of the Committee and aim to provide the minimum coverage necessary to meet the responsibilities set out. The programme has been updated to reflect the requests from members for additional reports on specific items of interest, although in some cases the exact timing of this work has yet to be finalised.

Recommendations

3. Members of the committee are asked to:
 - Consider the forward work programme for 2010/11 and suggest any changes deemed necessary.
 - Identify any additional items that members would wish to include

David Tonks
Head of Audit and Risk
Ext: 4614

Category / Item	Nov-10	Mar-11	Jun-11	Sep-11	Nov-11
Secretariat					
Minutes of last meeting	✓	✓	✓	✓	✓
Work Programme	✓	✓	✓	✓	✓
Trading activities Sub Group		✓			
Member Development Programme	✓				
Risk Management and Internal Control					
Strategic Risk Register	✓		✓		✓
Treasury Management quarterly report	✓	✓	✓	✓	✓
Ombudsman Complaints		✓		✓	
Annual Management of Risk Report		✓			
Report on Insurance and Risk Activity				✓	
Treasury Management Annual Report			✓		
Treasury Management - half yearly review	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme		✓			
Annual Complaints Report				✓	
Impact of KCCs Budget on the Risk Register		✓			
Annual report on 'surveillance' activities carried out by KCC			✓		
Corporate Governance					
Annual review of ToR				✓	
G&A Annual Report			✓		
Pension Fund Governance assurance statement		✓			
Debt Recovery	✓		✓		✓
Annual review the Council's Code of Corporate Governance			✓		
Companies protocol		✓			
Update on the Governance of the Superannuation fund	✓				

Category / Item	Nov-10	Mar-11	Jun-11	Sep-11	Nov-11
Internal Audit					
Internal Audit Progress Report	✓	✓		✓	✓
Internal Audit Annual Report			✓		
CIPFA Statement on the role of the HoIA		✓			
Internal Audit Benchmarking Results				✓	
Internal Audit Strategy and Annual Plan		✓			
Review of Terms of Reference and Charter of Internal Audit		✓			
External Audit					
External Audit Update		✓	✓	✓	✓
Proposal for tracking of External Audit and other regulators recommendations		✓			
External Audit Governance Report			✓	✓	
External Audit Annual Audit Letter	✓				✓
Certification Work Report		✓			
Effectiveness of External Audit Liaison	✓				✓
External Audit Annual Plan & Fee		✓			
External Audit Pension Fund Opinion work programme		✓			
External Audit Opinion work programme		✓			
Financial Reporting					
Statement of Accounts & Annual Governance Statement			✓	✓	
Fraud					
Compliance with Anti-fraud and anti-corruption best practice	✓				
Review of the Anti-fraud and anti-corruption Strategy		✓			✓

This page is intentionally left blank

By: David Tonks, Head of Audit and Risk
To: Governance and Audit Committee – 30 November 2010
Subject: MEMBER DEVELOPMENT PROGRAMME
Classification: Unrestricted

Summary: To provide an update on the introduction of a training programme for members of the committee.

FOR DECISION

Introduction

1. In April 2010 members of the Committee were asked to agree the need for a member development programme linked to the content of the forward work programme and Committee Terms of Reference. The outcome at the April meeting was that a group of Members should be established by the Head of Audit and Risk to look in more detail at training issues, and to report back to a future meeting of the Committee. The overall need for Member training linked to the content of the forward work programme was agreed.

Background

2. The April report set out the guidance relating to the functions of audit committees and in particular the need for training in the following areas:
 - Financial reporting and understanding financial statements
 - Governance
 - The regulatory framework
 - The role of internal and external audit
 - Risk Management
3. The group of members and officers have met and accepted that these themes for training are correct, but also identified that additional training is required in relation to the role of the committee. There was some debate as to whether there should be a formal training needs assessment for the committee members, but it was considered that this would not be a productive process.
4. The remaining discussion points related to the most effective method of delivery and the timing of the training.

Method of delivery

5. The main point of discussion was that training to date has been delivered via officers, and that while these officers are extremely competent in their respective specialist areas, they are not always specialist trainers. It was the consensus view of the group that training should be delivered by specialist trainers, supported by officers to provide the Kent context to the theory.

6. The delivery of development programmes by professional trainers does have obvious benefits, both in terms of the effectiveness of the overall product and in freeing up officer time for core work. However, the overall budget for member development for the current year has been spent or otherwise allocated, and next year is only likely to be in the region of £40k. It is estimated that providing training for the committee with professional trainers would cost at least £5k, which would be disproportionate compared to the overall budget for member training. In the current financial climate increasing the budget would not be possible.
7. It is proposed to consider use of the central budget for some aspects of training, while opportunities to source professionally delivered training at zero or minimal cost will continue to be investigated. However, continuing to rely on officer led training will need to be the default position.

Timing

8. It was agreed by the group that the best time for formal training would be immediately prior to the start of the formal meeting, and that these sessions could be open to all members. The training could also be recorded and added to any induction material given to new committee members, or used as a refresher if required by existing members.

Conclusion

9. Member training is important to ensure that the Governance and Audit Committee remains effective and delivers against its terms of reference. Although the preferred method for delivery of the programme is using external professional trainers, this may not be possible, but a formal training programme should be started from March 2011, based around the work programme of the Committee.
10. In addition, Corporate Finance has successfully delivered a learning and development programme on financial management for Members and senior officers that covered many of the themes identified in paragraph 2. This programme is likely to be repeated in 2011/12 and can be used to supplement the training provided to the Committee.

Recommendations

11. Members are asked to give their support to the commencement of a training programme from March 2011.

David Tonks
Head of Audit and Risk
Ext: 4614

By: Jeff Hawkins, Transformation Programme Manager
To: Governance and Audit Committee
30 November 2010
Subject: Change to Keep Succeeding
Classification: Unrestricted

Summary: "Change to Keep Succeeding" is a report by the Group Managing Director on the transformation of the County Council's operating framework.

The Governance and Audit Committee will be given a presentation on the report, the management structure it proposes, and the process for consulting with staff.

Background

1. "Change to Keep Succeeding" sets out a proposed new structure for the senior management of Kent County Council. It was presented to meetings of the Council's Cabinet, Scrutiny Board and Cabinet Scrutiny Committee in the week commencing 11 October 2010.

2. Following Cabinet and Cabinet Scrutiny, on 15 October Kent County Council started a period of formal consultation on the proposed new senior management structure with the 25 staff impacted by this proposal. At the same time a wider informal consultation was commenced which is open to all staff and partners. The consultation period ends on 3 December 2010. A report will then be made to full Council on 16 December 2010 for a revised management structure and plans for the implementation of that structure.

4. The target is to implement the change in structure, subject to consultation and the decision of the County Council on 16 December, by 4 April 2011.

Recommendation

5. The Governance and Audit Committee is requested to consider these proposals and to note that the matters raised by members at this and other member meetings to which this matter is to be reported will be fully considered as part of the consultative process.

Background Documents: *none*

J L Hawkins
Transformation Project Manager, Sessions House room 1.68, extension 8103

This page is intentionally left blank

By: Paul Carter, Leader of the Council
Katherine Kerswell, Group Managing Director

To: Cabinet

Date: 11 October 2010

Subject: “Change to keep succeeding”
The transformation of the Council’s operating framework

Classification: Unrestricted

SUMMARY: This report outlines the work to date on a programme to ensure that the Council continues to deliver successfully in the face of the most significant changes facing local government in the external financial and policy context. It needs to be read in conjunction with the draft medium term plan which is being launched for consultation - “Bold Steps for Kent” as this is proposing the draft new strategic vision for the Council which the organisational framework of the Council needs to be able to support and deliver upon. A supplementary and more detailed report will be circulated prior to the meeting on 11th October due to the closing date of the consultation period upon which that part of this report needs to rely. As this further report will include details of the proposed new structure and information about members of staff, its status may be “exempt”.

1. Introduction

(i) To reduce the scale of the £156bn public deficit, to repair the nation’s public finances and to restore confidence in the national economy, the Government has embarked on a radical plan to reduce public spending. The Comprehensive Spending Review will settle the landscape for public service funding in late October. And the following month the Council will receive a clearer view of the provisional settlement in its external revenue funding. This will present elected Members and officers of the Council with our biggest challenge for a generation. Over the next four years it is likely that some £340m needs to be reduced from the Council’s net revenue budget in order to reduce spending and absorb the pressures we face. But the Council does not face this challenge alone – aside from the health service (which has to contain its intrinsic growth pressures rather than substantially reduce its base budgets) most public agencies in Kent and beyond face similar challenges. However, unlike most other public agencies, Kent County Council has the capabilities to meet these challenges head on. For when faced with challenges of this scale the Council needs to draw on its strengths of excellence and innovation.

(ii) Success is a springboard for future success. But simply repeating the success of the past will not be enough to meet the challenges of the future.

Instead the Council needs to make sure that its organisation and services are sufficiently agile to lower their costs to meet the coalition government's challenge on public sector costs and the Authority will need to evolve against the background of significant changes in other sectors including Health, Education, while sustaining and improving service outcomes. Individual services need to continue to strive to be ever more cost-effective but the overall organisation needs also to embrace an ethic of collective cost-effectiveness. This will require a more linked and connected organisation that is able to reap the benefits of scale, lower the cost of organisational infrastructure, and foster higher levels of overall productivity.

(iii) The Council needs to grasp the opportunities of the Government's decentralisation and localist agenda to revive enterprise and employment across Kent. It needs to help shape the future of education and healthcare across Kent to assure ever better life-chances for Kent's people. And it needs to make sure that its own organisation is sufficiently agile so as to continue to lower costs, raise productivity and secure ever better standards of customer service.

(iv) The proposed changes to the senior management arrangements to be outlined in the following appendix to this report (once consultation has closed) will seek to achieve the above and also to make the overall organisation leaner and fitter for future purposes. Without doubt, Kent benefits from the considerable talents and energies of the Council's most senior managers. But these benefits are not without significant cost to the taxpayer. In lowering costs and raising productivity, all layers of management need to be examined to assure cost-effectiveness and fitness for purpose. And it is crucial that the Council's senior management arrangements are reviewed to assure Members that value for money is secured and that these managers can together drive through the essential changes that are required across the County.

(v) In usual times, top-level organisational changes can help drive change throughout organisations. In times of tightening fiscal constraint they are essential to drive even deeper change throughout services and organisations. These top-level changes need to be approached in a disciplined and corporate manner. This is why I am proposing a coherent approach that secures Council-wide improvements in managerial culture, direction, and co-ordination. In particular I am mindful that during a period of major spending reductions, the conventional risks to service delivery pale against the potential risks of failure when services are being delivered on (an average of) three-quarters of their current budget. Controls based on single service or professional domains need to be strengthened by newly fashioned corporate controls to enable Members to better govern the risks to be faced over the next four years.

(vi) In order to deliver sustainable levels of budget savings over the coming four years we will require organisational courage and resilience from Members and officers alike. But these virtues are not of themselves sufficient. The Council needs to ensure that its senior managers are able to execute the changes that are required over the coming period. These senior managers need to possess the competencies and capabilities to take the

whole organisation forward and they need to possess the collective confidence to take the next bold steps.

2. OUTCOME OF THE INFORMAL CONSULTATION PROCESS

(i) The response to the initial informal consultation has been positive with nearly 200 members of staff already offering comment on the design principles. The comments are predominately positive in nature to the proposals contained within the draft design principles. Eight meetings were also held with managers about these design principles and feedback from those meetings is also being incorporated into the final draft recommendations for Cabinet.

(ii) All the feedback received will be collated and reported to Cabinet to inform their decisions and thinking about the way forward. They will also be used to assess the value of the draft design principles that have been circulated and the design of the Council's operating framework that will then flow from these.

3. PROJECT PLAN

Detail of the sequence and timing of the implementation steps will be provided in the following report. The detail of this will need to be based around the final recommendations of any proposed changes to the operational framework to be made to Cabinet.

4. PROPOSED NEW ORGANISATIONAL STRUCTURE.

The supplementary report to follow will cover:

- Details of the proposed directorates' structure,
- The proposed senior posts in each directorate and the business activity reporting into these roles.
- Outline job descriptions for each of the proposed senior roles
- A list of the current posts that it is proposed are deleted and a list of the new posts that it is proposed to create.
- Details of proposals to create a number of new companies to deliver Council services. The detail of these new company models will need to also be developed during the consultation period.

5. REVIEW OF REWARD POLICY FOR SENIOR POSTS

(i) Cabinet is asked to agree to a review, by the HayGroup, of the appropriate salary levels for the proposed senior posts. The review will take account of the level of responsibility and accountability of each proposed role and recommend an appropriate level of salary taking account of internal relativities and market rate. The review will be completed between the 18th October and 5th November.

(ii) The current salaries for senior posts are "spot" salaries, i.e. there is a rate for the job and no salary scale. Some senior posts have a contractual entitlement to a performance payment which applies a percentage lump sum

bonus according to the level of performance. However, these payments were frozen last financial year and will not be paid for this current financial year. It is proposed that senior managers are consulted during the formal consultation period on bringing senior performance pay in line with the Total Contribution Pay scheme in place for all other Kent County Council staff on the Kent Scheme of terms and conditions of employment. This proposal includes removing the current contractual bonuses for senior staff.

(iii) At the end of the formal period of consultation, all proposals for any changes to the terms and conditions for these proposed senior posts will be put to Personnel Committee for consideration before being reported to Cabinet on 16th December.

6. PROCESS FOR APPOINTING TO SENIOR POSTS

(i) Details of the process and timeline for populating the proposed senior level posts will be included in the supplementary report. This could include Member panel interviews preceded by assessment centres. Before any such arrangements like this can be agreed to, it will be necessary to follow the Council's process outlined in the Council's Blue Book of terms and conditions of employment.

(ii) This will of course be followed in deciding whether individual senior managers are "slotted" (i.e. automatically placed) to the proposed posts in the structure. This means that an individual may be slotted if all the following criteria are met:

- the job must be the same grade as before the re-organisation,
- there must be the same number of jobs (or more) as job holders
- the job is deemed 75% the same type of work in term of job accountabilities, activities and broad objectives

(iii) Then there is no recruitment process either internal or external and the employee whose job has been altered by this process is slotted in to the new job. This can only be assessed at the end of the consultation process and following the full Council's final decision on the proposals.

4. CORE VALUES AND BEHAVIOURS

(i) This change programme is aimed at enabling Kent County Council to alter the way it operates so that it can meet the new challenges it is facing. It cannot therefore be solely about the organisation structure, but must also lead to a new organisational culture.

(ii) It is therefore proposed that an external provider is procured to engage with staff across the Authority and with Members and senior managers to design a set of draft values and behaviours. This process when shared with staff has been warmly welcomed as a means of being involved in shaping the Council and ensuring we can deliver as well in the future as we have in the past.

(iii) These values and behaviours will be put forward for discussion and agreement at the County Council meeting on 16th December. Once agreed these values and behaviours will drive all aspects of the Authority's HR strategy.

5. EXIT MANAGEMENT PROCESS FOR SENIOR POSTS

It is suggested that a voluntary redundancy process is introduced, to be offered to any of the senior managers affected by the restructure proposals at the start of the process. Details of the process for this together with proposals around notice periods, appeals against decisions made and alternative job search support will follow in the supplementary report.

6. RECRUITMENT TO ANY POSSIBLE VACANT SENIOR POSTS

It is critical to the stability of the organisation, the continuation of excellent service delivery and the success of the many significant change programmes being undertaken that any senior posts left vacant are filled as soon as possible. The standard Kent County Council personnel process will be applied to any post that is not filled by a priority candidate, and the post will be advertised to internal staff with external candidates being sought contemporaneously if required. This has worked very successfully in the past and it is hoped that if such a circumstance arises of a vacant post needing to be filled, internal staff are able to come forward and be assessed for the vacancy.

7. FINANCIAL IMPLICATIONS

(i) The Council is facing significant financial challenge more so than at any time in its past by virtue of the economic conditions of the country and the forthcoming comprehensive spending review that is proposing to reduce Council budgets between 25% to 40%. Officers have been working on a series of options to increase the efficient working of the Council and to review ways in which services can be delivered to reduce costs whilst maintaining quality to meet this level of reduction.

(ii) The management costs and organisational structure costs of the authority must be examined along with all other costs within the Council. This process will naturally contribute to the savings required. Details of the proposed savings will be available once consultation has closed and a final draft proposal for Cabinet can be created. Other savings proposals that will affect staffing arrangements in the Council will undoubtedly follow in the budget proposals that will be presented to Members later this Autumn / Winter. Effective corporate programme management will ensure alignment and enable any possible double counting to be dealt with.

8. RISKS

(i) It is important early on in this work to highlight a number of possible risks facing the Council from these proposals. A fuller risk register will be supplied

following the closure of consultation and the draft proposals being able to be concluded.

(ii) This proposed change process is happening at a very congested time for this Council. The Council along with all others in the public sector is facing unprecedented external policy and financial changes. Local people's expectations from services and what they are willing to pay for them is also changing fundamentally. We are in the process of discussing with Members and the Scrutiny committees the Council's new medium term plan "Bold Steps for Kent" which is considering a brand new focus and way of working for the next four years. The draft medium term plan is also on this Cabinet's agenda for approval for consultation.

(iii) It is imperative that the process of transforming our operational framework, preparation of the Council's medium term financial plan and the development of the medium term plan dovetail and absolutely align. They are all intricately related and the individual success of each of them relies upon the success of all.

(iv) The Group Managing Director's role is to ensure the co-ordination of such major developments and also to plan and manage the risk of non-alignment by working very closely with key officers in the Council. Therefore these programmes will be programme managed through the Group Managing Director's office and the Corporate Management Team will be the programme board for these activities. The programme office resource is in place to support this.

(v) It is important to be clear about the need to ensure accurate financial control is maintained throughout this change. This risk will be strongly mitigated by the programme management approach, the corporate management team's role as the programme board and very strong input from the financial services division into the programme team that is already in place.

(vi) In addition to the risk being mitigated by the effective programme management resource, another possible mitigation of this risk could be to delay one or several of these programmes that are occurring at the same time.

(vii) "Bold Steps for Kent" the new medium term plan, has to take place in this timeframe. Our current medium term plan "Towards 2010" has concluded and this Council needs to be clearly focused on dealing with the new policy challenges facing us and being able to plan for and deliver Members' ambitions for the next four years.

(viii) The transformation of the Council's operating framework is intrinsically linked to making certain that the Council can deliver "Bold Steps for Kent" the new medium term plan, which requires of us a new integrated delivery model and new ways of working.

(ix) The new medium term plan “Bold Steps for Kent” also supports and enables many of the proposals currently being developed to deliver the new medium term financial plan and the estimated £340m of reductions that the Council may have to find over the next four years.

(x) The medium term financial plan clearly has to take place at this time to deliver the Council’s budget and respond to the outcome of the comprehensive spending review on the 20th October. The changes proposed by this report will enable many of the financial reductions that will be necessary to be made.

(xi) If we are to avoid a period of managed decline we need to deliver our services at lower cost and in different ways. If we halt the organisational change that this report contemplates we face a different risk of “salami slicing” of services and being unable to deliver the quality of service that Kent is renowned for. It is important that the costs of how this organisation delivers its services are considered and challenged as much as the costs of what we deliver in actual services.

(xii) Kent has a national reputation for being able to seize opportunities at the right moment. If we fail to align these three programmes effectively and not maximise the support they give to each other and manage the pace of each through a co-ordinated and resourced programme office we run the different risk of losing the benefits of these processes and prolonging the period of turbulence for this organisation.

(xiii) Another two risks of all these programmes and in particular the subject of this report are the risks to morale and leadership capacity. Members will be able to see from the responses from staff to this informal consultation (those received to date) that they talk about the uncertainty that they all feel. There are also comments welcoming the fact they we are facing up to this and want to involve staff in how we deal with the situation. There has also been very positive support expressed in the managers meetings about taking up this difficult situation with their teams to help manage the transition and deal with the uncertainty that the external policy changes and financial environment are driving.

(xiv) As our services have to be reduced and the policy challenges we are facing and also wish to create ourselves are changing, we need to examine the most senior posts that we have in this organisation. We must ensure that they along with all the other roles and services are fit for purpose and that the overhead costs that they represent are appropriate. The period between our current operational framework to any different framework that Members agree will need to be very carefully managed through a transition programme to ensure effective capacity is available to keep the programmes of the Council going.

(xv) All areas of this Council are being reviewed and challenged as part of the process to find the £340m reductions needed over the next four years. There is the risk that if we fail to examine the costs of our most senior management structures and whether they are designed in the most effective way for our

future, we will give a contradictory message to the rest of our staff about the different values placed upon roles at different levels in the Council. That is clearly not part of the values of this authority and it is important that we must be seen to be demonstrating explicitly the equity and fairness of the approach that we take to examining all costs at all levels and in all services.

(xvi) This Council can be proud of the fact that we have a strong pool of resilient and steadfast managers who have met such challenges as this in the past and have managed the transition and uncertainty that is necessary in such a turbulent period.

(xvii) Cabinet must also consider in assessing the options that this report will place before them a slightly different type of risk. The risks above can be described as a type 1 risk. The risk of something going wrong that can then either be mitigated or put right.

(xviii) here is also the type 2 risk that needs to be considered. This is the risk of not doing something, that if you had done it – it would have delivered the future you are seeking to achieve.

(xix) The consequence of a type 2 risk in relation to this report and the proposals that are to follow; is that changing the organisation at a later date when the opportunities we are seeking to take advantage of have moved on could be much more costly and damaging for us. The external demands of the policy changes from the new government and the financial reductions we will have to find show no sign of slowing down or reducing, indeed they seem to be accelerating. Cabinet will need to consider the cost of change now in all its dimensions or a possible much increased cost at a later date.

9.RECOMMENDATION

Cabinet is asked to note and agree as appropriate the proposals put forward in this report and to note that further recommendations will follow in the supplementary report.

Note: *This report will also be discussed at a meeting of the Scrutiny Board which is taking place on 11 October on the rising of the Cabinet meeting and a meeting of the Cabinet Scrutiny Committee taking place on Friday 15 October 2010*

Background documents: The First Bold step Informal consultation document

Katherine Kerswell
4000

Amanda Beer
4136

Change to keep succeeding Appendix 1

The challenges facing us

1. As described in the Cabinet report already circulated, KCC is facing; along with all other local authorities and public service agencies, an unprecedented level of and pace of change. The challenges facing the Council arise from three main sources.
 - From the changing patterns of needs and demands from service users and local residents.
 - From the financial reductions that are being applied to public spending generally.
 - From the fundamental changes planned by the Government to public sector policy and our own Kent new policy ambitions in the draft medium term plan “Bold Steps for Kent”.
2. The needs and demands of our public do change and are changing rapidly and if we are not equally nimble in responding to them we can appear rigid or fixed in terms of the style of our service delivery and our ability to change our cost base. The demographic changes we are facing in Kent are significant enough on their own but they accompany further social and economic change as well as the fast paced changes in local peoples’ use of media technologies such as Face Book campaigns, electronic petitions and the widespread use of direct contact email. KCC has embraced the transparency agenda and this will yield further avenues for media technologies to engage with the delivery of our services and our functioning as a Council.

The demographic challenge

3. Over the next eighteen years the total population in Kent is predicted to increase by 18%, which is higher than the growth predicted for the whole of England and the South East. The particular population growth trend that we need to be mindful of in thinking and planning for our future is the growth of the over 85 population. At one level this should be absolutely celebrated as many more people are living past this age than ever before.
4. Over the next eighteen years the percentage of over 85’s in our total Kent population will increase by 99% from a population of 38,700 to 77,400. (ONS – 2008 –based sub national population projections) In contrast our younger population group of 4-10 year olds only increases by 12% between 2009 and 2019 and then remains constant after that.
5. This clearly has major issues for a wide range of services we provide and certainly is not restricted in its impact to adult social care services. The principle that its not just adding years to life but life to those years means each of our services must think very hard how we address this significant increase in our over 85 population.

The service delivery challenge

6. Essentially, future needs and demands for public services will differ in character from those of today – they will not simply differ in the level or amount we deliver. People want more appropriate, more flexible, more personally tailored and responsive services. They want more self-organised services and they expect, wherever practicable, for services to be made available online. How people privately consume goods and services will continue to influence their expectations of our services.
7. In order for us to be able to meet our future challenges, KCC, local government, indeed all public institutions and agencies will need to be more agile in how they organise themselves. The stress will rightly be on redesigning services, on reshaping the systems of service delivery, and on revising “service user pathways” such as in care for elderly people with specific conditions, and really maximising the use of the latent potential of our Gateways. But to do so will require us to be much more flexible in how we finance our services and how we shape our functions and activities. We must also be very clear this does not simply apply to how we work on our own, but increasingly we will be working with our partners and we will need to be flexible and agile in the many differing types of relationships that will emerge.
8. Eight briefing sessions with 219 of the Council’s managers have taken place over the informal consultation period. We have discussed the changes that the Council will have to face over the next period. We have also discussed between us the new policies that the Coalition Government is introducing. Members will see from Appendix 2, a summary of the responses from those sessions. One of the very consistent themes raised in those discussions was the impact of the level of financial reductions that we have to plan for and contemplate ahead of the 20th October CSR announcement and also the effects that this could have on local jobs and services in our county.

The financial challenge

9. The Government have adopted a broad plan for public sector reductions. The current plan is for 85 per cent of the planned reductions to come from public spending cuts. The period of private sector recession of 2008-9 is being followed by period of public sector retrenchment from 2010-14.
10. At the very broadest level this presents a background of considerable uncertainty for KCC and its public sector partners in the county, all of whom face the challenge of planning for this future. Nationally local government has had to deliver efficiencies of around 3% a year. As an excellent authority KCC has delivered above that level at around 4% a year. This has required significant focus and activity by the organisation and Members. The level of reductions we are expecting from the CSR announcement translates roughly into reducing our spending by up to eight per cent each year for the coming three years.
11. Efficiencies of three or four per cent can be planned for by way of productivity improvements and the like. Ongoing cumulative reductions of eight per cent are significantly much more demanding – to determine, and then to implement.
12. They require some bold steps to be taken.

The policy challenge

13. The Coalition Government has published an ambitious agenda for fundamentally altering the nature of public service in this country. It has resonated very closely with the future vision for public services that the County Council set out in the Leader's paper "Bold Steps for Radical Reform" in January 2010.
14. Kent's history of innovation, delivery of quality services and strong relationships with Whitehall places us in an enviable position to develop many of these new ideas and bring additional advantages for example through investment in new service models, by a government willing to see its ideas being tested and trialled. All throughout the meetings with managers their willingness to try new ideas and pride in the history of innovation and entrepreneurialism of their Council was very evident and staff are getting ready to step up to these new challenges.
15. The fact that we have two externally driven major changes of a policy framework and a financial framework is significant. We must avoid the pressure of such a reduction in our funding to feel that the future has to be one of managed decline and a timid future then emerging.
16. This point was raised in the consultation process and many staff opted for creating a new future and not just face an endless "salami slicing" of Council services. Their responses are very true to a core aspect of KCC – that of facing up to our future and changing it for the better. That characteristic will be essential for us going forward and managing these challenges. We need to be able to take advantage of the new ideas that are emerging about public services and really offer a different future for public services in Kent. These draft structure proposals aim to enable that capacity to be in place as soon as possible and to aid the financial reductions we must face.
17. The structure charts that are included with this report for Cabinet to approve as a consultation draft for the organisation and our partners, attempt to capture the challenges we face and to enable the County Council to fully respond to the new opportunities in the changing financial and policy environment both from our own draft medium term plan "Bold Steps for Kent" and the Government's radical agenda.
18. A series of design principles were developed and circulated in a leaflet "The first bold step" to all staff to create a debate about what was facing us as a Council and whether we are currently organised and operating in a way that enables us to deal with that future in the most effective manner. The summary of the comments received back from staff is attached at Appendix 2. There are a wide range of comments, both critical and supportive and I have responded to each, full copies of which are available in the Member's Information Point as well as to each Member of Cabinet and the Scrutiny Boards overseeing this report. Overall there is a positive sense of energy and desire to change some of the ways that we operate as an organisation, most notably on how we connect internally and operate as one organisation. Many

of the design principles were supported and they have shaped the draft structure proposals placed before Members today.

19. The changing nature of the delivery of public services will require KCC to think very carefully about the current way it is organised. As recently as Sunday 3rd October the Secretary of State for Communities and Local Government – Eric Pickles MP made a statement of how local government must end duplication and increase its productivity, He urged us all to share more services between Councils and between other public agencies. The proposals in this restructure rise to the challenge that the Secretary of State has thrown out to all local government in ensuring we are joining ourselves up as an organisation and making the use of our internal systems much more productive. This will enable an easier connection to be made as one Council with partners when needing to join up services together.
20. It will also enable us to create new forms of service delivery vehicles with our key partners in Schools and with GP's. It will also help us to deliver more effectively in localities, joining decision making with our other partners in District Councils, the Police and Health and other local organisations to really tailor our services to the particular needs of that locality. The intention is that this locality approach does not stop at the district level but can explore closer delivery with our parish and town Councils and in local neighbourhoods.
21. All of this is exactly in line with the Secretary of State's determined vision for the future of local government delivery. On coming into office the Secretary of State declared his priorities to be;

“localism, localism and localism – but not necessarily in that order”.

22. In the face of that drive to join up and also increase our productivity; how we internally organise our business support resources also needs to alter so that we are connected and integrated as one organisation. We can then become much more efficient and productive in how we use those systems and processes – a “one pass” approach and (leading to much more effective and coherent) can then effectively integrate with others.

Explanation of the structure in general and process for staff impacted

23. In addition to the text below which describes the main themes that the proposed structure is attempting to deliver, it may be helpful for Members to look at the structure diagrams. These are portrayed in two ways, a traditional organogram of posts and reporting lines showing the whole Council and a more detailed picture outlining the top two tiers of management posts in each proposed Directorate that are directly impacted by this proposed restructure consultation. The array of functions that are shown (in the grid boxes) for that Directorate then would lie within their areas of responsibility if those senior posts at first and second tier were approved. Please note these are not all current service teams but also denote capacity and functions that will need to be created.
24. Please also note that the areas described as functions and any staff or managers within those are **not** affected at this stage by any of these restructure proposals. If at a later stage further re-organisation is required then that will be dealt with, within the terms and conditions of the KCC's employment policies. Appendix 5 of this report lists the current senior

management posts that are directly impacted by these draft structure proposals. It needs to be explicitly understood that these are the **only** posts which are affected by this process.

25. Those post holders are **not** placed formally at risk by this consultation process. That can only happen if and when Members take their final decision on the proposals at the Full Council meeting on the 16th December. It will only be at that stage that it will be possible to determine whether any of the current posts have altered significantly and therefore whether any of the post holders are then formally at risk. The Director of Personnel and Development and the Group Managing Director will be writing formally to all senior officers directly impacted by this process on Friday 15th October following the outcome of Cabinet Scrutiny Board. Formal consultation can only begin following the outcome of that meeting. However all senior staff are being briefed on the morning of the 11th October so that they are fully aware of the draft structure proposals and can ask any additional information about the process that they require. The Corporate Management Team have also all been informed of these proposals on Friday 8th October, either in a meeting or by receiving copies of the proposals due to other meetings preventing them attending.
26. It is very important to be aware that the posts at the second tier level do **not** all carry the same level of seniority, size of job or price tag for that job. The inclusion of director level posts in this way represents the first visible sign of implementing the design principle of a flatter structure leading to fewer management tiers between the top of the organisation and the front line.
27. There are a number of posts that have been designated “director” that have a very singular focus such as waste and procurement. These have been included in the most senior tiers of management as they are such significant areas for the Council and to give them a very clear focus and priority.
28. By virtue of the design principle that was endorsed by staff, this structure is aiming to connect all business support services together in one Directorate serving the whole of the Council. There are two posts in that Directorate however that are also members of the Corporate Management Team with the same first tier status as the Corporate Directors leading Directorates. These two posts are Corporate Director Finance and Corporate Director Human Resources. The reporting lines and day to day operational activity of these two divisions need to be part of the Business Strategy and Support Directorate but they play such a significant role in the life of this authority that they will be formally members of the Corporate Management team and enable to enact their strategic role in full. It is also critical for the statutory role of the Chief Finance Officer post that it is a member of the Corporate Management Team in order to be able to fulfil its duty.
29. The Corporate Director Business Strategy and Support has also been designated as Deputy Managing Director. This will ensure continuity of organisational leadership in the absence of the Managing Director. The current job title of the post of Group Managing Director is proposed to be altered through this process to Managing Director. This is now possible due to the other Directorates being re-titled away from being Managing Directors in their own right and also denoting the one Council – one organisation design principle.

Detail regarding the role of the Corporate Director

30. The post of Corporate Director denotes the most senior tier – first tier of management in the authority and membership of the Corporate Management Team. The Corporate Director along with all other first and second tier posts will share identical responsibilities in their job descriptions in regard to overarching responsibilities for being focused on; our customers, working with partners, leading services, leading people, performance, finance and risk. In addition they will also have the specialist responsibilities in line with their Directorate's functions.
31. The Corporate Director is the overall managerial head of the Directorate and as such has a key responsibility for ensuring its smooth running. The post has to have a strong relationship with the business partners who will support the operation of that Directorate. The Corporate Director is also a strategic policy client initiating the development of major policy via the Director of Business Strategy and the resources in that division and in close liaison with their Cabinet portfolio holder. The design of the business strategy division is to ensure a holistic approach can be taken to policy and strategy development in the Council and that the staff working there are able to cross fertilise ideas and develop their thinking in the broadest context of the direction of the Council as a whole.
32. Corporate Directors will still as happens currently take the lead on a number of cross cutting issues and themes that are critical for the smooth running of the organisation. Health and Safety and Equalities are two very obvious areas of work that both require the most senior posts in the authority to champion.
33. Those Directors and Corporate Directors who have responsibility for the business partner relationships for their particular functions with other Directorates are also designated "Heads of Profession". This covers finance, human resources, property, IT, communications, consultation and engagement. The Director of Governance and Assurance is also the Head of Profession for legal services.
34. The Chief Officer Group has been redesigned over these last three months into a Corporate Management team (CMT) and its new way of working is in line with the design principles. It will be a key element in ensuring effective corporate working and that new silos don't replace the old.
35. CMT's role is primarily in two areas. One is giving advice to Members. In large-scale multi-functional local government there are, inevitably, competing claims for resources, assets, facilities, services and political attention. In this context one key feature of corporate management is the requirement to advise Members on how best to balance differing interests and how best to weigh competing claims. Members may require a plurality of views but these must first be considered through a corporate lens – policy, service and managerial issues need to be considered in the round and not simply through the prism of one singular service domain. This if not counteracted can be a major driver of silo behaviour.
36. The other is managerial leadership. The Council's services, functions and activities are all directed to improve outcomes for the people of Kent. The

Council's top team are collectively responsible for the coherence of management direction and controls – operationally, strategically and corporately. The team is responsible for overall results, the stewardship of resources, the Council's corporate reputation and its effective risk management (results, resources, reputation and risks).

37. The Chief Officer Group whilst it has clearly undertaken a number of the above roles in the past has not operated as explicitly as the new terms of reference of the Corporate Management Team describe. This new Corporate Management Team role is critical for the smooth operation of the new operating framework of the authority.
38. In the face of all our challenges the Corporate Management Team must absolutely share one responsibility that of explicitly challenging all our areas of service and practice to ensure we are truly delivering the best we can. This is not just a question of ensuring that the things we are doing are being done in the right way. But also in the light of the significant financial, and policy changes both nationally and of our own volition that we are now doing the right things.

Delivering the new vision of the authority – delivering the design principles

39. It may seem odd in a report to Members that is primarily about draft structure proposals to say that the future operating framework cannot just be about a structure. Throughout the consultation and in the manager's meetings, we have discussed a way of looking at the organisation through a number of areas, one of which is the structure. We have also discussed the style of the Council – how it works, the systems we use, our shared values, the skills, our staff need, etc. Staff strongly responded to this and have endorsed that we need to develop other aspects of the way we work and organise ourselves and not solely focus on the structural arrangements of services and reporting lines as important as they are.
40. The earlier report that was circulated to Cabinet refers to the development of a new set of shared values and workplace behaviours that will be designed by staff for staff. This too has been welcomed in the feedback as a means of engaging the Council and making the design principles really come to life in our day to day interactions.
41. The Council will shortly be consulting on its draft medium term plan "Bold Steps for Kent". The outline of this was captured in the first design principle which shared with staff the three proposed ambitions for Kent; to grow the economy, tackle disadvantage and put citizens in control. The way we will work to deliver that, will be through operating as one Council and very much focused on the localities of Kent with our partners. The role of KCC in speaking out for the whole of Kent and its needs is also captured in this principle and the need for us to stand up for our county and ensure our needs and demands are clearly understood.
42. The structure proposals have been developed in line with the thinking in "Bold Steps for Kent" and will strongly support the new ambitions and provide capacity to implement the direction of travel for public services in KCC and the whole of Kent that is outlined in there.

43. Draft proposals for consultation on the future structure of Kent County Council

44. It is proposed to create five Directorates – Business Strategy and Support, Customer and Communities, Enterprise, Families, Health and Social Care and Education, Learning and Skills. These Directorates aim to deliver the design principles that have been consulted upon with staff. (see Appendix 2)
45. They are also intended to reflect the three draft Council and county wide ambitions contained within the draft medium term plan “Bold Steps for Kent”. These are 1. Growing the Economy – Enterprise Directorate, 2. Tackling Disadvantage – Education, Learning and Skills Directorate and Families, Health and Social Care Directorate and 3. Putting the Citizen in Control – Customer and Communities Directorate. The Business Strategy and Support Directorate contains the policy development and intelligence function for the whole Council and contributes overall to the whole plan. These descriptions are not intended to suggest that the other Directorates would not contribute to any of the other ambitions but to show a correlation between their focus and the Council’s ambitions for the future.
46. One of the design principles was to enable the Council to work as a more integrated organisation rather than as a series of federated services. This is an essential shift if we are going to be able to focus completely on the delivery of “Bold Steps for Kent” and those three overarching ambitions. It is also an essential shift if we are to be able to channel our delivery into a series of locality delivery boards and the integrated frontline of the authority to meet the pattern of service delivery that local people require at the price we can afford.

Education, Learning and Skills Directorate

47. Overall the Directorate will focus upon ensuring strategic leadership and the County Council’s championship of high quality learning opportunities from early years through to 19+. It will make sure that there is genuine choice and diversity in provision to meet the needs and aspirations of all children, young people, and parents, with information advice and guidance so they can make the appropriate choices. It will coordinate and facilitate collaborative working amongst schools, keeping Kent at the leading edge of educational practice. It will also ensure the coordination of admissions, home to school transport, special needs education and link closely with the children’s services team to ensure every child is attending and flourishing in school. Finally it will be keeping a very close eye on standards and achievement, making sure support and intervention is there when required.
48. Capacity has been created within the proposed Directorate to develop with our community of Schools, Head teachers and Governors, a number of new vehicles to provide them with continuing professional development, school improvement, curriculum development and a really strong range of school support services which many of them access currently. It is envisaged that this type of new vehicle will enable us to support both the thinking of the new Department of Education in the greater independence they wish to see schools having and also to continue to support the large number of Kent schools who currently value a very close working relationship with us. This model as a “best of both worlds” approach has been broadly welcomed in recent meetings with head teachers.

49. The proposed Directorate also signals a move to recognise the new policy thinking within the Department of Education on the “every child matters” policy framework of integrated children’s services. There have been significant advantages gained from this policy framework. There have however been some losses mostly in the relationship with adult social services in terms of being able to conduct a real integrated assessment and develop properly integrated continuous care pathways for clients. The proposed structure tries to rebalance our service delivery models so that we are able to regain these elements and also retain the excellent work that has been done to date in this county on the integration of children’s services.
50. The current Children, Families and Education Directorate has re-organised itself to ensure in the twelve district areas of our county, there are integrated children’s services for school support, children’s social care services and preventative services such as children’s centres. These operate with a series of twelve locality boards and an over arching Kent Children’s Trust Board. This is a valuable forerunner of the thinking that is being proposed within the draft medium term plan “Bold Steps for Kent” and the 12 locality district boards and it will be essential to learn from its experiences in the development of the model being proposed for the whole Council.
51. The proposal in this draft structure is to support and maintain those links in the localities of integrated children’s services but to designate the line management “home” of targeted Children’s services as the proposed Families, Health and Social Care Directorate. Throughout the proposed consultation period there will be a number of bills and white papers published by the Government. Amongst them is expected to be an Education White Paper. This will give us further guidance on what the residual statutory duties of the local authority are likely to be in regard to education and may also discuss what the future statutory role of the Director of Children’s Services could be. The consultation period should allow enough time to take into account any proposed changes and give us the flexibility to respond.
52. Bearing in mind the current statutory requirements, it is proposed that a protocol be produced to ensure that the accountability of the Director of Children’s Services is properly maintained and not fettered by a different reporting line arrangement. The reporting links to the statutory role of the Lead Member must also be maintained pending any national review. The current statutory guidance on the role of the DCS does not insist that there has to be a direct reporting relationship of these posts.

Families, Health and Social Care Directorate

53. This Directorate will focus on the continued delivery of high quality adult social care services; develop a new model of integrated delivery of social care with our health partners and others, develop the new role of Public Health and work to ensure the Council is able to support the GP practices in the county facing their new agenda as commissioners. The Directorate will maintain the high standards of care practice for children and continue to champion safeguarding for adults and children throughout all the Council’s services. It will also seek to deliver new models of more integrated assessment and care pathways with the addition of the children’s services division and commissioning, assurance and delivery of services for other vulnerable groups.

54. The draft structure proposals for this Directorate show this as the new home of the Director of Children's Services and the line management arrangements and the locality connections to integrated children's services as described above. It must be emphasised that the dotted line is to represent a real living relationship of the services across these two Directorates.
55. This Directorate is also home to the significant range of adult social care services that are provided by the Council, both their commissioning and provision. The future of direct delivery and possible integration with health services or with other models of delivery are very current. The role of Transition Director in this Directorate is to enable the future model of service delivery to be developed for Members and also to ensure the new relationship with the GP's and their responsibilities under the Health White Paper can be properly developed.
56. Safeguarding is a critical issue for all services in the Council but most notably for adult and children's social care services. Whilst the personal responsibility and activities within the different social care teams – adults and children's, will continue unaffected, there is potential to draw together the support services to the safeguarding boards, training and promotion and the commissioning of and oversight of any investigative work that may need to happen. Whilst adults and children's safeguarding practice have a different legal basis, there are many similarities within the culture, approach and core workload of these different teams to promote and ensure safeguarding is a live issue for all our staff. The function would also be expected to look across the Council and raise the profile of safeguarding for everyone.
57. In this Directorate there is also the role of the joint post of the Director of Public Health. The post holder at present is shared between the two primary care trusts in Kent – Eastern and Coastal Kent and West Kent and ourselves. We share a third of the costs of the post each. The national changes proposed by the Department of Health are as wide ranging as the national policy changes to education. It is certainly one of the most significant policy proposals of this Government. Health is being redesigned to move the majority of commissioning decisions into GP practices, new roles for local authorities are being developed and new roles at a national commissioning body level are also being developed.
58. Kent County Council has a proud history of involvement with health and pioneered the development of Health Watch which has been mirrored by the Government in their new policy framework. We will need to see the Public Health White Paper when it is published and the further detail that will emerge from the Department of Health over the next few months as to how this role will develop. There are very likely to be many changes in this area that we will need to discuss with Members as and when the picture becomes clear.
59. Within this Directorate there is also a new division headed by a Director of Supporting People. This division is intended to house significant commissioning activity to vulnerable groups, via the supporting people commissioning body we have, for children's health and for children's social care. There is also the critical role closely related to commissioning as a function, that of quality assuring the delivery of social care. The safeguarding new function has been referred to above and will be placed here. Youth Offending and KDAAT whilst needing to retain their existing links to the

community safety function will focus on delivering particular support to the vulnerable people in need of those particular services.

Enterprise Directorate

60. Overall this Directorate focuses upon three key areas, the delivery of the regeneration of our county, the planning and environment issues that are associated with that and the delivery of major contracts that affect every single resident in Kent.
61. Growing the Economy is one of the three proposed Council and county wide ambitions in the new draft medium term plan “Bold Steps for Kent”. The County Council has made a bid with Essex to create a Local Enterprise Partnership to really drive the growth of the two very significant economies in the south east. The Government has announced the £1bn Growth Fund that we will seek to access for significant work in the LEP. We will continue to invest monies ourselves as a Council in growth activity. We have also made a very strong bid to HM Treasury as part of a place based budgeting bid for the nationally controlled funding stream that is spent within our county.
62. This bid if successful will enable us to decide how that money is most effectively spent. The delivery of this integrated funding stream will be from this Directorate. The regeneration policy development will be led from the Business Strategy and Support Directorate as part of the overall integrated policy unit and will commission this work in the Enterprise Directorate in consultation with the Cabinet Member and Corporate Director for Enterprise. This integrated approach to policy development supports the concept of the “one Council” that ensures that any major initiative is thought through in the context of the whole Council and not just a part.
63. Our highways and waste disposal services are essential in maintaining the quality of life in our county and the smooth passage of all our residents in their daily lives. These are mostly “invisible” services in that their actual provision by the County Council is often invisible to the residents that use them day to day but they are critical and fundamental services to all of us. They become instantly visible and a very high priority if things are not working smoothly. The focus of these two divisions – Highways and Waste will be to ensure just that and that we take forward the very exciting waste agenda that we have embarked upon with our District and Borough colleagues.
64. The Directorate also houses the development control and environment activity of the Council, our keen focus on the rural parts of our county and of course our coastline. The quality of the environment of Kent is very precious to this Council and the very many people visiting and living in the county and this will be a key role for this Directorate to be able to continue to develop partnerships and invest in these services at a time of real financial pressure for the authority.
65. The Directorate will also newly house the re-purposed commercial services operation we have but it will be housed with other services where we believe there could be a significant advantage if those services could be developed in a different way.
66. This should not be presumed to be on the same business model as our current very successful commercial services division that has operated to

date. The Coalition Government is encouraging the public sector to develop a wide range of new and alternative vehicles for public service delivery – social enterprises, employee buy outs, mutuals, joint ventures etc, which will all contribute strongly to local economic growth and enterprise. This division will help the Council to explore these models. As the Prime Minister said on 6th October

“The countries that succeed will be those that find new ways of doing things, new ways of harnessing the common good, better alternatives to the old-fashioned state. I am saying to the people who work in our public services - set up as a co-operative, be your own boss, do things your way. I am saying to business, faith groups, charities, social enterprises – come in and provide a great service.”

67. This division will also house the project resources for the major regeneration activity that may continue to be invested in by us and our partners. As explained above it will also provide the engine room for any implementation of combined expenditure if we are successful in our Place Based Budgeting proposal on regeneration monies spent in Kent. We will learn more about that after the 20th October and the spending review announcement.

Customer and Communities Directorate

68. The purpose of this Directorate can be summed up very simply as owning the “front line” for the whole Council. It could be thought of as a “Directorate of the front line” – and by that we mean both the physical buildings, the call centre and web access. The Council has made a significant investment over recent years in the Gateways – jointly run with our partners. This has been nationally recognised as excellent practice. This Directorate will have a clear focus on developing the Gateway model across all our public access buildings and re-engineering services to take full advantage of delivering an integrated front line to the public and delivering savings from that.

69. The Directorate will also be home to a range of services that share a similar characteristic in that the public choose to use them – i.e. “they come to us”. In addition to the Gateways, there are the registrar service, libraries and our parks. It will also house key strategic services for the Council from community safety and public protection to adult learning, skills and youth services. These services have a particular significance in relation to the Kent economy.

70. This will require a significant change programme to re-engineer services so that the reality of the frontline service can really fulfil the vision of the Gateway model. There are also a number of new approaches to service delivery that will need development. The draft medium term plan “Bold Steps for Kent” contains a proposal to create locality delivery boards. The intention is to pilot a number of these next April. A resource will need to be created to develop these pilots. We have also made two further place based budgeting bids one building on the leading edge work on the Margate Task Force and another building on earlier work around offender management that paved the way for many of the Total Place pilots that then took place nationally. If these bids are successful then the activity will be driven from here. This division is also home to KCC’s commitment to create the Big Society. “Bold Steps for Kent” raises a number of ideas such as a Big Society Bank, working more closely with volunteers etc, and all this work will be developed from here.

71. The Directorate will also be home to the new integrated division of Communications, Consultation and Community Engagement. This is a key design principle that has been warmly welcomed. Concerns have been raised about needing to ensure flexibility in communicating to different groups and this is acknowledged in the design principle itself. This division will also co-ordinate all external consultation activity and will also connect the engagement activity that takes place with all areas of Kent but at present is not internally as connected as it could be. We are losing the opportunity to add a whole Council value to this engagement. Further work will be needed to establish what connections with the teams currently involved in community engagement should look like and how embedded in Directorates or drawn together in this division the service should be.

Business Strategy & Support Directorate

72. The provision of a sound, efficient corporate support and strategy function is an essential component in enabling the effective operation of KCC as a public service provider delivering a range of services to the community. Therefore whilst the role of this area of business is self-evident – *how* it is set up and the business model it follows invariably depends on the wider political, financial and policy pressures the organisation must respond to.

73. In responding to the increasingly clear direction set by the Coalition Government for the future of public services it is clear that a number of key principles are critical success factors

- Efficiency
- Effectiveness
- Customer Experience
- Intelligent commissioning
- Engagement

74. Priorities will now have to be set across and between different services – rather than simply within them - in order to deliver the size of the financial savings required by the Treasury. The challenge will not be to become more efficient at doing what is currently being done, but to focus resources on doing the right things. This will require the political and managerial leadership of the authority to continually evaluate what services to provide, how they should be delivered,

75. The role of BSS therefore must be to structure itself and its business model around meeting the changed needs of the organisation – it must therefore:

- Continue to provide transactional support services, but seek to provide these at ever-lower cost to the organisation.
- Support the political and managerial leadership in its strategic decision making role in regard to the prioritisation and value of services.

76. These core activities are the driving force behind structural changes that provide support for:

- A clear separation of the activities that are about ‘deciding’ what should be provided from those responsible for providing services
- An overall reduction in layers of management
- Professional and technical support services and resources to be delivered from a single point and not replicated in individual services

- Priorities to be set in relation to the identified needs based on independent, sound, accurate, reliable data.
77. Therefore central to ensuring KCC is fit for the future is the need for a strong corporate function to offer clear intelligence and effective controls for the organisation in support of its strategic decision-making role, whilst professional, technical and other support services are grouped together to provide consistency, economies of scale and remove unnecessary duplication.
78. Within this Directorate is a new business strategy division. The division would undertake high-quality policy analysis, to provide in-depth professional advice in support of Cabinet and CMT in their strategic decision-making role. The division would act as an integral driving force behind the decisions of Cabinet/CMT, with the functions to ensure they have the capacity to provide the full range of analysis and advice required.
79. This will be a mix of generalist and service specialists networked into the service delivery, partnerships and national and local government policy framework that are able to provide sound evidence based advice and judgement on service policy questions and opportunities in support of Cabinet and CMT. This policy function handles both strategic and specialist policy activities to support the business of the Council, including strategic and spatial planning, regeneration, social and education policy. In addition this function would allow Directorates to access high quality, professional policy advice and support, from specialists with service specific-knowledge. It would also provide the capacity for specific one-off pieces of work on behalf of Cabinet/CMT, as and when the need arises.
80. Partnerships work would be directed by, and inform, organisational strategy in a way that is targeted towards specific objectives. Delivering through and with partners will be a core requirement over the medium to long term and the management and support of partnership arrangements to drive this agenda forward needs to be mainstreamed into the strategic decision making process of the authority.
81. The Business Intelligence Unit would focus on providing the information and research capability that drives meaningful and effective prioritisation and decision making. The logic behind this is both the fundamental role they play in effective, evidence-based strategy & prioritisation, and the critical mass of core skills sets required for these functions.
- Horizon scanning
 - Knowledge management
 - Needs/ demands analysis function
82. Monitoring and management of KCC's progress against strategic objectives as set by Cabinet/CMT. Working closely with the business review and audit functions, Performance Management will provide the strategic decision-makers of the organisation and external regulators with robust, timely information about how well services are performing, identified reasons for performance variance and options and solutions open to resolve against poor performance. The information gathered by the function will also feed into the analysis and prioritise phases of strategic decision-making, by allowing Cabinet/CMT to gain a holistic understanding of what is working well and what isn't.

83. The corporate and business support to all the Directorates of the authority will be conducted through this Directorate. This includes the key support functions that underpin the business of the whole authority (Finance, Information Technology, Law, HR and Property) as well as governance and democratic support. The overriding objective should be for all our support functions to be provided at the lowest possible cost whilst meeting appropriate business need. Economies of scale require and a 'one Council' approach necessitates the continued provision of support services in Directorates no longer can be afforded. Effective market understanding and sound commissioning / procurement skills should ensure an ability of corporate support services to cater for even the most service specific of Directorate requirements.
84. In order to make the model work all corporate support functions should be grouped together. However, a strategic interface does not necessarily mean that support functions would be delivered to a one-size-fits-all business model. Different support services to different services must recognise their different market conditions and complexities which mean there may be different business solutions as to the most cost effective way to provide these services to the organisation. For any support service there are a number of business models that will be explored by service managers to ensure provision in the most effective way. These will be explored throughout this consultation period.
85. As mentioned earlier in the report there are two Corporate Directors also housed within this Directorate. They are first tier officers who are Members of the Corporate Management Team providing strategic advice and guidance to the operation of the whole authority. They also deliver significant operational activity that supports the smooth running of the whole Council. Therefore on the basis of the design principle they need to be based here. The two statutory posts that reside in this Directorate (Monitoring Officer and Chief Financial Officer) have at all times a clear and direct relationship with the Managing Director even though there is no direct reporting relationship.
86. The post of Director of Governance and Assurance has been created so to reflect the increased need of the authority to build upon its current governance environment and to ensure in the light of the very significant changes both policy wise and financially that we are facing, the Council is spending its money wisely and taking its decision well. It is also intended over time to explore how we could develop our currently very successful legal services into a company
87. Property continues as a division in this structure but will change to become the corporate landlord and home of all the Council's capital development activity.
88. The HR Division will also draw together all the learning and development activity currently undertaken within Directorates to achieve greater economies of scale and coherence within the development programmes of the Council's staff. Some of this training is also directed at the Council's partners and wider related workforces. This will of course be maintained through this new function.

Conclusion

89. Cabinet have before them a draft proposed structure for consultation and new ways of working within the Council. There are also actions contained within the previous report that will enable us to ensure that we can shape the whole of the Council's operating environment and not just the "reporting lines".
90. There have been three weeks of consultation with staff and eight meetings with 219 managers to assess whether in the face of all that we see in the future – policy changes both here and nationally and financial changes to name a few – we are still fit for purpose in our current arrangements.
91. The Managing Directors and Executive Directors and Director of Finance and HR have had a number of 1:1 meetings with the Group Managing Director about these ideas and have had two meetings as sub groups of CMT (due to annual leave) on 1st September and the 8th September and one CMT discussion on the final draft this week – 5th October. It is a very difficult balancing act being both consultee and affected by a developing process and being able to fully discuss matters in a personally disinterested way. I do acknowledge that some members of CMT would have liked more involvement. However I believe the way it has been structured has enabled them to properly influence my advice to Cabinet.
92. A wide range of views have been received, and overall although Members can clearly judge for themselves from the feedback that they have it is my view there is a broad level of support for change and a recognition that we cannot stay the same.
93. Many of them say – "let's see what we could change into" and these draft structure proposals offer that alternative view. This is a genuine consultation and many of the early ideas on what the structure could look like have been altered by the feedback received so far.
94. A risk register is attached as Appendix 3 for Cabinet's assessment in their consideration of their decision to proceed with this consultation. It is important that this is fully considered in the decision process.
95. There are two particular types of risk that Cabinet must consider. There are the type 1 risks that are very clearly laid out in the register and the mitigating actions that are in place or are proposed. There are also the type two risks that if we do not take this decision now – what are the consequences of not acting in the light of all the challenges we face. If this is as successful as it is believed and will position the Council to be able to deal with its challenges in a stronger and more effective way than if we stay as we are – what additional benefits and opportunities do we risk for the people of Kent and our staff.
96. A community impact assessment is also contained as Appendix 4 assessing the implications and impact of this decision to formally consult on a new structure.
97. In the previous report to Cabinet already circulated paragraph 7. ii) indicates that this restructure must of course contribute to the savings that the council needs to make in response to the CSR shortly to be announced. It is also recognised good practice for any organisation to be constantly assessing

whether its managerial overheads are at the right price and are organised in the most cost effective way for the current and developing circumstances for that organisation. At this stage it is not possible to accurately quantify a amount- although human resources estimate a potential saving of at least £500,000 from these proposals.

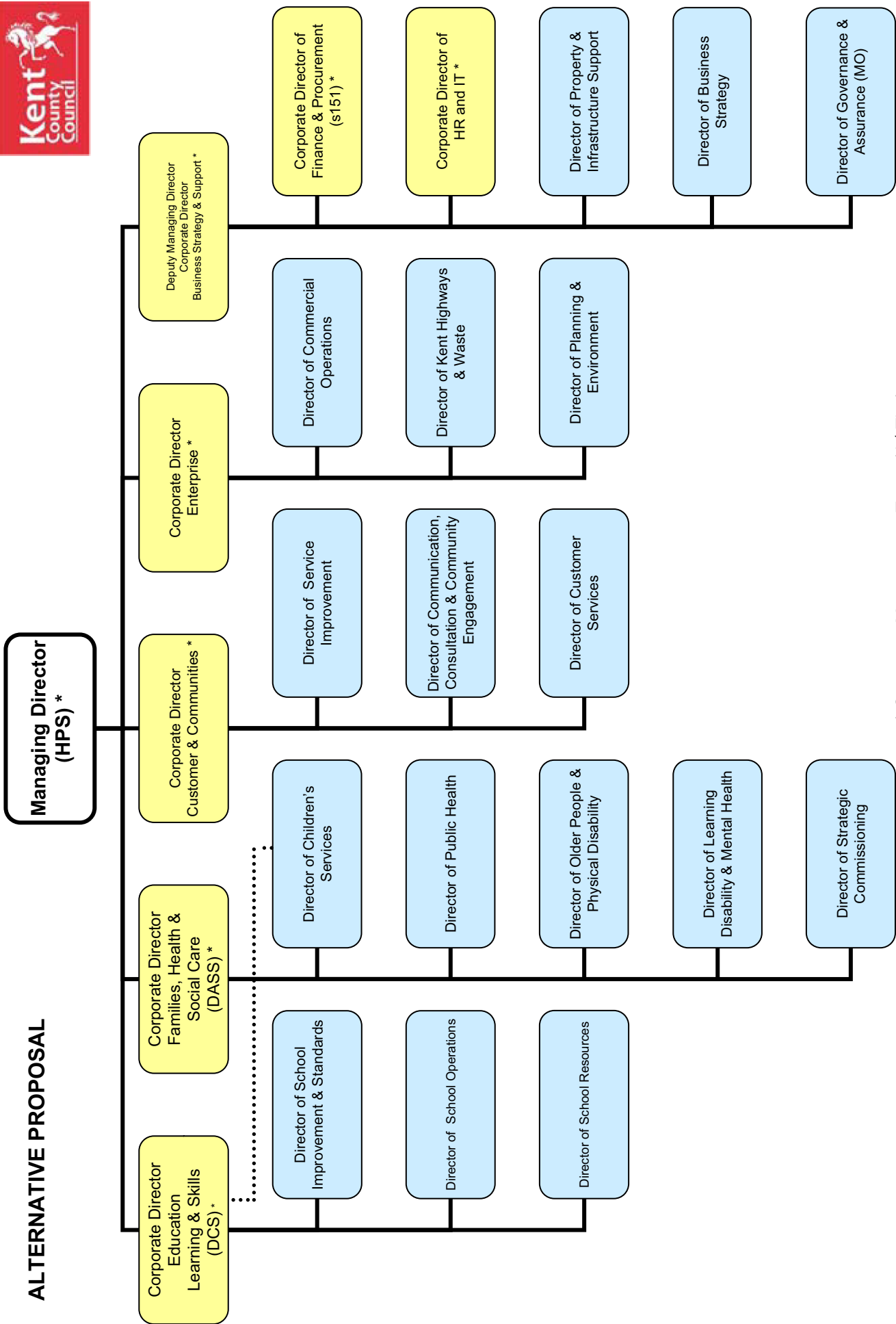
98. Whilst that is undeniably useful, what is much more important is whether or not the council's structure and its managerial resources are organised in the best way possible to deliver the quantum of savings that we know we must.

The real value in this redesign is that it provides the platform as we work through the changes for major savings to be delivered.

99. I commend these draft structure proposals to Cabinet to endorse for formal consultation until the 3rd December 2010. The outcome of that consultation process will then be brought before Full Council for its decision on the 16th December 2010.



ALTERNATIVE PROPOSAL



* Corporate Management Team (1st Tier)

CORPORATE DIRECTOR
Education, Learning & Skills
(DCS)

Director of School Improvement & Standards	Director of School Operations	Director of School Resources	Dotted line relationship to Director of Children's Services
<p>Early years and Childcare</p> <p>Standards and School Improvement</p> <ul style="list-style-type: none"> ▪ Primary School Improvement ▪ Secondary school improvement ▪ Special school improvement <p>14-19 Entitlement</p> <p>Careers guidance</p> <p>Connexions</p>	<p>Association of Schools</p> <p>Governor Services</p> <p>Information and support for parents</p> <p>Financial Awards</p> <p>Admissions & Transport</p> <p>Commissioning</p> <p>Attendance and Behaviour</p> <p>Assessment of Learners with Additional Needs</p> <p>Planning & Provision</p> <p>Children and YP disability (including SEN, health assessment and transition planning)</p> <p>Specialist services</p> <p>Educational Psychology</p>	<p>Education finance, Schools personnel service</p> <p>Development of a schools company/vehicle to include:</p> <ul style="list-style-type: none"> ▪ Property ▪ Personnel ▪ Traded services ▪ Continuous professional development ▪ School improvement service 	<p>This means that connections are maintained to the team around the child and the team around the school</p> <p>Links with the 12 district teams, locality boards and the Children's Trust</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Families, Health & Social Care
(DASS)

Director of Strategic Commissioning	Director of Children's Services (dotted line to DCS)	Director of Older People & Physical Disability	Director of Learning Disability & Mental Health	Director of Public Health
<p>Children's Health Commissioning</p> <p>Children's social care Commissioning</p> <p>Supporting People</p> <p>Strategic Commissioning OP / PD & LD & MH</p> <p>Contracts & Procurement</p> <p>Planning & Market Shaping</p> <p>Quality assurance of health and social care</p> <p>Safeguarding Adults and Children</p>	<p>Children's Services West Kent (Initial duty and assessment, child protection and long term care, prevention including children's centres)</p> <p>Children's Services East Kent (ditto)</p> <p>Children's Services Mid Kent (ditto)</p> <p>Corporate Parenting (includes, including adoption and fostering, Unaccompanied Asylum Seeking Children and care leavers)</p> <p>Links with the 12 district teams, locality boards and the Children's Trust (joint commissioning with partners to support vulnerable young people)</p>	<p>HoS Ashford /Shepway</p> <p>HoS Dover /Thanet</p> <p>HoS Canterbury /Swale</p> <p>HoS Maidstone / Malling</p> <p>HoS South West Kent</p> <p>HoS Dartford, Gravesham & Swanley</p>	<p>HoS LD – WK</p> <p>HoS LD – EK</p> <p>VPN Manager</p> <p>Transition support to Directorate to create for e.g. Community Health Trust</p> <p>Development team (commissioning & back office)</p> <p>Development team to create social enterprises</p> <p>Relationship to Director of Service Improvement</p>	<p>Public Health Intelligence</p> <p>Commissioning of provision</p> <p>Health promotion</p> <p>Case management of Health watch</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR Customer and Communities		
Director of Service Improvement Need close links to Director of Business support	Director of Customer Services	Director of Communication, Consultation and Community Engagement
Re-engineering resource Change resource Developing new models for externalising service delivery, e.g. outsourcing/ mutuals / social enterprises Locality Delivery Team Place based budgeting delivery of offender management proposals Margate Task force Place based budgeting delivery of Margate task force proposals Supporting independence Welfare reform Kent supported employment Building social capital (SILK) Big Society Volunteering	Gateway Delivery Contact Centre Business web development Health watch Libraries & Archives Registrars Arts & Kent Film Office Sport, Leisure & Olympics Countryside Access – PROW Country Parks & Kent Downs AONB Extended Schools Youth Service Community learning & Skills Adult Learning Adult Apprenticeships Community Safety Trading Standards Youth Offending service KDAAT	Engagement / public involvement Community Liaison Business partners- Directorate communications Internal Communication Employee Engagement Media and Operations Digital & Moving Images Events

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

**CORPORATE DIRECTOR
Enterprise**

Director of Kent Highways and Waste	Director of Commercial Operations	Director of Planning & Environment
<p>Community Operations</p> <p>Network Management</p> <p>Transport & Development</p> <p>Technical Services</p> <p>Countywide Improvements</p> <p>Waste Management</p>	<p>Commercial Services</p> <p>Kent Scientific Services</p> <p>Visit Kent</p> <p>Locate in Kent</p> <p>Produced in Kent</p> <p>Tourism</p> <p>Project management capacity</p> <p>Delivery of regeneration projects and any place based budgeting proposals on regeneration</p>	<p>Development Planning (MWF & LDF's)</p> <p>Planning Applications</p> <p>Environmental Programmes & Partnerships (rural agenda & climate change)</p> <p>Natural Environment & Coast</p> <p>Gypsy & Traveller Unit</p> <p>Heritage Conservation</p> <p>Emergency Planning</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Business Strategy & Support
And Deputy Managing Director

Corporate Director of Finance & Procurement (Chief Financial Officer - S151)	Director of Business Strategy	Director of Governance and Assurance (Monitoring Officer)	Director of Property and Infrastructure Support	Corporate Director of Human Resources & Information Technology
<p>Audit & Risk</p> <p>Financial Services</p> <p>Financial Management</p> <p>Business partners - Directorate Finance</p> <p>Procurement team</p>	<p>Corporate policy</p> <p>Europe / International</p> <p>Public affairs</p> <p>Public health</p> <p>Economic development</p> <p>Regeneration strategy</p> <p>Strategic planning – spatial & transport.</p> <p>Strategic assets strategy</p> <p>Social policy</p> <p>Education strategy</p> <p>Customer strategy</p> <p>Engagement strategy</p> <p>Performance Management & Monitoring</p> <p>Business Intelligence & service review</p> <p>Partnership support</p> <p>External Funding</p> <p>Cabinet Office</p>	<p>Information resilience and transparency</p> <p>Corporate data protection</p> <p>Democratic Services</p> <p>Legal Services (transition to external arms length trading organisation)</p> <p>Elections</p> <p>Coroners</p>	<p>Capital & infrastructure support</p> <p>Strategic Asset & Enterprise Fund</p> <p>Delivery of Total Place activity</p> <p>BSF, PFJ & Academies</p> <p>Directorate PFI & development (KASS)</p> <p>Business partners Directorate – Property</p> <p>Office Transformation</p> <p>Estates management & property operations</p>	<p>HR Business operations (includes graduate scheme)</p> <p>HR Employment Strategy</p> <p>Organisation development (including embedded – learning and workforce development)</p> <p>Business partners Directorate – HR</p> <p>Business support – case work Directorate HR</p> <p>Health and Safety</p> <p>ICT commissioning</p> <p>ICT operations</p> <p>Kent Connects</p> <p>Business partners - Directorate IT</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

Appendix 2

The First Bold Step

Report on the informal consultation process

Informal Consultation process

1. The leaflet 'The first bold step – proposals for consultation with staff on a new KCC' was published on KNet on Wednesday 9 September following agreement by private cabinet and the Conservative Group to this. Hard copies were sent to home addresses for all staff without access to KNet.
2. This was an informal consultation, not done to meet an obligation under employment law, and with no mandated timescale. Three weeks were allowed to the submission of responses from staff.
3. All staff were invited to respond with their views. Responses could be made electronically or in hard copy. Consultation closed on Friday 1 October at which point:
 - 4,000 copies had been distributed
 - 7878 copies were accessed or downloaded from KNet
 - 319 responses had been received: 41 in hard copy and 278 online
 - 170 staff members have requested to be involved in further activity to transform KCC.
4. Responses could be made anonymously and with the implication that staff could speak openly, freely and without recrimination. All responses have been read by Katherine Kerswell who has responded personally to every respondent who opted to include their e-mail address.
5. Comments were predominantly positive and supportive, though some questioned the value of consultation. Most welcomed the proposals for change and overwhelmingly recognised the need for change now. Many advocated a reduction in the cost and number of senior managers, or were fearful that the cost savings would fall disproportionately on front-line staff and service delivery. A large number of comments were specific to their service and directorate, often focussing on improvements to process and cost savings.
6. Comments were wide ranging. A summary of the responses is provided below from paragraph 10 onwards.

7. In addition to seeking responses by email and hard copy, feedback was sought from senior staff through meetings with Katherine Kerswell. In all, 242 senior staff were invited to, and 219 attended, 1 of 8 meetings between 9 September and 30 September at which Katherine presented and sought feedback on whether we should change the organisational framework in order to be able to respond to the very different policy and financial context facing us and our own plans under Bold Steps for Kent. Meetings were all held at Sessions House and each meeting included a question and answer session. There was a balanced mixture of all directorates at every meeting.
8. As part of each 90 minute meeting, feedback was sought from staff on:
 - 8.1. likes and dislikes – “how I feel about KCC”.
 - 8.2. their view of current KCC values in practice
 - 8.3. ‘horizon scanning’ - what risks did they see that would need to be recognised and managed as we transform the organisation.
9. Feedback was by individual rather than by groups, unprompted in that individuals could comment on any aspect of KCC, not prioritised or ranked or given a position in a range, and not moderated or challenged. The feedback provides a simple unedited snapshot of managers’ opinions of KCC and by implication of themselves. A summary of the feedback is below. It was very evident after the first two meetings that feedback from managers in each meeting was broadly the same in what it praised KCC for and what it criticised KCC for.

Summary of the responses from the Informal Consultation

10. The responses received to “The First Bold Step”, whether at meetings with managers or as written responses, are summarised below. Appropriate direct quotes are included in italics.
11. The following general themes were evident:
 - 11.1. There is appetite for change: we are realistic about the financial situation, and we accept the need to change and do it now. No one denied the financial situation or proposed delaying change.
 - 11.2. The engagement of staff in the process of change is seen as wholly positive and we want more not less communication. A very few individuals thought information was being withheld and that there were *fake consultations when decisions are pre-made*.
 - 11.3. KCC is seen as a good employer. There were a small number of negative comments, but the majority view was that we: *value staff; value staff contribution; train staff; are a fair employer; a good employer; and have good pay and pensions, we are inclusive*.

11.4. We like our colleagues. We are *fair, kind, polite, fun, have respect for each other* and are *caring*. We are *principled, honest, show courage, are dedicated, committed* and *hard-working* and we are a *loyal workforce*.

11.5. We are critical of our management style.

12. **Our strategy** was accepted. Staff showed their approval of the strategy through their endorsement of *support for vulnerable people, support for the local economy* and a *desire, if not always followed through, to put the customer first*. There were the following challenges to the strategy:

- in addition to tackling disadvantage we should continue to provide high quality services for the rest of the population
- we should not lose sight of children and young people's services as a priority
- our commitment to grow the economy should not be at the expense of the environment.

13. **Our structure** was accepted.

13.1. No one disagreed with a flat structure and no alternative types of structure were proposed. There were only three comments on structure and they proposed:

- three directorates: one for each of the three ambitions of our strategy
- KASS and Children's Services to combine
- the federated system be retained.

13.2. There was a very strong dislike of silos. Among managers 15.2% (i.e. 33) explicitly cited silos as something they disliked about the way KCC worked: *it is sometime easier to work with partners than with other parts of KCC, silo mentality between directorates, silos within directorates; deliberately duplicate to self-protect, protect budgets rather than deal with problems*. There were 2 comments that thought we worked well across directorates. In comparison there were over 50 comments to the contrary on silos, duplication and failure to share information

14. **Our systems**

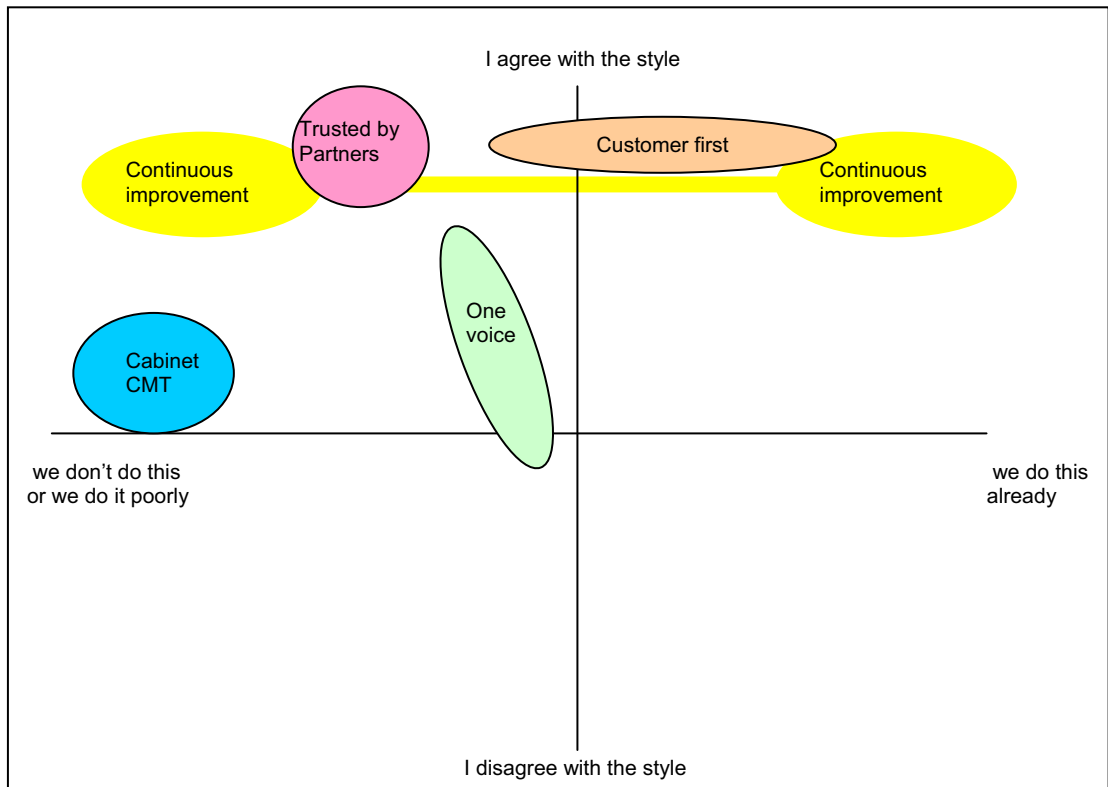
14.1. While some thought we manage well, others were critical of the way we manage and are managed – and that criticism came from managers. We *micromanage, we overmanage; we have top heavy oppressive management; we are obsessed with protocols and process and tick boxes. We talk big about empowering*

managers but it does not happen; we have a treacle layer which can be insular and resistant. There is favouritism, ego and he/she who shouts loudest gets heard. We are not decisive.

14.2. Gateways were welcomed. There were reservations about their implementation and whether staff will be adequately trained to deal with service issues.

15. **Our shared values.** No one thought we had a set of shared values, although some were confident they had a set of shared values within their directorate. No proposals were made for shared values.

16. **Our style** drew the largest response. There was broad agreement with the styles, but considerable disagreement over the extent to which we currently exhibit those styles. Below is a diagrammatic representation of where the responses fell:



16.1. We put the customer first

- Staff accepted this without exception as a style we should have for external customers, and showed a massive commitment to public service. But staff were largely silent on how we should treat internal customers.
- Many thought that we already put the customer first, but a substantial number thought we *spoke of putting the customer first but in practice did otherwise*. Specific comments were:

we are controlling; we pretend to consult; we don't really want to know what the public thinks.

16.2. We communicate as one voice as one unified organisation

- Staff largely accepted this as a goal. They want us to speak out for Kent as a whole and communicate clearly and more often. Some comments show discomfort over 'one voice' as it *stifles debate* and is *Orwellian*. *One respondent thought we should retain separate cultures and styles.*
- We are not a unified organisation as evidenced by the comments objecting to silos and duplication throughout the organisation. Autonomy and the flexibility to make local decisions found favour with a few respondents.

16.3. Cabinet and CMT work as a joint team with clear roles

- A small number thought the *administration is clear about what it wants* and *liked the experienced leadership at MD level.*
- But the substantial majority of comments were negative. *No joint working with the senior leadership team; CMT in-fighting and 'them and us' between the centre and the directorates; too many plans and directives with mixed messages; business planning is meaningless and non-responsive; and we challenge Government on regulation but we still over-regulate and monitor internally.* It must be noted that all of these quotes came from managers.

16.4. Everyone is hungry for continuous improvement

- Staff accepted this style without exception, but have polarised views on our current performance
- Many staff said we already practiced this style: *we are innovative, creative, willing to change, forward thinking and willing to take risks and try new things.*
- A greater number disagreed. Many thought we failed to innovate, others said we are *big on rhetoric of creative and challenging thinking but the reality is we are risk averse; we are resistant to change; it has to be like that because that's how we have done is for years; governance restricts innovation; we don't deliver but strategise well; we fail to act on what we hear, we know best and fail to learn from the past; and we are sometimes dazzled by our own brilliance.*

16.5. **Our relationship with partners should be based on trust**

- Staff accepted this style without exception, but we do not practice it. A few thought *we work well with partners* but most spoke of a poor relationship: *we preach at prospective partners; we are autocratic with partners, we are dismissive of partners and districts, we think we know best and we are arrogant.*

17. **Our skills.** The general view was that we value staff training and staff appreciate that, but otherwise this style generated little comment.

J Hawkins
1.68 Sessions House
ext 8103
mobile 077 99 88 4149

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager
completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood		Impact	Likelihood	Risk Rating
RA 1	the change to the framework is happening at the same time as other demands on KCC: external policy changes and financial changes; planning and delivering the new medium term plan. That places great demands on KCC management resources.	5	4	This change in framework is being led by the Group Managing Director and supported by a programme manager reporting directly to her. CMT is the Programme Board, and the programme has weekly visibility at CMT. (It is the role of GMD and CMT to lead the organisation through major change and manage the inherent risks, and it essential that CMT and their direct reports are committed to the change). A project plan and timeline are in place, a project team established, risks are identified and mitigation steps already taken. Transition planning is taking place and a detailed transition plan is being developed. CMT will discuss and examine the different proposals and create models for new ways of working.	3	3	9
		<p>Type 2: the consequence of NOT implementing the new framework at this time:</p> <ol style="list-style-type: none"> 1. It is imperative that the process of delivering a new operational framework dovetails and aligns absolutely with the preparation of the Council's medium term plan and delivery to that plan over the next four year. 2. The success of each of these relies upon the success of the others. 3. If we do not make these savings we may have to resort to managed-decline and be unable to deliver the quality of services that Kent is renowned for. 					

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager
completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Rating	Risk Control Measure		Assessment of Mitigated Risk (with controls in place)		Risk Rating
		Impact	Likelihood		Impact	Likelihood			
RA 2	Cabinet or Council delay a decision on the new operational framework proposal, or reject the proposal outright.	5	4	20	Cabinet and Members, including opposition Members are being briefed and kept abreast of development and progress. Scrutiny will also play a role in assessing the draft proposals at the outset and then during the process to ensure the proposals made are relevant and appropriate to our future success Informal consultation with managers and staff on the need for change has already taken place to gauge their views. However if a decision is delayed there is no control measure or contingency plan that would allow the new operational framework in place by 1 April 2011.	5	2	10	
<p>Type 2: the consequence of deferring a decision or rejecting the proposal:</p> <ol style="list-style-type: none"> 1. We would proceed with the savings as currently envisaged yet with uncertainty over management framework in the medium term. 2. We would also not build in at the earliest opportunity capacity to deliver the new policy framework of our new medium term plan or new national policy developments. 3. Making the savings within our current organisational framework would mean we lose the opportunity to make savings from "how" we work and more savings will need to be made from the front line - the "what" we do. 4. We would also lose the new organisational framework's role as the platform from which to deliver the £340 m savings that are required. 									

Managing Business Risks - Risk Assessment

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager
completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood		Impact	Likelihood	
RA 3	<p>Senior managers do not support the new framework and actively resist the changes.</p> <p>Partners and key stakeholders - headteachers, governors etc - do not support the changes.</p>	3	3	<p>Full consultation is taking place in order to engage staff in the process of change and allow them to influence the outcome.</p> <p>Elements of the new operational framework will be designed with staff and managers to create relevant new solutions and buy-in.</p> <p>Early contact, regular communication and other meetings with partners and stakeholders to explain our ideas.</p> <p>Proposals have been made for voluntary redundancy and for filling vacant posts according to standard protocols (i.e. the Council's 'slotting in', priority candidate, and redeployment processes)</p>	2	2	4
RA 4	<p>staff morale falls and impacts on service delivery</p>	3	4	<p>Full consultation and engagement has taken place and staff have welcomed the fact that we are actively pursuing change. The risk to morale is limited to senior staff who are impacted by these proposals.</p> <p>Uncertainty damages morale; moving quickly and decisively will reduce this risk.</p> <p>Communication plans are in place and for most staff and most services any proposed changes to, and consultation with, the senior management will not impact their day-to-day delivery of service.</p> <p>It is the role of senior managers to show leadership during change.</p> <p>Type 2: the consequence of not changing the framework</p> <p>1. Failure to tackle silo-working may actually have a worse effect on morale. Staff expect change and are ready for it.</p> <p>2. Maintaining the current culture may worsen staff morale as the informal dialogue so far has indicated a positive desire among staff for change</p>	3	2	6
RA 5	<p>Staff who are not successful in being 'slotted in' or redeployed to a new post as a priority candidate may leave.</p>	3	3	<p>HR is ready to appoint replacements following the standard processes of looking first for internal candidates to 'act up' as interims.</p>	2	3	6

Managing Business Risks - Risk Assessment

Appendix 3

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager
completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood		Impact	Likelihood	
RA 6	consultation is legally challenged causing delay	5	2	Mitigation has already taken place: - we are allowing longer than statutorily necessary - we are communicating widely and frequently - we have a robust process that is legally defensible - meetings have been held, and will continue to take place, with the Trades Unions	4	1	Risk Rating 4
RA 7	HR division does not have the resources to manage the HR elements of the project or produce the new HR structure in time for 1 April 2011	3	3	HR have scoped the requirement and dedicated staff to this project	3	2	6
RA 8	Finance division does not have the resources to recast the 2011/2 budgets to align with the new structure, or create the new accounting structure and controls, possibly due to being occupied by other major projects (Oracle release 12 in Nov 2010 and IFRS)	5	4	Finance are currently scoping the work. Extra resources will be provided if necessary. The workload will be eased by: - restructuring at directorate level: individual outward-facing services will not be restructured but will either not move or move in their entirety to a new directorate structure - all moves will take place at the end of the FY - so no need for mid-FY adjustments - finance can reassess their current workload priorities in the light of Member decisions today as this proposed new structure was outside their knowledge when the business plan for the division was set in April 2010.	4	3	12

Type 2: the consequence of NOT implementing the new framework on 1 April 2011

The work will become more complex, and maintaining proper financial controls made more difficult if the change does not align with the year end.

Managing Business Risks - Risk Assessment

Appendix 3

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager

completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood		Impact	Likelihood	
RA 9	The change in framework weakens financial controls	5	3	Finance are engaged on scoping the changes necessary. The work to ensure robust financial controls in the new organisational framework will be itemised in the transition plan. The change at a single date (1 April) means we avoid the intermediate states (and their associated risk of confusion over accountability) which are inevitable if the changes are done as a sequence over time. Type 2: taken at face value this risk could be used to advocate not changing the framework at any date	3	3	9
RA10	The change to a new framework causes confusion over accountabilities and responsibilities (not just financial matters, but accountabilities and responsibilities for services in general)	4	4	The changeover applies only to Tier 1 and tier 2 managers. Responsibility for services and finance will need to be clarified through the transition plan and the 'D Day' handover plan A single changeover date for all affected will be planned for to reduce the opportunity for confusion among staff in general.	2	2	4
RA 11	Actions 'in flight' and responsibilities are dropped or lost during the change to a new framework (not just financial matters, but accountabilities and responsibilities for services in general)	3	3	We will have a scrupulous transfer of all activities including (a) a default destination for activities in each existing directorate - anything that is not itemised goes to the default destination and (b) a small close down team to make sure there are no trailing edges in any directorate that closes.	3	1	3
RA 12	Changes to IT may not be made in time	5	3	IT are already working with HR and finance to identify changes to systems, and examining changes to IT support systems. The next stage is to identify whether, as a result of the new structure, staff need access to additional applications (a service moving to a new directorate may need access to some of that directorate's internal systems)	3	3	9

Managing Business Risks - Risk Assessment

Appendix 3

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager
completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Rating	Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		Risk Rating
		Impact	Likelihood			Impact	Likelihood	
RA 13	Service delivery suffers as a result of changes to top-level structures, and performance drops	3	4	12	Individual services are not being restructured, but continue unchanged except that the reporting line to a director may change on 1 April This 'no change' message for services will be repeatedly communicated. Detailed planning will take place for every directorate to identify every exception to the 'no change' rule. The new directorates will be expected to nominate a transition manager to ensure that all the necessary steps are taken in advance to ensure smooth operation from 1 April. We aim to fill tier 1 posts in January 2011. Tier 1 appointees will be 'designate' until 1 April 2011 giving them time to prepare for a new role.	3	2	6
RA 14	Adverse media coverage. Staffs openness about the areas for improvement could be portrayed by the media in a manner that is damaging to KCC's reputation	4	3	12	By starting the savings on efficiency at the top tiers of management, the changes should be seen in a positive light. The positive support of staff for the changes is a factor that supports us - we need to maintain that support through engagement of staff. It is the sign of an excellent organisation that it is willing to examine how it currently operates and be frank and open about itself and look for ways to improve.	4	2	8

Managing Business Risks - Risk Assessment

(template source: Risk and Audit)

Change To Keep Succeeding
 Objective: to deliver a new organisational framework completed by: Jeff Hawkins, Transformation Programme Manager completed 7 October 2010

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure		Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	
RA15	<p>Not able to plan for the 2011/12 budget. Within the planning for the four-year MTFP - as well as ensuring we are able to achieve overall balance and implementation of any proposals - it is clearly essential that we have proposals costed and ready to balance the 2011-12 budget. This could be disrupted by the change programme.</p> <p>Impact of these proposed changes to senior management and disturbance to existing management teams may undermine the ability of senior officers to support KCC in implementing the significant actions that are likely to be required for the MTFP and the reductions we may face of between 25% - 40% in funding</p>	5	4	20	<p>These changes to management arrangements are being widely consulted upon, have been preceded by a widely-held informal consultation, and officers are well aware that change is underway. The responses have shown a broad recognition of the need for change and awareness of the difficulties we have from our current style of working.</p> <p>The timing of this process is well ahead of the actions necessary for any implementation of the MTFP, and any changes to senior management arrangements should be in place by the end of January 2011. Any vacancies that may arise from this process will, in the first case, be filled by internal acting-up interims to ensure continuity.</p> <p>CMT as the programme board for the change programme and for the MTFP should ensure that work is not carried out in two separate but parallel workstreams but is co-ordinated.</p> <p>A separate workstream with the programme board will oversee the detailed activity necessary to compile the budget proposals for 2011-12 and ensure actions are prepared/pursued appropriately. This will be reported separately to CMT.</p>	5	2	10
RA16	<p>There is currently a safeguarding inspection into Children's social care. It is important that the inspectors do not make any invalid assumptions about the impact upon the service of the consultation or the proposed change to</p>	5	3	15	<p>KK and RT will speak directly with inspectors to explain and allay any concerns</p>	5	1	5

Managing Business Risks - Risk Assessment

Appendix 3

(template source: Risk and Audit)

completed by: Jeff Hawkins, Transformation Programme Manager

completed 7 October 2010

Change To Keep Succeeding

Objective: to deliver a new organisational framework

Risk No	Challenges	Assessment of Inherent Risk (with no controls in place)		Risk Control Measure	Assessment of Mitigated Risk (with controls in place)		
		Impact	Likelihood		Impact	Likelihood	
RA17	Risk of opposition to the business support directorate model	4	3	Detailed transition planning provides the opportunity to address concerns and, within the remit of a business support directorate, to adjust the delivery of service. Workshops will be held with staff and managers to design new processes for business support. Type 2. Failure to implement the business support directorate Retention of the current federated model of business support within directorates perpetuates the duplication of effort and silo-working and their associated cost - something which staff have identified as a feature of KCC that needs to change.	2	3	6
RA18	Risk of opposition to the new Education and Families model from headteachers and partners	4	3	Consultation and explanation of the model. Reassurance around Children's Trusts and Locality Boards. Await guidance from Government on new role	2	2	4

EQUALITY IMPACT ASSESSMENT SCREENING GRID

“Change to keep succeeding”. The transformation of the Council’s operating framework.

Minority strand	Could this policy, procedure, project or service affect this group differently from others in Kent? YES/NO	Could this policy, procedure, project or service promote equal opportunities for this group? YES/NO	Assessment of potential impact HIGH/MEDIUM/LOW/ NONE/UNKNOWN		Reason for assessment
			Positive	Negative	
Age	Yes	Yes		Medium	<p>Younger employees may be more likely to have shorter service than others and be less experienced.</p> <p>Younger workers may be impacted in terms of redundancy payments, or in terms of pay progression given the proposal involves staff potentially affected will receive pay based on performance based on the Total Contribution Pay Scheme (TCP).</p> <p>Older staff should also not be treated less favourably over younger staff on the grounds of age.</p> <p>The proposed evaluation of roles by Hay Group will ensure equal opportunities and alignment of pay / roles.</p>

APPENDIX 4

Disability	Yes	Yes	Medium	<p>The recruitment process may require reasonable adjustments to be made for staff with disabilities covered by the Equality Act 2010.</p> <p>The new posts may require reasonable adjustments to be made for staff with disabilities covered by the Equality Act 2010.</p> <p>Managers will need to be aware of disabilities in the above and ensure staff are not treated less favourably as a result.</p>
Sex (Gender)	Yes	Yes	Low	<p>Female senior officers are under-represented compared to the KCC workforce (65% v 84%).</p> <p>Female staff may also have shorter service due to caring responsibilities.</p> <p>Female staff are also more likely to have primary caring responsibilities or be part time.</p> <p>Most post-holders are however full-time.</p>

APPENDIX 4

Gender Reassignment	No	No	No	None	None	Gender reassignment should not be a factor in this project, either in recruitment or in performing the roles.
Race	No	No	No	None	None	As above
Religion or belief	No	No	No	None	None	As above
Sexual orientation	No	No	No	None	None	As above
Marriage & Civil Partnership	No	No	No	None	None	As above
Pregnancy & Maternity	No	No	No	None	None	As above

Current Posts Impacted

Chief Executive's Department

Executive Director of Strategy and Business Support
 Director of Finance (s.151)
 Director of Law & Governance (MO)
 Director of Personnel & Development
 Director of Property
 Director of Commercial Services
 Director of Strategic Development Unit & Public Access
 Director of Public Health

Children, Families and Education

Managing Director Children, Families & Education
 Director of Commissioning and Partnerships
 Director of Capital Programmes and Infrastructure
 Service Director - Learning
 Director of Resources and Planning
 Service Director - Specialist Children's Services

Communities

Managing Director – Communities
 Director of Cultural Services
 Director of Community Safety & Regulatory Services
 Director of Youth Services & Kent Drugs Alcohol Action Team
 Director of Policy & Resources

Environment, Highways & Waste

Executive Director, Environment, Highways & Waste Directorate
 Director of Environment & Waste
 Director of Integrated Strategy & Planning
 Director of Kent Highway Services

Kent Adult Social Services

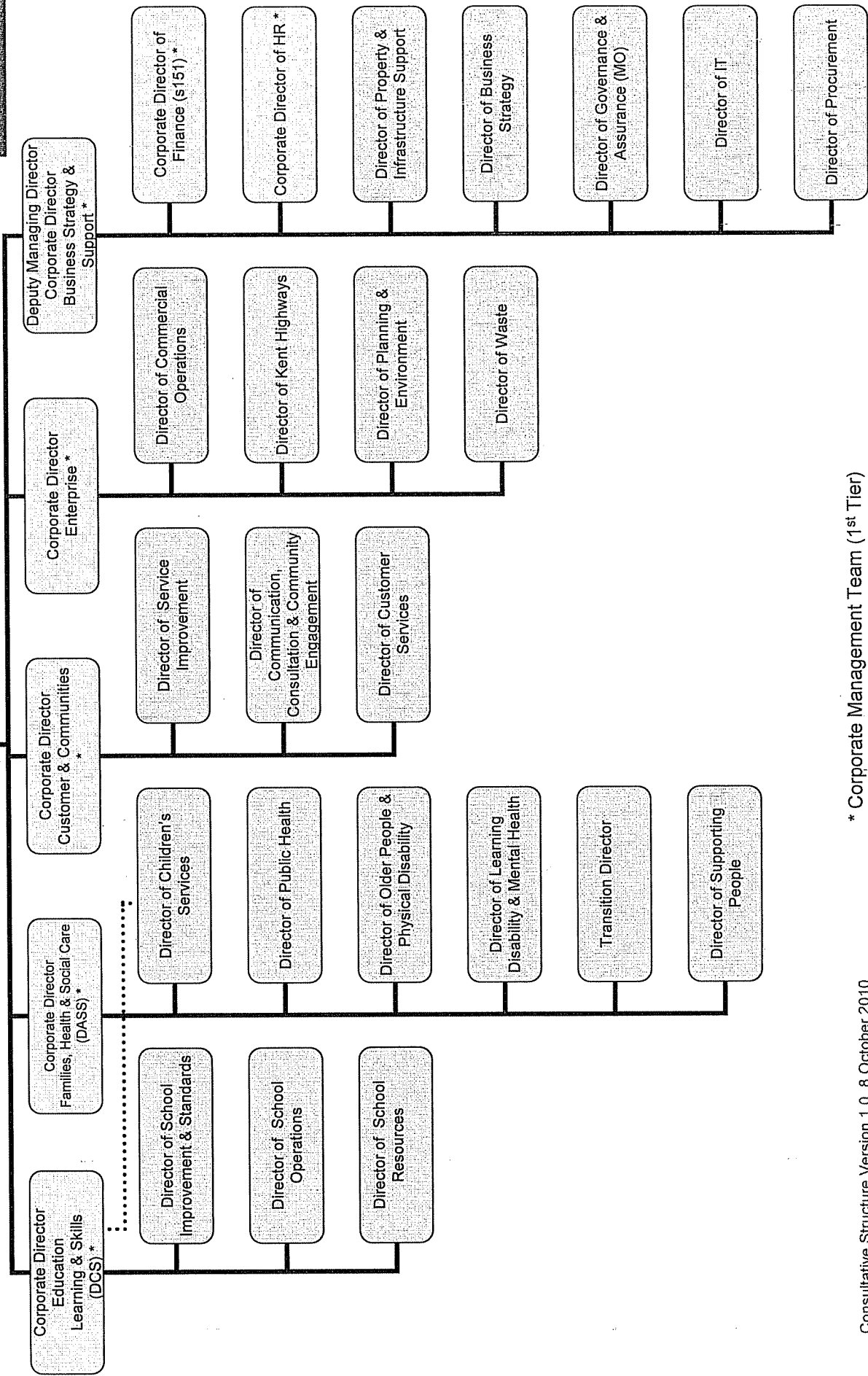
Managing Director, Kent Adult Social Services
 Transforming Social Care - Lead Officer
 Director of Strategic Business Support
 Director of Operations
 Director of Commissioning & Provision x 2

NB: These are the only posts directly impacted by this process.

This page is intentionally left blank



Managing Director (HPS) *



* Corporate Management Team (1st Tier)

CORPORATE DIRECTOR
Education, Learning & Skills
(DCS)

Director of School Improvement & Standards	Director of School Operations	Director of School Resources	Dotted line relationship to Director of Children's Services
<p>Early years and Childcare Standards and School Improvement</p> <ul style="list-style-type: none"> * Primary School Improvement * Secondary school improvement * Special school improvement <p>Standards and School Improvement 14-19 Entitlement Careers guidance Connexions</p>	<p>Association of Schools Governor Services Information and support for parents Financial Awards Admissions & Transport commissioning Attendance and Behaviour Assessment of Learners with Additional Needs Planning & Provision Children and YP disability (including SEN, health assessment and transition planning) Educational Psychology Specialist services</p>	<p>Education finance, Schools personnel service Development of a schools company/vehicle to include: Property Personnel Traded services Continuous professional development School improvement service</p>	<p>This means that connections are maintained to the team around the child and the team around the school Links with the 12 district teams, locality boards and the Children's Trust</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Families, Health & Social Care
(DASS)

Director of Supporting People	Director of Children's Services (dotted line to DCS)	Director of Older People & Physical Disability	Director of Learning Disability & Mental Health	Transition Director	Director of Public Health
<p>Youth Offending service (dotted line to youth service & link to attendance & behaviour service) Child Health Commissioning of Specialist care Quality assurance of health and social care Safeguarding Adults and Children Supporting People KDAAT</p>	<p>Children's Services West Kent (Initial duty and assessment, child protection and long term care, prevention including children's centres) Children's Services East Kent (ditto) Children's Services Mid Kent (ditto) Corporate Parenting (includes, including adoption and fostering, Unaccompanied Asylum Seeking Children and care leavers) Links with the 12 district teams, locality boards and the Children's Trust (joint commissioning with partners to support vulnerable young people)</p>	<p>HoS Ashford /Shepway HoS Dover /Thanet HoS Canterbury /Swale HoS Maidstone / Malling HoS South West Kent HoS Dartford, Gravesham & Swanley Head of Strategic Commissioning OP / PD Contracts & Procurement Planning & Market Shaping</p>	<p>HoS LD – WK HoS LD – EK Head of Strategic Commissioning LD&MH Contracts & Procurement Planning & Market Shaping MH Partnership arrangement with KPMT VPN Manager</p>	<p>Community Health Trust development team (commissioning & back office) Development team to create social enterprises Relationship to Director of Service Improvement</p>	<p>Public Health Intelligence Commissioning of provision Health promotion Case management of Healthwatch</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Customer and Communities

Director of Service Improvement Need close links to Director of Business support	Director of Customer Services	Director of Communication, Consultation and Community Engagement
<p>Re-engineering resource Change resource Developing Models for externalising service delivery, e.g outsourcing/mutuals/social enterprises Locality Delivery Team Place based budgeting delivery of offender management proposals Margate Task force Place based budgeting delivery of Margate task force proposals Supporting independence Welfare reform Kent supported employment Building social capital (SILK) Big Society Volunteering</p>	<p>Gateway Delivery Contact Centre Business web development Health watch Libraries & Archives Registrars Arts & Kent Film Office Sport, Leisure & Olympics Extended Schools Youth Service Community learning & Skills Adult Learning Adult Apprenticeships Countryside Access - PROW Country Parks & Kent Downs AONB Emergency Planning Community Safety Trading Standards</p>	<p>Engagement / public involvement Community Liaison Business partners- Directorate communications Internal Communication Employee Engagement Media and Operations Events Digital & Moving Images</p>

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Enterprise

Director of Waste Management	Director of Kent Highways	Director of Commercial Operations	Director of Planning & Environment
Waste Management	Community Operations Network Management Transport & Development Technical Services Countrywide Improvements	Kent Scientific Services Visit Kent Locate in Kent Produced in Kent Tourism Project management capacity Commercial Services Delivery of regeneration projects and any place based budgeting proposals on regeneration	Development Planning (MWF & LDF's) Planning Applications Environmental Programmes & Partnerships (rural agenda & climate change) Natural Environment & Coast Gypsy & Traveller Unit Heritage Conservation

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

CORPORATE DIRECTOR
Business Strategy & Support
And Deputy Managing Director

Corporate Director of Finance (Chief Financial Officer - S151)	Director of Business Strategy	Director of Governance and Assurance (Monitoring Officer)	Director of Property and Infrastructure Support	Corporate Director of HR	Director of IT	Director of Procurement
Audit & Risk N.B. direct access to Mo & Hops whenever required. Financial Services Business partners - Directorate Finance Financial Management Strategic Finance	Corporate policy Europe / International Public affairs Public health Economic development Regeneration strategy Strategic planning – spatial & transport. Strategic assets Social policy Education strategy Customer strategy Engagement strategy Performance Management & Monitoring Business Intelligence & service review Partnership support External Funding Cabinet Office	Information resilience and transparency Corporate data protection Democratic Services Legal Services (transition to external arms length trading organisation) Elections Coroners	Capital & infrastructure support Strategic Asset & Enterprise Fund Delivery of Total Place activity BSF, PFI & Academies Directorate PFI & development (KASS) Business partners Directorate – Property Office Transformation Estates management & property operations	HR Business operations (includes graduate scheme) HR Employment Strategy Organisation development (including embedded – learning and workforce development) Business partners Directorate – HR Business support – case work Directorate HR Health and Safety	ICT commissioning ICT operations Kent Connects Business partners - Directorate IT	Procurement team

Please note: The headings listed below the 1st and 2nd tier Director posts are intended to be indicative of the functions contained within that division and directorate.

By: John Simmonds, Cabinet Member for Finance
 Andy Wood, Acting Director of Finance

To: Governance and Audit Committee – 30 November 2010

Subject: STRATEGIC RISK REGISTER UPDATE

Classification: Unrestricted

Summary: The Strategic Risk Register is updated every six months. This paper provides the Committee with the outcome of the latest review.

FOR ASSURANCE

Introduction and background

1. The strategic risk register is maintained by the Corporate Risk and Insurance team on behalf of Cabinet and Corporate Management Team (CMT). The content of the register is developed by senior officers from across the directorates, who draw on their knowledge of the most significant risks in the directorate risk registers, and also their collective view of cross cutting themes faced by the Council.
2. The strategic risk register is renewed annually and is linked to the objectives identified during the business planning process. The annual review is approved by CMT, Cabinet and presented to Governance and Audit Committee.
3. In line with agreed practice, the register has been updated to present a mid-year position, and this has been reviewed by CMT. Cabinet have also been asked to assess the changes to the risk register and whether the risk levels are appropriate, and explore if there are actions which could be taken to mitigate them. The changes to the risk register and top rated risks are now presented to Governance and Audit Committee to provide assurance that the strategic risks of the Council are being effectively managed.

Move to a Risk Management Information System

4. Prior to August 2010 all risk registers, including the strategic risk register, were held in Microsoft Word documents. This format limited the usefulness of the registers as dynamic tools of management, and as a result it was decided move to a simple risk management information system. The strategic risk register has now been migrated to this system, although there remains some work to do in assigning ownership of risks, controls and actions, as well as creating a sensible review schedule for risks and delivery dates for actions.

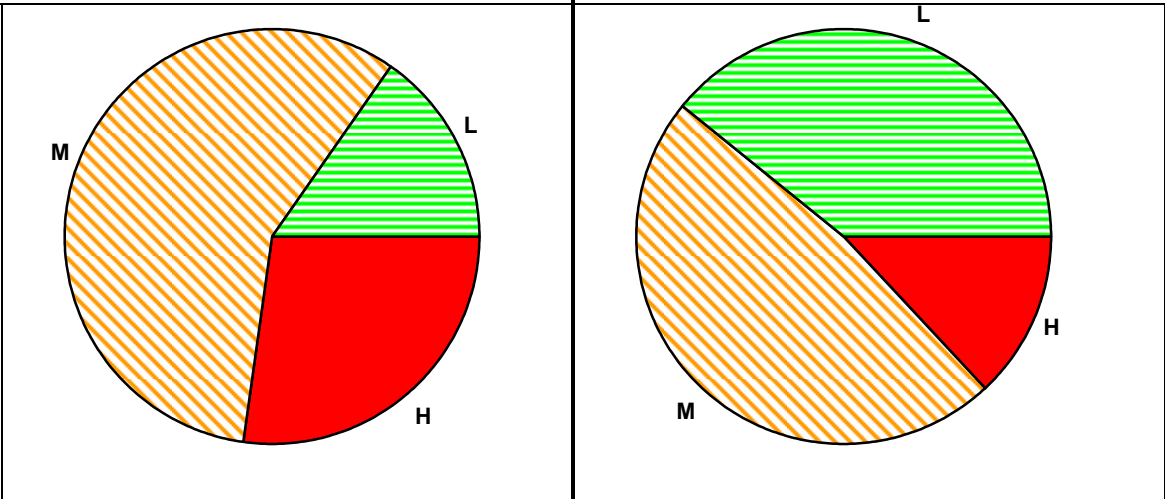
Content of the updated Risk Register

5. The strategic risk register currently contains 33 risks. This is an increase of ten from the previous version. The increase is a combination of the aggregation and disaggregation of risks to allow entry onto the new system, but is mainly due to new risks identified since April 2010. Of these new risks, three have been escalated from the “*Change to Keep Succeeding*” transformation project risk register previously reported to Cabinet and monitored by CMT, while others relate to recently announced government policies.

- 6. Table 1 below gives the breakdown of the risk register by risk rating. It shows an increasing risk profile of the Council, with 85% of risks now assessed as high or medium, compared to 61% in April. This is a reflection of the very dynamic position of the UK economy, the public sector and also the organisational changes within the Council.
- 7. The changes to the Council's risk profile is analysed fully in annex 1, while annex 2 contains the full detail of those risks graded as high.

Table 1

Level	October 2010		April 2010	
	Risks	%	Risks	%
High (Score 16-25)	9	27%	3	13%
Medium (Score 8 – 15)	19	58%	11	48%
Low (Score 16-25)	5	15%	9	39%








Recommendations






- 8. Members are asked to:
 - (1) Note the changes to the strategic risk register and the actions being taken to mitigate these risks.

David Tonks
Head of Audit and Risk
Ext: 4614







Annex 1: Changes to the Strategic Risk register

Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
13	<p>Children's Social Workers. There will be a breakdown of children's placements due to limited success of local / national / international campaigns to recruit Children's Social Workers, or recruitment of a large volume of inexperienced staff, resulting in service pressures, poor practice and challenging workloads for existing staff.</p>	<p style="text-align: center;">25 </p>	<p>CMT agreed that the likelihood of this risk had increased from "likely" to "very likely".</p>
43	<p>Financial Accounting Framework Required amendments to the financial accounting framework will not be delivered by 1st April or other statutory requirements will not be met as a result of a lack of appropriate capacity resulting in compromised financial management and critique from statutory regulators.</p>	<p style="text-align: center;">New risk entry 20 </p>	<p>This is a new risk identified in relation to the "Change to keep succeeding" project</p>
44	<p>Multiple pressures Key aspects of medium term financial plan and other corporate projects in response to internal and external changes are not delivered as available management capacity in exceeded, or projects are deemed no longer viable, resulting in adverse financial standing, service or policy failure in the short to medium term.</p>	<p style="text-align: center;">New risk entry 20 </p>	<p>This is a new risk identified in relation to the "Change to keep succeeding" project</p>
23	<p>Transfer of LD Services and accountability to the County LD transfer from NHS presents 2 levels of risk; from now to 31 March 2011, local health bodies pass insufficient funds across to maintain individual's services; and from April 2011 when the funding transfers nationally, that this is done by formula, and not by recognising actual costs.</p>	<p style="text-align: center;">16 </p>	<p>This risk was previously included as part of a general service transfer risk, scored medium overall. It was considered that the overall likelihood of insufficient funds being provided in the current climate had increased.</p>
25	<p>Information sharing and cross agency working to provide services Information is not shared, or is not shared correctly, resulting in a failure of service provision (including preventing harm to clients) and/or data protection breach.</p>	<p style="text-align: center;">16 </p>	<p>The following issues increased the likelihood of this risk:</p> <ul style="list-style-type: none"> • Organisational restructuring may impact on risk sharing arrangements. • Removal of statutory backing for safeguarding board. With changes to PCTs / SHAs and academies will have safeguarding implications?




Annex 1: Changes to the Strategic Risk register

Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
49	<p>Proposed cap on housing benefit entitlement There will be a significant movement of families from large city areas, particularly London, into the County due to the proposal of government to cap housing and other benefit resulting in an unsustainable increase in demand for our services such as schools and social services.</p>	<p>New risk entry 16 </p>	<p>This is a new risk identified in response to recent Central Government proposals on housing and other benefits.</p>
52	<p>Public Health Duties The Council fails to plan delivery of new public health responsibilities set out in the proposed changes in the way Public Health is to be delivered in the NHS White paper, resulting in a breach of statutory duties, and poor health protection, emergency preparedness and health improvement provision.</p>	<p>New risk entry 16 </p>	<p>This is a new risk identified in response to recent Central Government proposals for Public Health provision.</p>
19	<p>Staffing The County may suffer the loss of a significant number of key staff through retirement or other reasons and suffer from an inability to attract high calibre staff to fill vacant positions.</p>	<p>15 </p>	<p>The changed scoring reflects the impact of government plans for the public sector, and the limitations this may place on local government to compete in the market place.</p>
31	<p>Assessment and inspection activity KCC is assessed as failing to meet one or more of its statutory or regulatory responsibilities and is subject to intervention or negative comment from a national regulator</p>	<p>12 </p>	<p>Media focus has increased recently following the publication of serious case reviews and high profile cases such as baby P. Significant pressures on budgets mean that gaps in the control processes become more likely and service pressure will become more intense.</p> <p>No new significant control actions identified</p>
24	<p>Academies Act The Academies Act could lead to a fragmentation of and inconsistency in service provision. There could also be reduced funding for LEAs with a knock on effect for the proportionately more expensive statutory functions supporting schools that remain within LEA control.</p>	<p>New risk entry 12 </p>	<p>This is a new risk in response to new legislation.</p> <p>New control action - The implications of free schools on KCC services is being identified and understood.</p>

Annex 1: Changes to the Strategic Risk register

Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
21	<p>Unaccompanied asylum seeking children There is an increased risk of KCC failing to deliver its policy in relation to unaccompanied asylum seeking children especially in light of the UK Border Agency reducing funding.</p>	<p>New risk entry 12 </p>	<p>New control action</p> <ul style="list-style-type: none"> The lobbying of the UK Border Agency to obtain clarity of legislative requirements.
40	<p>Organisational transformation Sizeable workforce reductions and changes to services delivered resulting from the financial constraints mean that there is an institutional knowledge drain, inappropriate or mismanaged service cuts or other unintended outcomes (loss of top performing staff, unintended escalation of consultancy use, increased costs of redundancy and pensions, negative moral, poor staff relations) and stable or increasing workloads that fall onto a smaller pool of staff</p>	<p>New risk entry 12 </p>	<p>New controls actions</p> <ul style="list-style-type: none"> Improve programme and project management across KCC to identify wider implications, timing and impact of separate initiatives Improved scheduling of changes involving support staff
41	<p>Information Governance The Council may fail to deliver robust information governance and be deemed to have broken either the Data Protection Act or FOI or its duty of care.</p>	<p>New risk entry 12 </p>	<p>This risk was previously contained within other risks, but considered prominent enough to warrant separate consideration.</p>
47	<p>Corporate Governance Corporate governance may fail to a greater or lesser extent (including delegated authority) as a result of changes made at senior levels not being reflected in revised governance structures, resulting in inappropriate decisions regarding spending or other outcomes.</p>	<p>New risk entry 12 </p>	<p>This is a new risk identified in relation to the “Change to keep succeeding” project</p>
39	<p>Emerging legislation New and emerging legislation may have a fundamental but unforeseen impact on the way in which Council services are delivered</p>	<p>New risk entry 10 </p>	<p>The coalition government is introducing a range of new legislation and other significant changes that have major implications for local government and the wider public sector.</p>
34	<p>Vulnerable transport links A significant closure of any primary access route could severely disrupt the County due to the nature of its geography and transport infrastructure.</p>	<p>8 </p>	<p>Potential civil unrest across the UK and the continent, with associated strike action and blockades, led to the likelihood score being increased.</p>

Annex 1: Changes to the Strategic Risk register

Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
36	<p>Funding of Partnerships There may be a withdrawal of funding by partner bodies (or central government) for partnerships that are key to the achievement of KCC objectives</p>	<p style="text-align: center;">8 </p>	<p>Actions by the new coalition government has targeted funding to local partnerships as a means of saving money</p>
38	<p>Potential suspension of the BSF programme The suspension of the BSF programme may lead to a significant affordability gap and increased potential for litigation against the Council by existing PFI contractors for loss of profit.</p>	<p style="text-align: center;">New risk entry 8 </p>	<p>There will be increased pressure on the viability of schools where investment has not been made in Districts where the BSF programme is halted mid-programme, and an increase in the volume of schools admission appeals with the associated adverse publicity as a result There may also be an impact in relation to:</p> <ul style="list-style-type: none"> • SEN and KCC strategy for Special Schools • Impact on local economy (estimated worth of wave 4 = £32m) • Potential litigation from contractors (around £11m) • Impact on apprenticeship scheme (120 places linked to wave 4)
22	<p>Response to major incident or event Inability of the Council to effectively respond effectively to a major incident or event that results in significant service disruption and failure to return business to normal in anticipated timescales.</p>	<p style="text-align: center;">6 </p>	<p>The previous iteration included three sub risks in relation to major incidents, two of which related to pandemics and were graded medium. The risks have been aggregated and the overall rating of likelihood reduced.</p>

This page is intentionally left blank

Top Strategic Risks

Objective							
Deliver effective corporate social responsibility							
Risk	Reduction in Government Funding						
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	
7	The extent of certain aspects government funding reductions and distribution of monies is unknown and may exceed that which is assumed in the Council's autumn budget statement.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]	↕ Steady
Control Title							
Robust MTP processes supported by business planning including 1) Peer review of pressures and savings 2) Political prioritisation and decision making 3) Financial Strategy Board and other officer groups to consider the major saving strands							
The output of the CSR has been assessed against the current MTP at high level.							
Use of Council reserves to smooth the impact of government cuts							
Action Title							
Develop a 4 year MTP rather than 3 to reflect likely timing of Spending Review							
Early planning for the later and more difficult years							
Elected Members will make the difficult decisions on cost reduction.							
Implementation of aspects of "Bold steps"							
Organisational restructure to reduce operating costs							
CMT programme plan to monitor budget savings, efficiencies and other significant projects.							

Objective						
Maintaining year on year financial balance						
Consequences of the current UK economy on wider society						
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact
5	Financial and economic deterioration of the UK wide economy spills over into wider fabric of society resulting in a reduction in Council Tax collection and other significant income streams of the Council.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]
						↕ Steady
Control Title						
Robust MTP supported by business planning, including 1) Peer review of pressures and savings 2) Political prioritisation and decision making						
Economic development and regeneration activity						
Properly understanding the Council's cost drivers and responding to the background indicators of poverty on the County.						
Flexible arrangements exist within services to enable quick adjustment of the cost base to changes in demand						
Core monitoring reports provided to CMT / Cabinet which include indicators of demand						
Action Title						
Policy led budgeting approach						
Refocusing of priorities to target action to address financial, health and wider socioeconomic impacts						
Demand management through a robust preventative strategy across all services						
Council's medium term plan "Bold Steps" to include the aim of growing the Kent economy						
Establishment of Local Enterprise Partnership.						
Development of monitoring arrangements for Council Tax collection with District Councils						

Risk Children's Social Workers.

Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	Dynamic
13	There will be a breakdown of children's placements due to limited success of local / national / international campaigns to recruit Children's Social Workers, or recruitment of a large volume of inexperienced staff, resulting in service pressures, poor practice and challenging workloads for existing staff.	Cabinet / CMT	● Red	25	Very Likely [5]	Major [5]	↑ Increasing

Control Title

CSS Recruitment Group monitors SW vacancies and agrees strategies for urgent situations

Active strategy in place to attract and recruit social workers through a variety of routes including a recruitment campaign in USA

22 final year DipSW students have been recruited through the bursary scheme and were in post as newly qualified social workers from July 2010

Recruitment calendar ensures we recruit NQSW's annually.

Targeted recruitment activity has taken place.

"Ready for Practice" scheme targeted at MA social work students

MA social workers recruited from Northern Europe via Jacaranda started in West Kent

Action Title

SW has commenced to recruit final year SW students to secure a further 22 staff to commence employment August 2010

Ongoing development of further strategies to support recruitment e.g. qualification routes through open university

Disseminate best practice to secure stable SW staffing

CSS to consider Recruitment Coordinator role to ensure that all SW applications receive attention

CSS Realignment to review pay grading for SW team leaders and also support for Step into Management programme

Review 'growing our own' social workers.

Consideration to be given to converting some social work posts to assistant social worker posts, changing the skill mix of the teams

Improvement Board set up to deliver agreed improvement plan

Actions of practice quality teams to look at practice and redesign teams

Programmes in progress to ensure staff morale is maintained and enhanced

Information sharing and cross agency working to provide services							
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	Dynamic
25	Information is not shared, or is shared incorrectly, resulting in a failure of service provision (including preventing harm to clients) and/or a data protection breach.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]	↑ Increasing
Control Title							
Robust safeguarding procedures are in place, including a common assessment framework.							
Coherent county wide strategy and protocols on sharing information between agencies in place							
Action Title							
Integrated systems are in development							
Monitoring / progress paper to be provided to Cabinet							

Public Health Duties							
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	Dynamic
22	The Council fails to plan delivery of new public health responsibilities set out in the proposed changes in the way Public Health is to be delivered in the NHS White paper, resulting in a breach of statutory duties, and poor health protection, emergency preparedness and health improvement provision.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]	→ New
Control Title							
A local transition board comprising the Kent and Medway DPHs, the Deputy DPH from Eastern and Coastal PCT, and the Director of Health Improvement from West Kent PCT has been established							
KCC has had a designated cabinet portfolio holder							
Action Title							
preparing a local transition plan alongside that being produced by the South East Coast region							
Cabinet member will assume a central role at a strategic level. This will include being invited to chair the public health board, contribute to the wider public health network and championing the public health function across the county							
An HR framework is being developed as part of the work of the transition planning group							
Dedicated resource to be commissioned to ensure that any transfer of funding is fair and equitable and the interests of the Council are protected.							


Risk Proposed cap on housing benefit entitlement

Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	Dynamic
49	There will be a significant movement of families from large city areas, particularly London, into the County due to the proposal of government to cap housing and other benefit resulting in an un-sustainable increase in demand for our services such as schools and social services.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]	 New

Action Title

Development of early warning indicators through existing mechanisms and/or District Council Housing teams
 Issue to be discussed at South East Leaders / CEX forum.

Risk Transfer of LD Services and accountability to the County

Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact	Dynamic
23	LD transfer from NHS presents 2 levels of risk; from now to 31 March 2011, local health bodies pass insufficient funds across to maintain individual's services; and from April 2011 when the funding transfers nationally, that this is done by formula, and not by recognising actual costs.	Cabinet / CMT	● Red	16	Likely [4]	Serious [4]	 Increasing

Action Title

Detailed and transparent analysis and planning with local health bodies
 Lobbying of central government based on solid evidence

Objective						
To deliver a new organisational framework						
Financial Accounting Framework						
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact
43	Required amendments to the financial accounting framework will not be delivered by 1st April or other statutory requirements will not be met as a result of a lack of appropriate capacity resulting in compromised financial management and critique from statutory regulators.	Cabinet / CMT	● Red	20	Likely [4]	Major [5]
						Dynamic New
Control Title						
No commitment has been made to this course of action, nor will any commitment be made until the impact has been assessed, and appropriate mitigation and controls put in place						
Action Title						
Corporate Finance is developing a project plan to deliver the required amendments						
Extra resources to be provided to Corporate Finance if required.						
Amendments to the current reporting deadlines (such as those for the annual accounts) will be reviewed						
Discussions to be held with the Audit Commission						
Top of page						
Multiple pressures						
Risk ID	Risk Description	Owner	Current Evaluation Level	Residual Score	Residual Likelihood	Residual Impact
44	Key aspects of medium term financial plan and other corporate projects in response to internal and external changes are not delivered as available management capacity is exceeded, or projects are deemed no longer viable, resulting in adverse financial standing, service or policy failure in the short to medium term.	Cabinet / CMT	● Red	20	Likely [4]	Major [5]
						Dynamic New
Control Title						
No commitment has been made to this course of action, nor will any commitment be made until the impact has been assessed, and appropriate mitigation and controls put in place						
Weekly reports to CMT						
A project plan and time line are in place, a project team established, risks are identified and mitigation steps already taken.						
Action Title						
CMT will discuss and examine the different proposals and create models for new ways of working						
Transition planning is taking place and a detailed transition plan is being developed.						
CMT will monitor a programme plan to incorporate "Change to Keep Succeeding" actions, budget outcomes, efficiency and de-prioritisation changes and all other truly significant projects						

By: John Simmonds, Cabinet Member for Finance
Andy Wood, Acting Director of Finance

To: Governance and Audit Committee – 30 November 2010

Subject: AUDIT COMMISSION: ANNUAL AUDIT LETTER

Classification: Unrestricted

Summary: The Audit Commission's Annual Audit letter provides a summary of the most important findings from their 2009/10 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 Council.
2. The purpose of the annual audit letter is to communicate to the Council 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 Council. 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 December 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 2009/10 audit plan (i.e. work relating mainly to the 2009/10 financial year). The letter covers:
 - The audit of the financial statements (including the Superannuation fund).
 - Value for money
 - Current and future challenges
 - The audit fees for 2009/10.
5. Mr Wells, the District Auditor, will provide a short commentary in relation to the issues in the letter that he feels require detailed consideration by the Committee

Publication of the Letter

6. The annual audit letter is addressed to all Members and the District 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

7. The Governance and Audit Committee is asked to note that:

- the requirement of the External Auditors to prepare and issue an annual audit letter to the Council have been met, and
- 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 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Key messages	2
Audit opinion and financial statements 2009/10	2
Value for money.....	2
Current and future challenges	3
Financial statements and annual governance statement	4
Key opinion findings.....	4
Value for money	6
2009/10 use of resources assessments	6
VFM conclusion	6
Approach to local value for money work from 2010/11.....	15
Current and future challenges	16
Financial standing.....	16
Closing remarks	18
Appendix 1 Audit fees	19
Appendix 2 Glossary	20
Appendix 3 Action plan	21

Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 4 to 5);
and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 15).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Audit opinion and financial statements 2009/10

1 I issued an unqualified opinion on the Council's financial statements including the Kent Superannuation Fund on 30 July 2010. The financial statements were presented for audit nine 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.

2 The Council is making good progress in its preparations to report its financial position as of 31 March 2011 under the requirements of international financial reporting standards.

Value for money

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 2009/10. I issued an unqualified value for money conclusion on the 30 July 2010.

4 As part of my audit I have looked at some payments to senior officers on their departure from the Council. I concluded the payments themselves were not unreasonable in the legal sense and were within a range that the Council has the statutory power to pay. I also concluded that the consideration of value for money was not adequately documented. I have made some recommendations to improve the governance arrangements covering such payments.

5 Under government plans, local authorities will have a greater role in public health. Health inequalities exist across Kent and joint working is needed to tackle those that exist. Tackling health inequalities absorbs huge amounts of public money. Last year I assessed the progress made by the Health and Well Being Boards (organised along district boundaries). This year, I have considered the progress made by these Boards against their improvement action plans. I concluded the HWBBs have begun to prioritise resources to the most vulnerable, but there is insufficient information to judge the value for money of the resources employed. Also not all partnerships have fully engaged with community and voluntary sector groups or parish councils, so they have yet to secure the help of all the agencies that could engage in reducing health inequalities.

Current and future challenges

6 The economic downturn is having a very significant impact on public finances, with fundamental challenges to public sector bodies to fund service delivery and capital programmes. The Council estimates a budget gap of some £330 million over the next four years. The Council has a good track record of delivering efficiency savings although not of the scale required in the current climate.

7 Members have set out a new medium term strategy, Bold Steps for Kent, to transform services; its engagement with others and to reduce spending. Allied to this is a planned internal restructuring to support the new priorities. The financial environment, the internal restructuring and the need to maintain quality services for the most vulnerable present a challenging agenda. I will continue to consider how the Council mitigates the risks it faces over the coming year.

Financial statements and annual governance statement

The financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds. I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 July 2010.

Key opinion findings

8 The draft financial statements were available for audit on 10 June 2010, five weeks after the end of the financial year, which is a positive achievement. Officers responded quickly to audit enquiries and I gave an unqualified audit opinion on the Council's and Kent Superannuation Fund's accounts on 30 July 2010.

9 I summarised the key findings from my work in my annual governance report which I presented to the Governance and Audit Committee on 30 June 2010, and represented in September. The financial statements were of a good quality. My audit identified a small number of errors and omissions that officers corrected within the adopted accounts. There were a small number of errors that were not adjusted for. These did not affect my audit opinion.

10 Last year I identified scope for strengthening the arrangements for obtaining related party transactions declarations from members and senior officers. My work this year identified some gaps in the completeness of returns. This remains an area for future improvement.

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

Icelandic bank investments

12 The Council had £50.3 million, including £16.3 million relating to Kent Superannuation Fund and £1.8 million deposited on behalf of Kent and Medway Fire and Rescue Authority, placed with Icelandic banks when they collapsed in October 2008. It is still exposed to an element of uncertainty regarding the return of these investments. In its financial statements for 2009/10 the Council impaired these funds in line with the latest guidance from CIPFA. I confirmed that the fair values and impairments for the outstanding deposits shown in the Council's accounts are in accordance with the guidance.

International Financial Reporting Standards

13 From 2010/11 the Council's financial statements will be based on International Financial Reporting Standards (IFRS). The transition to IFRS has proved problematic for the private sector due to extra reporting demands. Early preparation is vital to successful implementation of the new standards. Restating the 2009/10 financial statements is a key stage in moving to IFRS compliant accounts in 2010/11.

14 The Council started its preparation early last year by identifying the major changes to financial reporting caused by IFRS, training key staff and establishing a project plan. The Council made good progress during the year to identify the changes required to produce IFRS compliant financial statements. Officers completed the 2009/10 changes to accounting for Public Finance Initiative (PFI) schemes introduced from 1 April 2009. The main area of challenge for the Council is to consider its lease arrangements that are devolved across departments and schools. A central record of all known leases has now been created and officers are working to review all leases. The Council plans to complete the restatement of its 2009/10 financial statements by December 2010. We will continue to work with the Council during the re-statement exercise.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the VFM conclusion.

2009/10 use of resources assessments

15 At the end of May 2010, the Audit Commission wrote to all chief executives to inform them that following the government's announcement, work on Comprehensive Area Assessment would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

16 However, I am still required by the Code of Audit Practice to issue a VFM conclusion for 2009/10 and I have used the results of the work completed on the use of resources assessment up to the end of May 2010 to assist me.

VFM conclusion

17 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

18 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Not assessed *
Strategic asset management	Not assessed *
Workforce	Yes

* assessed in 2008/09.

19 I issued an unqualified conclusion stating the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

20 Key findings from my review are set out below.

Managing finances

21 The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health. Financial and business planning are integrated well with many examples of shifting resources to match priorities. The Council can show how its integrated planning enables innovative methods of delivering services within available resources. Capital investment is well managed over many years and closely aligned to priorities. Medium term financial planning is set over a three year rolling period. It is based on reasonable assumptions and appropriately includes scenario planning and sensitivity analysis of holding balances and reserves against council tax levels. Risk management and financial planning are linked. The Council engages well with local communities and its partners when developing services and financial plans. Members and chief officers provide strong leadership.

22 The Council has a sound understanding of its costs and performance across its services. This provides a solid foundation to tackle the scale of efficiencies that are required in the current economic climate. There is a good history of achieving efficiencies through smarter procurement, collaboration with others and through improvements to business processes. Investment and disinvestment decisions are based on whole life costing and the Council is adept at getting external funding to deliver community based projects. All of this contributes to low levels of council tax increases.

23 The Council's financial reporting is timely, reliable and meets the needs of staff, stakeholders and local people. The Council has high-quality internal financial monitoring and transparent reporting developed in consultation with budgetholders and members. Budgetary control is strong, flexible reporting tools allow quick and effective management action to address variances. The Council has a long record of financial outturn close to annual budgets. Its annual financial statements are produced early, and with the availability and responsiveness of finance staff, an early unqualified audit opinion is issued. The Council undertakes wide consultation and externally reports information using various methods that meet user requirements.

Governing the business

24 My work has confirmed the Council continues to commission and buy quality services and supplies that meet local needs and deliver sustainable outcomes. This year, I reviewed the management of PFI contracts and found appropriate, effective arrangements in place (paragraph 51). Procurement guidance provides a clear framework for decision making including evaluation criteria. The Council has a track record of using IT innovatively to improve services to the public. For example, telehealth and telecare. As at January 2010, the Council reports that there were 1,134 people on telecare and 783 on telehealth. It is now working to mainstream this service.

25 The Council produces relevant and reliable data and information to support decision making and manage performance. Its data quality strategy provides a clear framework setting out individuals' responsibilities. There are robust arrangements in place for the security of data with independent provision and checks to validate information. My work has not identified any weaknesses over data quality. Performance management is at the heart of the Council. It has recently begun to publish on its internet, internal management information reports, setting out the Council's performance quarterly for the public's information.

26 The Council promotes and demonstrates the principles and values of good governance. For example, my involvement in the transfer of learning disabilities properties from the NHS to the Council has confirmed the appropriateness of governance arrangements (paragraph 49). There are strong relationships between officers and members and a well established ethical framework. Where it becomes aware of any weaknesses, it acts to address them. For example, producing a compromise agreement protocol (paragraph 35). Governance arrangements are clear for significant partnerships.

27 The Council continues to manage its risks and maintains a sound system of internal control. The risk management arrangements are integrated in corporate and service-level business planning processes, including at a strategic partnership level. The Council reacts quickly to emergencies and has robust preventive schemes. Fraudulent activity is proactively monitored and investigated with results widely published. The Governance and Audit Committee is strengthening its arrangements to increase members' ability to challenge governance risks.

Managing resources

28 The Council continues to make progress against its sustainability and climate change agenda. Its annual report to members highlights some positive progress, for example in reducing council business miles and its community leadership on this agenda. However, against a baseline of 2004, its carbon emissions are increasing. Some of this is attributed to extended use of ICT and longer school days. Driving energy efficiency and carbon reduction in buildings and compliance with the Carbon Reduction Commitment have been agreed as a current year priority.

29 The Council manages its asset base effectively to help deliver its strategic priorities and service needs. It has a clear strategic approach set out for making effective use of and maintaining all its assets. The Property Enterprise Fund has been successful in disposing of non-operational property to make acquisitions in line with the Council's regeneration agenda. Value for money has been achieved through the Better Work Places Programme, rationalisation of highways depots and the Gateway initiative. As part of its medium term financial strategy, the Council has set a target of some £10m savings to be realised from better asset management.

30 The Council is coping well with its workforce needs. It is addressing its ageing workforce by employing more young people. For example, 290 starts on its Apprenticeships Programme and 85 starts on its Gap Year Programme. Jobs filled by the under 30s has increased from 15.1 to 16.8 per cent. The Council manages workforce gaps well. Vacancy rates are less than 6 per cent (nationally: 9.4 per cent). Over two thirds of vacancies are filled externally. A combined career grade for Social Workers, Occupational Therapists and Nurses has improved recruitment and retention of staff in difficult to recruit areas, although social worker vacancies still exist. New

approaches to recruiting staff has reduced advertising costs, from £1.5 million to £0.5 million and reduced the time to recruit by four days.

31 The Council has a range of methods to develop highly qualified staff, such as the 'Emerging Leaders' and 'Young People's Talent Programme.' It seeks to ensure that staff are motivated and healthy. Sickness absence has reduced by 40,000 days last year through better monitoring and challenge and in the last year, staff turnover has reduced from 15 per cent to 12 per cent. The Council has achieved level 3 in the Equality Standard and is targeting 'excellent' under the new scheme. There are some weaknesses in its workforce arrangements as described at paragraphs 34 and 52.

Risk-based reviews

Payments to senior officers

32 As part of my audit I have looked at some payments to senior officers on their departure from the Council. In some cases, the payments have been reported in the local press and attracted public concern at their scale and value. My role is to consider the adequacy of the Council's governance arrangements, that is, are the payments within the Council's powers and is the decision the Council made 'reasonable'; is decision making clear and appropriate and has value for money been considered? In assessing legality I have used my own legal advisers to help me.

Severance payments

33 The Council like many other local authorities seeks to terminate the employment of senior managers occasionally. This can be for a variety of reasons and the nature of the termination can have a direct effect on employee entitlements. Given this, it is important to be clear about the reason for the termination. In some cases the Council enters into a compromise agreement which is a legally binding agreement made between it and an employee. Under such agreements, the employee agrees not to pursue particular claims in relation to his or her employment or its termination, in consideration of, usually, a financial settlement provided by the Council.

34 I have reviewed five severance agreements and concluded that the payments themselves were not unreasonable in the legal sense and were within a range that the Council has the statutory power to pay. I also concluded that the consideration of value for money was not adequately documented. I identified a number of recurring weaknesses in the Council's arrangements.

- A lack of effective performance management of staff was cited as a contributory factor in reaching some agreements and the payments were higher as a result.
- Documentation did not always clearly evidence how payments were negotiated and where discretionary enhancements were agreed there is little written evidence of the Council's reasons.

- There was limited evidence, to show that the Council assessed the relative strength of individual legal claims against it and that the payments made achieved the best/lowest settlement for council taxpayers.
- Decision making reports to members did not always provide a full, balanced view of the circumstances of individual cases.

35 I reported my findings to the Council in January 2010 and note that it has revised its arrangements. It has reconsidered performance management arrangements for senior staff and adopted a protocol for the management and agreement of compromise agreements. The protocol strengthens the governance arrangements by setting out those senior officers that should be consulted; clarifies the decision making 'chain' and makes clear that the value for money of individual agreements should be explicitly documented. The protocol also provides that where a proposed agreement concerns a Chief Officer or an M-Grade Manager, the Director of Finance will consult with the external auditor to 'deal with any objections which may otherwise prevent the agreement from being finalised.' This does not involve the auditor in the decision making arrangements of the Council, but informs the Personnel Committee of any audit concerns before a decision is made.

36 In June 2010, I became aware of a planned compromise agreement for an M grade officer. I was sent some documentation in July on which I raised a number of critical questions with the Director of Personnel & Development about the governance of the proposal, apparent non adherence with the Council's protocol and the achievement of value for money. I received a response to my queries on the 18th November 2010. This delay has hindered my review of this case and I consider the time taken to reply to my queries to be poor practice. I will review the papers provided in response to my questions and where appropriate, bring any concerns to members' attention.

Recommendations

- R1** Apply the compromise agreement protocol in all applicable circumstances.
- R2** Document compromise agreements fully as part of management records. This should include negotiations with employees and/or their representatives; justification for any discretionary enhancements and the assessment of the relative strength of individual legal claims against the Council.

Payment to previous chief executive

37 In February 2010 it was reported in the local press that the previous chief executive would receive £200,000 after payment of tax and national insurance on leaving the Council in May 2010.

38 The chief executive was employed on a fixed term contract to May 2007 with an option to extend the contract term to May 2009. Leading members wanted to keep the chief executive and he was willing to continue in post, subject to recognition of the long term financial affect on his future pension entitlement caused by the April 2006 changes to the local government pension scheme and associated taxation. The pension scheme and the associated tax changes were complex and the Council obtained actuarial advice to determine the financial impact on the chief executive if he extended his contact. The Director of Personnel & Development reported that £200,000 represented the difference between the chief executive's projected pension entitlements should he not extend his contract and those if he did. A report was presented to the Personnel Committee in September 2006 recommending a payment of £200,000 after tax and N.I deductions.

39 The payment made to the chief executive was within the powers available to the Council and was not in my opinion, so unreasonable that no council acting reasonably would make this decision. Appropriate expert advice from an actuary was taken into consideration. The payment did not enhance the chief executive's remuneration package, but protected him from the impact of national changes to the pension scheme. Whilst this might be considered generous by some, as evidenced by public reaction to local press coverage, this in itself does not make the payment unlawful.

40 Effective decision making and good governance requires decision makers to be presented with appropriate and sufficient information to make an informed decision. The report to the Personnel Committee in this instance fell short of those standards. The report was very brief and concentrated on the decision for members to agree the payment of £200,000 rather than the detailed reasons behind the need to pay. It did not: set out the full cost to the Council of the £200,000 payment (£408,000 including income tax and NI); explore alternative options or evaluate the value for money of the recommended approach; and it was not shared in advance with the Director of Finance to offer any commentary on the financial information.

Recommendation

R3 Decision making reports should provide a full, balanced picture of the circumstances and record the options available and document the consideration of value for money of the recommended decision.

Health inequalities

41 Health inequalities exist across Kent and joint working is needed to tackle those that exist. 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 circumstances that lead to differing levels of health. It is caused by the interrelationship of factors such as worklessness, low educational achievement, poor housing, bad diets, and living in a high crime area.

42 Tackling health inequalities absorbs huge amounts of public money in both the local government and health sectors. Last year I assessed the progress made by the Health and Well Being Boards (organised along district boundaries). My findings and an action plan for improvement were issued to all bodies involved in the review. This year I have assessed the progress made by the Health and Well Being Boards (HWBB) against their action plans.

43 I found that each partnership had updated the action plans and could demonstrate positive learning from adopting the action plans. That said, it was difficult in most cases to see the difference the partnerships had made to local people.

44 The HWBBs have begun to prioritise resources to the most vulnerable. For example, in Maidstone the national project 'Change4Life' has increased levels of participation in healthy activities by some of the most vulnerable people and created monitoring data. More partnerships are now using the health and social care maps to help target resources and continuity of membership is better. There are new resources such as Healthy Living Co-ordinators, family weight management programmes, and healthy living advice for businesses.

45 On the other hand, there was a lack of targets in the updated plans. There was insufficient information to judge the value for money of the resources employed. Also not all partnerships have fully engaged with community and voluntary sector groups or parish councils, so they have yet to secure the help of all the agencies that could engage in reducing health inequalities.

46 The Council will be aware of the significant change in health responsibilities and budgets taking place across public services. It is expected that the white paper on public health by the end of the year will promote a stronger role for local authorities. Demonstrating outcomes is a key feature of the planned reforms. This means that the partnerships will have to be clear what outcomes for local people are needed and ensure that improvements are measured and delivered and demonstrate value for money.

47 I reported my findings to Kent's Public Health Board on 12 November 2010.

R4 That the Council, in its future involvement with partnerships on health inequalities, ensures that such partnerships are clear what outcomes for local people are needed and that improvements are measured, delivered and demonstrate value for money.

Adults with learning difficulties

48 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. Primary care trusts (PCTs) are 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 and speech and language therapists. For 2009/10 and 2010/11, the transfer of specialist social care funding for adults with learning disabilities is being undertaken by local agreement between PCTs and local authorities. After this the Department of Health will fund local authorities although the basis of funding is yet to be determined.

49 In my last annual audit letter I stated that the Council had worked well with East and West Kent PCTs to ensure a properly controlled transfer of responsibilities whilst always maintaining a focus on those with learning disabilities. I have continued to attend regular joint meetings between the PCTs and the Council during 2010. Discussions and planning around strategic finance show that risks are being effectively managed in an open and professional manner despite funding uncertainties. There are no matters for me to report.

Arrangements for managing Private Finance Initiative contracts and Building Schools for the Future

50 The Council has contracted with private sector partners to design, build, finance and operate facilities under the Private Finance Initiative (PFI). These schemes are long-term, usually lasting 25 years or more, and give rise to large financial commitments. I considered the Council's arrangements for managing such contracts. The main PFI schemes are:

- the Grouped Schools and Swanscombe PFI schemes;
- the Building Schools for the Future (BSF) initiative, which includes rebuilding three schools using PFI;
- two housing PFI schemes: Better Homes, Active Lives and Excellent Homes for All; and
- two integrated social and health service PFI schemes, one managed by the Council (West View and Westbrook) and the other by West Kent PCT (Gravesham Place).

51 Arrangements for managing PFI contracts are satisfactory with effective processes in place for:

- checking that contractors have delivered the required outputs and achieved the performance claimed;
- checking the financial impact of schemes;
- identifying, monitoring and reporting potential risks; and
- considering and approving changes to contracts.

52 In common with other public bodies the Council relies on a few key staff to manage the schemes. I found limited evidence of succession planning which coupled with a lack of comprehensive written procedures, increases the risk to the Council should it lose these key staff with their detailed knowledge and experience of managing the schemes. The Council should consider if its proposed corporate restructuring will mitigate this risk (paragraph 65).

53 Plans were made under BSF to rebuild and refurbish 35 secondary schools across Kent. Work on the first group of 12 schools was approved under BSF Wave III and is nearing completion. However, in July 2010 the government announced a review of BSF but did confirm that two schools, Skinners' Academy and Sheppey Academy, could progress. All of the Council's other BSF plans are now on hold although a request has been made for the approval of the planned schools in Gravesham and Thanet. The Council is aware that it may incur costs due to the cessation of the BSF programme.

Approach to local value for money work from 2010/11

54 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for VFM audit work. The Commission aims to introduce a new, more targeted and better value approach to this work.

55 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

56 I will determine local VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my work. Instead I will report the results of all my work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

57 Councils are facing significant financial challenges. Demand for local services is increasing due to demography, particularly an ageing population, and the effects of the recession, such as on school places and social care. This increase in demand for services is set against a backdrop of a harsh financial environment; significant cuts in government funding and reducing income from investment income, fees and charges.

Financial standing

2010/11

58 The Council agreed its 2010/11 budget and Medium Term Plan 2010/13 on 18 February 2010. In June 2010, the government announced in-year reductions to government grants for 2010/11. The Council anticipated these announcements and responded quickly to revise its budgets, reporting possible cuts to the Cabinet on 14 June 2010. The overall impact of the grant reductions on the revenue budget was £9.54 million and £4.65 million capital.

59 The Leader agreed the revised budget under urgency rules on 17 June 2010. This included calling on earmarked reserves as a short-term solution. At 31 March 2010, the Council had general reserves of £25.835 million and earmarked reserves of £115.884 million (excluding schools reserves). The general fund balance is comparable to similar authorities and reflects the Council's intention not to hold excessive balances but use funds in the delivery of services, having confidence that directorates deliver their financial targets. The earmarked reserves will provide a short-term buffer and flexibility in securing a stable annual financial position. However, the Council will need to assess the level of general fund reserves it thinks prudent to respond to the financial challenges it faces.

60 The latest Cabinet financial monitoring report for 2010-2011 (11 October) shows budget pressures before management action of £2.0 million and a projected underspend of £0.72 million for the year after management action. This is an encouraging position at this point of the financial year.

2011/12 onwards

61 The government announced its Comprehensive Spending Review on 20 October. This includes significant reductions in local government funding:

- 28 per cent reductions in Revenue Support Grants (excluding schools) by 2014/15;
- 45 per cent reductions in capital funding from central government; and
- 0.1 per cent real term increases in schools funding each year.

62 The full impact of this is still emerging and may only become fully clear when grant allocations are announced in December 2010. However, for planning purposes, the Council expects the impact of funding cuts and spending commitments to create a budget pressure of some £330 million over the next four years.

63 The Council has a good track record of delivering efficiency savings; however, these have not been of the scale required in the current climate. The Council will be unable to achieve this quantum of savings through management efficiencies alone, but will need to consider and make decisions on the design, management, delivery and availability of services. For planning purposes, the Council believes that approximately half of the total estimated savings required over four years can be met from improved efficiency and service redesign, but the balance will require policy changes on the scope and quality of services provided. This planning assumption is being reviewed regularly. The Council has launched its 'Your voice, your services' campaign to identify the services which matter the most to its residents and businesses and to obtain views on other potential savings.

64 Changes to the scope or cessation of services will be sensitive. The Council has recently consulted on its medium term plans for the next four years, 'Bold Steps for Kent'. This sets out a strategic vision for its priorities; its engagement with service users and residents and new ways of working with central government, local public sector partners, businesses and the voluntary sector. It provides a framework for making some difficult decisions on future service delivery. The vision will be supported by a revised medium term financial plan.

65 The Council has also set out plans for an internal restructure to ensure the organisation is better able to support the new ways of working envisaged in its strategic vision. Consultation has begun on a restructure of senior management arrangements. From my discussions with officers, I am aware that the Council is making progress in identifying areas to make its required savings. A programme office has been established to co-ordinate the savings programme across the Council once a final programme has been agreed by members. These changes together present a challenging agenda and the Council will need to ensure that sufficient senior management continuity and capacity is in place to deliver its plans whilst maintaining the quality of services, particularly to the most vulnerable of society.

66 I will continue to monitor the Council's financial position and delivery of savings throughout the 2010/11 audit.

Closing remarks

67 I have discussed and agreed this letter with the Group Managing Director. I will present this letter at the Governance and Audit Committee on 30 November 2010 and will ask for copies to be supplied to all Council members.

68 Full detailed findings, conclusions and recommendations in the areas covered by my audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Fee Letter	30 June 2009
Opinion Audit Plan	30 April 2010
Annual governance report	30 June 2010

69 The Council has taken a positive and helpful approach to our audit. I wish to thank officers and members for their support and cooperation during the audit.

Darren Wells
District Auditor
November 2010

Appendix 1 Audit fees

The table below sets out the actual and proposed audit fees in relation to the 2009/10 audit year.

	Actual	Proposed	Variance
Financial statements and annual governance statement	260,490	260,490	0
Value for money	117,280	117,280	0
Total audit fees	377,770	377,770	0

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the local government body on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 3 Action plan

Recommendations

Recommendation 1

Apply the compromise agreement protocol in all applicable circumstances.

Responsibility

Priority

Date

Comments

Recommendation 2

Document compromise agreements fully as part of management records. This should include negotiations with employees and/or their representatives; justification for any discretionary enhancements and the assessment of the relative strength of individual legal claims against the Council.

Responsibility

Priority

Date

Comments

Recommendation 3

Decision making reports should provide a full, balanced picture of the circumstances and record the options available and document the consideration of value for money of the recommended decision.

Responsibility

Priority

Date

Comments

Recommendation 4

That the Council, in its future involvement with partnerships on health inequalities, ensures that such partnerships are clear what outcomes for local people are needed and that improvements are measured, delivered and demonstrate value for money.

Responsibility

Priority

Date

Comments

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2010.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

November 2010

This page is intentionally left blank

By: David Tonks, Head of Audit and Risk
 To: Governance and Audit Committee – 30 November 2010
 Subject: EFFECTIVENESS OF INTERNAL AND EXTERNAL
 AUDIT LIAISON
 Classification: Unrestricted

Summary: This paper summarises the effectiveness of the liaison arrangements between External and Internal Audit

FOR ASSURANCE

Introduction

1. The requirement for Internal Audit and External Audit to liaise in an effective way is recognised by the professional guidance within both disciplines. The potential efficiencies that can be realised when this liaison is effective can be high, both in terms of avoided external audit fees, but also in relation to a reduced audit burden for finance and other front line staff. For this reason the Committee's revised terms of reference include the responsibility for the Committee to annually assess the co-operation between External and Internal Audit.

Professional requirements

2. It is important to understand that both functions have very different remits. Internal Audit is an independent assurance function within the Council, whereas External Audit is responsible for giving an independent opinion on the Council's financial statements and a conclusion on its arrangements for securing economy efficiency and effectiveness in its use of resources.
3. Although overall remits differ, it should be possible for internal and external auditors to rely on each other's work, subject to the limits determined by their responsibilities. The CIPFA code of practice for Internal Audit requires that:
 - It is possible for Internal Audit and External Audit to rely on each other's work.
 - There are regular meetings between the Head of Internal Audit and the External Audit Manager.
 - Internal and external audit plans are co-ordinated.
4. External Audit's work is governed by the International Standards on Auditing (ISAs). In particular ISA 610 requires External Audit to
 - gain a sufficient understanding of internal audit activities to assess risks of material misstatement; and
 - perform an assessment of the internal audit function to determine the use of internal audit when making risk assessments.
5. ISA 610 is clear that effective internal auditing will often allow a modification in the nature and timing, and a reduction in the extent of audit procedures performed by the external auditor. However it also states that the external auditor may decide that internal auditing will have no effect on external audit procedures. In coming to a conclusion whether to rely on the work of internal audit, the

external auditor usually makes an assessment of internal audit's organisational status, the scope of the function, technical competence of the team and the due professional care in place.

Current practice

6. External Audit's evaluation of Internal Audit has been positive over recent years and no concerns across the four criterion set out in ISA 610 have been raised. There are regular meetings between the two sections to co-ordinate plans. In 2010/2011 Internal Audit completed (or will complete) three specific reviews on behalf of the External Auditors:
 - Year end closedown (in place for the last three financial years)
 - Pensions contributions
 - Pensions investment income
7. This year Internal Audit has also sought to place reliance on the work of External Audit in relation to medium term financial planning, and External Audit will share its control documentation to support the system mapping work that Internal Audit are currently completing.

Conclusion and next steps

8. Liaison between Internal Audit and External Audit is in place, and there is some reliance placed on the work on Internal Audit by the External Audit team. However, it is obvious that there is potential to enhance the liaison between the two sections. For example, authority wide reviews such as Corporate Governance, Risk Management and Performance Management could be utilised by the External Auditors to better inform their risk assessment of the Council
9. At present Internal Audit spend 320 days (around 20% of the overall audit plan) reviewing the Councils financial systems. If required, aspects of this work could be tailored to provide the assurance required by External Audit in relation to financial systems and accounts, whilst at the same time providing the required assurance to the Council in relation to Internal Control. It should also be possible for the Internal Audit section to deliver specific reviews to address some of the risks identified by External Audit.
10. Both Internal and External Audit are starting to consider their plans for the 2011/2012 year. The Head of Audit and Risk has agreed with the Audit Commission to seek greater synergy between the two audit plans, and it is hoped that this will be reflected in the plans presented for approval by the Committee next year.

Recommendations

11. Members of the committee are asked to
 - Note the current level of liaison between Internal and External Audit and the intent to improve the liaison between as part of the annual planning.

David Tonks
Head of Audit and Risk
Ext: 4614

By: Roger Gough – Member for Corporate Support Services and Performance Management
David Tonks – Head of Audit and Risk

To: Governance and Audit Committee – 30 November 2010

Subject: SELF ASSESSMENT OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS

Classification: Unrestricted

Summary: This paper presents the outcome of a self-assessment against two good practice frameworks for anti fraud and anti-corruption arrangements.

FOR DECISION

Introduction and background

1. Internal Audit has carried out a self assessment of the Council's anti-fraud and corruption arrangements against the CIPFA Red Book '*Managing the risk of fraud – Actions to counter fraud and corruption*'. The Red Book is divided into five key areas of activity covering the strategic approach to anti-fraud and corruption, measuring fraud and corruption losses, the necessary authority and support for anti-fraud and corruption work, the range of actions taken to tackle problems (eg. deterrence, prevention, detection, investigation, sanctions and redress), and ensuring that there are clear outcomes for anti-fraud and corruption work.
2. The provisions of the CIPFA Red Book are not mandatory but serve as a 'best practice' framework for local authorities engaged in anti-fraud and corruption work. Separately, the Audit Commission recently published a report entitled 'Protecting the public purse 2010' which reports the findings from their fraud surveys for 2009 and 2010. It also describes actions taken by some councils to tackle fraud. A checklist with the report gives organisations an opportunity to consider how effective they are at reporting the risk of fraud.
3. Within Kent County Council the responsibility for this area of activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This paper supports the Committee in meeting this outcome.

Outcome of the Self-assessment

4. The self assessment of anti-fraud and corruption arrangements against the CIPFA Red Book and the Audit Commission's checklist, completed by the Head of Audit and Risk, confirmed that a framework for anti-fraud and corruption activity is in place in the Council. However, there are areas where current arrangements need to be reviewed and enhanced as follows:
 - The Council has an anti-fraud and corruption statement of policy and a fraud response plan but these are dated 2005 and therefore need to be reviewed,

updated and formally approved by CMT, Cabinet and the Committee.
Likewise the whistleblowing procedure needs to be reviewed and updated.

- The Council has an investigation manual and procedures to be followed but a quality assurance process needs to be developed to assess the monitoring and effectiveness of investigations. The policy and procedures for monitoring recovery of losses and formal outcomes for work relating to fraud and corruption need to be developed (i.e. a Prosecution Policy)
 - More effective links between 'policy' work (developing an anti-fraud and corruption and 'zero tolerance' culture) and 'operational' work (to detect and investigate fraud and corruption, apply sanctions and reduce losses) need to be established.
 - Time is set aside in the annual Internal Audit Plan for any fraud, corruption or other irregularity work required. However, the risk of fraud and corruption within the Council has not been formally assessed, so whether the current level of activity devoted to anti-fraud and corruption activities is proportionate has not yet been determined. A formal plan for proactive fraud exercises also needs to be put in place by Internal Audit if resources allow.
 - Apart from the annual Internal Audit Plan and fraud awareness training sessions which are available on request, there is no clear programme of work to publicise the prevention of fraud arrangements.
5. Dedicated resource will be required to deliver these changes. The reorganisation of the Internal Audit section currently being implemented should help to create some of the capacity required (equivalent to 1 wte). In the interim, Internal Audit have put in place an action plan to address the points set out above, and in the absence of any other resource, will aim to complete these actions during the 2011/12 financial year.

Recommendations

6. Members are asked to:
- Note the assessment of the Council's framework for anti-fraud and anti-corruption arrangements against CIPFA and Audit Commission recommended practice, and;
 - Agree that the Head of Audit and Risk lead on the required changes to the Council's framework for anti-fraud and anti-corruption arrangements, with update reports to the Committee.

David Tonks
Head of Audit and Risk
Ext: 4614

By: Roger Gough – Member for Corporate Support Services
and Performance Management
David Tonks – Head of Audit and Risk
To: Governance and Audit Committee – 30 November 2010
Subject: INTERNAL AUDIT PROGRESS REPORT
Classification: Unrestricted

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

FOR ASSURANCE

Introduction

1. This report summarises the progress against the 2010/11 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 and audits started, or at draft report stage up to 29 October 2010. During this period four audits were completed, five draft reports were issued and nine audits were started.
3. Progress against the audit plan for 2010/11 is listed at annex A, and the summaries of the audits completed in the period are at annex B.
4. The directorates' progress against the implementation of agreed recommendations is shown at annex C.
5. Other information included in this report is amendments to the Audit Plan at annex D and a detailed breakdown of Internal Audit Performance Indicators (annex E).

Irregularities

6. Since August 2010 one case of suspected irregularity has been reported, involving KCC finances, which is under investigation. No investigations have been completed during this period.

Implications for Governance

7. Although issues have been identified from the ongoing work of the Audit Plan, no significant control weaknesses or failures of governance have been identified from the audits completed or the irregularities investigated in the financial year to date. Annex F provides the cumulative assurance position for the Council from 2008/09 to present, while annex G provides the definition of these assurance levels.

Recommendation

8. Members are asked to note:

- the amendments to, and progress against the 2010/11 audit programme
- the assurance provided in relation to the Council's control environment as a result of the outcome of the internal audit programme completed to date.

David Tonks
Head of Audit & Risk
Ext: 4614
18 November 2010

Annex A
Progress against the 2010/11 Audit Plan

Directorate/area	Audit	Progress at 29 October 2010	Assurance
Authority Wide			
	Risk Management – Health & Safety	Final report issued	High
	Authority Wide – ISG Management /Strategy Development	Final report issued	Substantial
	Use of Consultants	Final report issued	Substantial
	Website Management	Final report issued	Substantial
	Data Protection	Draft report issued	
	Handling Risk Information	Audit in progress	
	Staff Expenses System	Draft report issued	
Chief Executive's			
	Virus Protection/Spyware	Draft report issued	
	PC End User controls	Draft report issued	
	Employment checks through Kent Top Temps	Final report issued	High
	Accounts Payable	Draft report issued	
	Accounts Receivable	Final report issued	High
	Year End Accounting	Final report issued	N/A
	Medium Term Planning	Audit in progress	
	Commercial Services Accounts Payable	Audit in progress	
	Operation of the Property Consultants Framework	Draft report issued	
	Data Centre and Backups	Audit in progress	
	Pensions Contributions	Audit in progress	
	East Kent Payroll Services Contract	Audit in progress	
	Accounts Receivable (Commercial Services)	Audit in progress	
Children Families & Education			
	Cluster Funding	Draft report issued	
	Direct Payments (for children)	Audit in progress	
	Special Education Needs Transport	Final report issued	Limited
Kent Adult Social Services			
	Residential Payments Data	Final report issued	Substantial
	Debt Management	Audit in progress	
	Swift Project/Programme Management	Audit in progress	
Communities			
	Fee Income	Audit in progress	
	Libraries IT Renewal Project	Audit in progress	
	Careworks Application	Audit in progress	

Annex A
Progress against the 2010/11 Audit Plan

Directorate/area	Audit	Progress at 29 October 2010	Assurance
	Revenue Budget Monitoring	Audit in progress	
Environment, Highways & Waste			
	Key financial controls in KCC establishments Church Marshes - Waste Transfer Station	Draft report issued	
	Permit Scheme IT Application Audit	Final report issued	Limited
	Carbon Reduction Commitment	Audit in progress	
	Review of Roadworks Permit Scheme	Audit in progress	

Use of Consultants

Scope

The scope of the audit was to provide assurance over the adequacy and effectiveness of the council's procurement of consultants and that the requirements of the codes of practice incorporated in "Spending the Council's Money" were being properly followed.

Overall Assessment – Substantial

The audit focussed primarily on the Chief Executive's Department, as this was the area within the Council with the highest spend on consultants.

Our audit found that there were some examples of miscoded transactions on the subjective code for consultants that did not relate to consultancy arrangements. The Audit also identified that "Spending the Council's Money" does not provide any supplementary, specific guidance to inform staff of the issues that must be considered and procedures to be followed when seeking to engage consultants or consultancy firms.

We also identified that where expenses were included in invoices for consultancy services, the expenses were not always checked and details to support them were not requested. There were also examples where expenses were limited to capped amounts, but checks were not carried out to see whether actual expenses exceeded the agreed limit.

Four recommendations were made, all of which have been agreed by senior management.

Web Site Management

Scope

The scope of the audit was to review the technical management of the Councils new web site.

Overall assessment – Substantial

The strategic management of the web function at the council is managed through the Communications and Media department where a web development team was formed in 2009. The current revenue budget for the team is £156k per annum which covers support, development and maintenance.

In 2009, the Central Web Team was awarded £1.1m from KCC's Capital Programme to replace the web systems used for the website and intranet which included a new Content Management System and web site.

The controls put in place as part of the implementation and ongoing management of the site are in line with good practice, allowing directorates to have pertinent information about the content on the site whilst providing a site which is user friendly, including improved accessibility for users with disabilities.

Three recommendations have been made which have been agreed by senior management.

Employment Checks through Kent Top Temps

Scope

The scope of the audit was to provide assurance that the pre-employment checks carried out by Kent Top Temps Ltd (KTT) to ensure that workers are genuine, eligible to work in the UK, that they possess the relevant and genuine qualifications required for the job, and have relevant police clearances and personal references are in place..

Overall Assessment – High

The audit found that there are effective controls in place to ensure that appropriate pre-employment checks are completed for every new worker set up by KTT before they are offered a relevant post. Extensive training is provided to staff in KTT and procedure notes and checklists are in place.

Other agencies that provide staff to KTT carry out their own checks. The General Manager of KTT is provided with the details of pre-employment checks made by these agencies and checks a random sample of agencies through re-performance of expected pre-employment checks.

As part of recruitment checks KTT should obtain two references for every worker prior to a position being offered to them. The audit identified three cases (from 30) where only one reference had been received. The General Manager stated that in these circumstances the recruiting manager is always informed so that they can make the final decision regarding employment. We have recommended that a third referee is obtained from the worker in cases where only one of the referees responds. We have also made a recommendation regarding the verification of National Insurance Numbers.

Both recommendations have been accepted by management.

Special Educational Needs – Home to School Transport

Scope

The scope of the audit was to provide assurance that contracts with suppliers have been properly tendered, that payments made to suppliers are accurate and are only made for services provided, and that pupils transport needs have been identified and met.

Overall Assessment – Limited

Special Educational Needs (SEN) Home to School Transport is commissioned by the SEN Team. There are approximately 4,000 pupils provided with transport which is arranged via contracts arranged for multi occupancy taxi and bus journeys or sole occupancy taxis. The allocation of pupils to contracts with transport companies is co-ordinated by the Transport Integration Unit via the Routewise system.

We found that pupils are assessed against eligibility criteria and individual needs are considered. However, information about a child's disability, special requirements or contact details is not always provided to the Transport Integration Unit by the Area Education Office. The Transport Integration Unit requires this information to enable it to be passed to the transport supplier.

During the audit it was identified that any changes to contract details can be carried out by any user of the system. There is no independent checking procedure in the Transport Integration Unit for management to identify contract prices that may have been entered or amended within a given period and to identify any anomalies. Suppliers can therefore submit invoices with increased prices that may not be queried because the checking of invoices is done against the latest contract prices on Routewise. This finding was the main reason for the 'limited' assurance.

The Schools Transport Manager has arranged via the system supplier to limit access to add or amend contract costs to a restricted number of staff.

Six recommendations were made, all of which have been agreed by senior management.

Directorates' Progress with the Implementation of Agreed Recommendations

Where Internal Audit find instances of non compliance ie with policies, procedures and legislation and/or lack of internal controls recommendations are made to ensure compliance and/or improve controls. At the draft report stage of an audit, recommendations are discussed with responsible managers who decide how they will implement the recommendation and the timeframe. The agreed action, date and name of the responsible officer are included in the final audit report. Internal Audit, either follow up the progress of the implementation of agreed recommendations or seek assurance from the relevant responsible manager that the recommendation has been implemented as agreed.

The annex is split into two tables showing the progress with the implementation of agreed recommendations.

Table 1 – This details the recommendations that were due to be actioned between August and October 2010.

29 actions' were due to be in place by the end of July 2010;

- 19 have been implemented
- 10 actions are outstanding; five of which are high priority and five medium priority.

Revised dates for implementing the outstanding recommendations have been provided.

Table 2 - This details the outstanding high priority recommendations with revised implementation dates.

Annex C: Table 1

Directorates Progress with the Implementation of Audit Recommendations (Covers August, September & October 2010)

Directorate	Audit	Total actions due to be in place by end of October 2010	Actions in place	Priority of outstanding actions as at 31 October 2010			Recommendations outstanding	Revised date for implementation
				C	H	M		
Authority wide and S151	Governance of Individual Partnerships	2	0		1	1	<p>Recommendation 1 (H) - The KSCB should request summary performance reports from its Partners on a quarterly basis to enable a more regular monitoring of their activities and should introduce a mechanism to obtain assurance on data quality of those reports</p> <p>Recommendation 2 (M) - The Kent and Medway Safety Camera Partnership should ensure it is subject to an independent review on an annual basis.</p>	January 2011
	Imprest Accounts	3	1		2		<p>Recommendation 1: Directorates should carry out a review of the use of all of their imprest accounts to determine if a different method of payment can be used (e.g. purchase cards) and therefore the account closed, and where directorates consider that the use of an imprest account is essential, a request must be submitted to the Director of Finance to allow the account to remain open</p> <p>Recommendation 2: (1) All dormant cost centre account codes for imprest accounts no longer needed should be disabled on Oracle. (2) All surplus bank accounts that do not relate to the active imprest accounts should be identified and closed. (3). Regular monitoring should be introduced at the corporate/directorate level to identify Oracle accounts that are no longer used and bank accounts that are not being operated. This should be carried out on a regular basis, at least once annually.</p> <p>(4). To facilitate the monitoring, management should</p>	November 2010

Annex C: Table 1

Directorates Progress with the Implementation of Audit Recommendations (Covers August, September & October 2010)

Directorate	Audit	Total actions due to be in place by end of October 2010	Actions in place	Priority of outstanding actions as at 31 October 2010			Recommendations outstanding	Revised date for implementation
				C	H	M		
							consider including the Natwest account details in the BHA (imprest) account narrative on the General Ledger, for easier identification and reconciliation of accounts in the future.	
Authority wide and S151	Partial Exemption	1	1					N/A
Chief Executive's Department	Property Management System Security	1	0			1	The password settings enforced within the Enterprise system should be formally documented and reviewed by management, to determine whether they are considered appropriate to mitigate the potential impact of unauthorised users gaining access.	December 2010
	Staffcare Services	1	1					N/A
Children, Families & Education	Cage Green School Follow Up	4	4					N/A
	Children's Centre Resource Systems	6	3		1	2	<p>Rec. 1 (M) The possibility to configure the eStart system to enforce required password controls should be investigated with the system supplier.</p> <p>Rec. 4 (H) Audit trails should be adequately enabled on the eStart system to allow for changes to the system to be identified. A process should also be established to periodically report and review any changes made to user profiles and critical or master data changes.</p> <p>Rec. 5 (M) Effective Disaster Recovery and Business</p>	January 2011

Annex C: Table 1

Directorates Progress with the Implementation of Audit Recommendations (Covers August, September & October 2010)

Directorate	Audit	Total actions due to be in place by end of October 2010	Actions in place	Priority of outstanding actions as at 31 October 2010			Recommendations outstanding	Revised date for implementation
				C	H	M		
							Continuity Procedures should be established and tested. ISG Should also ensure that documente3d restore procedures have been established for the eStart application and that the eStart backup data and tapes are regularly tested for integrity.	
Kent Adult Social Services	Data Quality	5	5					N/A
Communiti Des	Tribal EBS	6	4		1	1	<p>Rec 3 (H)The KAES MIS Team and Tribal should strengthen the existing password controls to reduce the likelihood of unauthorised access to the EBS system and data.</p> <p>Rec 4 (M) KAES should work with Tribal to consider whether it is necessary to perform a vulnerability assessment on an annual basis (in accordance with commonly accepted good practice). and that KAES works closely with ISG and Tribal to determine the most cost effective approach for performing these assessments and whether they should be performed on an ongoing basis.</p>	December 10
TOTAL		29	19		5	5		

C = Critical risk
H – High risk
M = Medium risk

Annex C: Table 2

Outstanding high priority recommendations with revised implementation dates (Covers April to October 2010)

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
Children, Families & Education	Children's Centre Resource Systems	Audit trails should be adequately enabled on the eStart system to allow for changes to the system to be identified. A process should also be established to periodically report and review any changes made to user profiles and critical or master data changes.	We have raised the need for an Audit Trail with Capita and this is something they are looking to provide in future updates, the upgrade is due to begin shortly and we will be looking to see if the ability to create an audit trail has been included.	Jan 2011
Chief Executive's Department	Property Management System	The password settings enforced within the Enterprise system should be formally documented and reviewed by management, to determine whether they are considered appropriate to mitigate the potential impact of unauthorised users gaining access.	A planned change to the Enterprise application in May 2010 will mitigate the risks identified in the audit. Completion of this now put back to July 2010. Further delays until end of September 2010, go live date 30.09.10 so will follow up again in October to check went ahead. More involved than first thought so target date now for completion is mid Nov.10	Dec 2010
Communities	Tribal EBS	The KAES MIS Team and Tribal should strengthen the existing password controls to reduce the likelihood of unauthorised access to the EBS system and data.	All parts of the recommendation implemented other than a request that the EBS Agent security function to apply to EBS 4 as well - earliest release of updated security will be Dec 10.	Dec. 2010
Section 151	Imprest Accounts	<p>1-All dormant cost centre account codes for imprest accounts no longer needed should be disabled on Oracle.</p> <p>2-All surplus bank accounts that do not relate to the active imprest accounts should be identified and closed.</p> <p>3-Regular monitoring should be introduced at the corporate/directorate level to identify Oracle accounts that are no longer used and bank accounts that are not being operated. This should be carried out on a regular basis, at least once annually.</p> <p>4-To facilitate the monitoring, management should consider including the Natwest account details in the BHA (imprest) account narrative on the General Ledger, for easier identification and reconciliation of</p>	<p>Point 1 completed by CFE and Communities. Progress ongoing within other Directorates but ongoing work pressures has caused slippage.</p> <p>Points 2, 3 and 4 are in progress by the Treasury and Investment Manager and due to be completed by end of November due to work constraints.</p>	Nov 2010

Annex C: Table 2Outstanding high priority recommendations with revised implementation dates
(Covers April to October 2010)

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
		accounts in the future.		
Authority Wide	Governance of Individual Partnerships	The KSCB should request summary performance reports from its Partners on a quarterly basis to enable a more regular monitoring of their activities and should introduce a mechanism to obtain assurance on data quality of those reports	'Due to an unannounced Inspection and a serious case review, this was deferred for consideration by the Executive. This is due to be discussed by the Board in December 2010.	Jan. 2011

Amendments to Plan

Audit	Comments	Days
CFE05 - ContactPoint	Central Government has scrapped the ContactPoint database therefore the audit is no longer relevant.	-20
KASS02 - FAME	The original audit (deferred from 2009/10) was to provide assurance on the arrangements for project management in relation to this project. As the project is now in its latter stages it was considered that assurance obtained would be of limited value, and alternative assurance can be obtained by a QA review performed by ISG.	-25
S09 - Construction Industry Scheme	This is part of the process for paying suppliers so will be included in a future Account Payable audit.	-10
CED08 – Telecoms/Voice Over Internet Protocol (VOIP)	As this is an ongoing key project a member of staff from Internal Audit will join the project team to provide advice and information.	-
KASS03 – Self Directed Support	Continuing advice and information will be provided as this process is implemented instead of an audit.	-
KASS04 – Kent Card	This audit will be deferred to 2011/12 as the key contact is on maternity leave.	-10
AW13 – Staff Expenses System	A review of the system for paying staff expenses	+15
		-50

Annex E

Internal Audit Performance

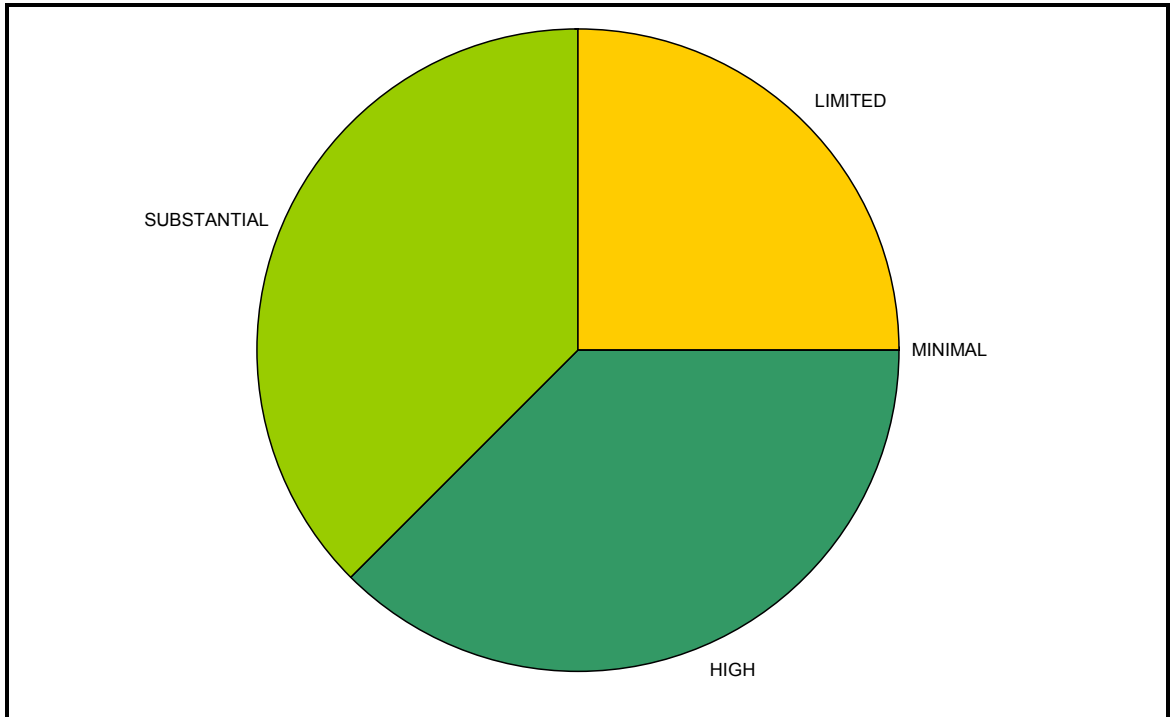
The following table is designed to provide Members with Internal Audit's performance against Key Performance Indicators.

Performance Indicator	Target	Actual (Apr – September 2010)
<p><u>Effectiveness</u></p> <ul style="list-style-type: none"> • % of recommendations accepted • Compliance with the CIPFA Code of Practice for Internal Audit 	<p>98%</p> <p>90%</p>	<p>97%</p> <p>79%</p>
<p><u>Efficiency</u></p> <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 	<p>50%</p> <p>80%</p> <p>80%</p> <p>By March/April G&AC meetings</p> <p>By May</p>	<p>35%</p> <p>94%</p> <p>79%</p> <p>April G&AC meetings</p> <p>May</p>
<p><u>Quality of Service</u></p> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	<p>70%</p>	<p>84%</p>

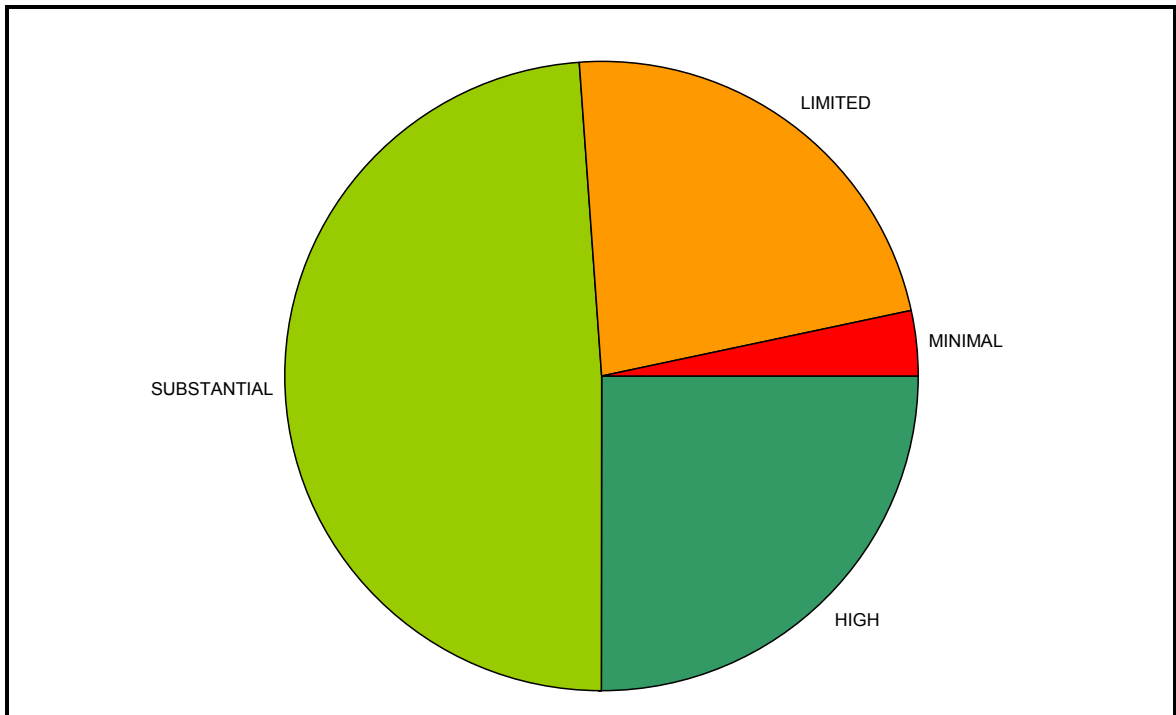
All of the above to be updated

* Percentage of plan delivered as at 29 October 2010

Assurance Position:
2010/2011



2009/2010



Annex G
Internal Audit Assurance Levels

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>

This page is intentionally left blank

By: John Simmonds, Cabinet Member for Finance
Andy Wood, Acting Director of Finance

To: Governance and Audit Committee – 30 November 2010

Subject: AUDIT FEES UPDATE

Classification: Unrestricted

Summary: This paper sets out the current position in relation to the Audit Commission fee for the 2010/11 financial year.

FOR INFORMATION

Introduction and background

1. At the June 2010 meeting of the Committee Members, chose not to approve the Audit Commission proposed fee for 2010/2011 (as set out in annex 1). After the June meeting discussions were held with local representatives from the Audit Commission, but no progress was made in reducing the proposed fee in line with the Committees request or gaining greater clarity around the element of the fee related to the now demised Use of Resources assessment.
2. At the September meeting of the Committee it was resolved that an invitation be extended to Mr Gareth Davies of the Audit Commission to meet the Chairman, Finance Director, Head of Audit and Risk and other Members of the Committee in order to more fully discuss the County Council's concerns.
3. As Mr Davies has changed roles, a meeting was arranged with Mr Martin Evans (Managing Director – Audit) and Marcine Waterman (Director of Audit Policy and Regulation) from the Audit Commission's central office, which is responsible for selecting the auditor of the Council and also for determining the annual "scale" fee for the work. Mr Wells, the District Auditor from the locally appointed team also attended. All Members of the Committee were also invited to the meeting.

Outcome of the meeting

4. The meeting allowed a frank and open exchange of views and the Audit Commission representatives were told very clearly the Committee's position in relation to the fee. Although understanding this position, Mr Evans and Ms Waterman were not willing to agree any reduction to the core fee. Mr Evans affirmed that auditors have to give a VFM conclusion against two criteria:
 - the organisation has proper arrangements in place for securing financial resilience; and
 - the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
5. Mr Wells has to design a programme of work to address these criteria. He will provide an update on this at the meeting.

5. Mr Evans explained that the fee, determined in an annual fee strategy, is set at a level that allows for the work that auditors need to carry out to meet their statutory responsibilities under the Audit Commission Act. This “scale” fee can be varied by the local District Auditor within certain tolerances, and for 2010/2011 the Council fee has been set at 7.7% below scale fee. Although referred to as a fee, Mr Evans did clarify that the amount paid by the Council was actually a levy to support the work of the Audit Commission, and must be paid under law.
6. In relation to the VfM / UoR work, Mr Evans agreed that there would be an element of overcharge as some of the work required when the fee levels were set would now not be required. It is the intention of the Audit Commission to provide a rebate to the Council in relation to the work for the 2010/2011 fee, and a greater level of rebate in 2011/12. The complicating factor is that following the announcement of the Audit Commission’s demise, any actions that have a major impact on their finances are subject to discussion (and implied approval) from CLG. During discussion, Mr Evans also pointed out that Mr Wells’ planned input for the VFM conclusion at 25 per cent of the total audit fee, is less than the average across the country.
7. It is likely that greater clarity will become available following discussions between the Audit Commission and CLG about the proposed rebate, but this will not be available until early December.

Conclusion

8. Overall it is unlikely that the Council will be able to obtain a significant fee reduction for the core audit of the financial statements since:
 - it is already below that determined centrally by the Audit Commission as being required, and;
 - the only means of appealing against the fee is to the Audit Commission.
9. The Audit Commission has already indicated that there may be a rebate on the fee element relating to VfM / UoR. It is sensible to assess the size of this rebate when compared to the level of work that the District Auditor will identify in order to deliver his statutory opinion on the Council’s VfM.

Recommendations

10. Members are asked to:
 - Agree those elements of the proposed fee where the scope of the work is more certain (i.e. Financial statements, whole of government accounts), a total of £286,100, or 74% of the proposed fee
 - Decide whether or not to refer the auditor’s proposed fee to the Audit Commission for determination at the next meeting of the Committee.

David Tonks
Head of Audit and Risk
Ext: 4614

17 May 2010

Mr David Cockburn
 Interim Head of Paid Service
 Kent County Council
 Sessions House
 Maidstone
 Kent ME14 1XQ

Direct line 0844 798 6110
Email d-wells@audit-commission.gov.uk

Dear Mr Cockburn

Annual Audit and Inspection Fee 2010/11

I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Kent County Council. This year we are setting out audit and inspection fees for you in one letter. Therefore this letter covers my audit responsibilities and those of Claire Bryce-Smith as Kent's Comprehensive Area Assessment Lead.

The fees are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11, and the assessment and inspection work required under the Comprehensive Area Assessment framework and associated guidance.

As I have not yet completed my audit for 2009/10, my risk assessment and audit planning for 2010/11 will continue as the year progresses. If I consider that this has an impact on the fees, I will discuss this with you. Claire will also continue to review the parts of the plan she is responsible for on the same basis and will discuss any significant changes with you.

A summary of the planned fee is shown in the table below:

Audit area	Planned fee 2010/11 £	Planned fee 2009/10 £
Financial statements	282,500	256,890
Use of Resources/VFM Conclusion Including data quality	98,900	117,280
Whole of Government Accounts	3,600	3,600
Total audit fee	385,000	377,770
Managing Performance element of the	18,293	18,293

Audit area	Planned fee 2010/11 £	Planned fee 2009/10 £
organisational assessment		
Joint Inspection with Ashford Borough Council on 'Managing Growth for All in Ashford' (TBC)	£12,000	
Certification of claims and returns (estimated)	24,600	25,000

The Audit Commission has published its work programme and scales of fees for 2010/11 which includes an increase of 6% in the expected audit fees arising from the introduction of International Financial Reporting Standards (IFRS). The Council's proposed audit fee for 2010/11 is 7.7% below scale fee. This compares with the 2009/10 audit fee which was at scale level.

Changes in International Auditing Standards have increased the audit procedures I need to carry out under my professional responsibilities. However, the Audit Commission has decided not to pass these on to audited bodies.

In setting the Council's audit fee, I have increased the resources directed to the audit of the financial statements recognising the increased work associated with the introduction of international financial reporting standards. I will issue a separate opinion plan for the audit of the financial statements by March 2011. This will detail the risks identified, planned audit procedures and any changes in fee. I will first discuss the opinion plan with the Director of Finance in the first instance and then present it to the Governance and Audit Committee.

While writing I would also inform you that in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it will subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities, police and fire & rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £24,494 in April 2010.

For the purposes of setting this fee, I have assumed that my use of resources assessment will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11 publication. These are:

- managing finances;
- governing the business; and
- managing resources.

At this stage, I have highlighted some potential risks in relation to my audit opinion and value for money conclusion that I will consider. For each risk, I consider the arrangements put in place by the Council to mitigate the risk and plan my work accordingly. My initial risk assessment for the financial statements and value for money conclusion is shown below:

Risk area	Planned work	Timing of work
<p>The 2010/11 financial statements will be produced in accordance with International Financial Reporting Standards (IFRS). The new standards will require additional disclosures and the restatement of both opening and closing balances in the 2009/10 accounts. Additional data may need to be collected in a number of areas and existing contracts and transactions reviewed to assess the implications for IFRS accounts. Clear evidence trails will be required to support the restated 2009/10 accounts and any new disclosure requirements in 2010/11.</p>	<p>We are already liaising with the Council's officers on progress with IFRS implementation. We will continue to monitor progress against the Council's project plan. We will also undertake specific work to 2009/10 comparative figures based on IFRS and review the treatment of any complex transactions.</p>	<p>April 2010 to June 2011</p>
<p>The Council needs to make significant financial savings in the future. If these are not made there is a risk that the Council's stated priorities will not be met.</p> <p>There is a likely impact on the structure of the council and staffing levels. There will be a need to ensure that the Council's governance arrangements including its internal control framework continue to be soundly based.</p> <p>Staff redundancies may be an element of restructuring. Any failure to follow due process in their administration can result increased administration and settlement costs</p>	<p>We will assess the robustness of the Council's overall management of its savings plans.</p> <p>We will work closely with Internal Audit to ensure that the Council's governance framework is effective.</p> <p>We will assess the administration of the Council's redundancy plans.</p>	<p>May 2010 – March 2011</p>
<p>The achievement of value for money by the Council might be reduced if it does not work with its partners effectively.</p>	<p>The Council and its partners are working together as part of the 'Total Place' initiative to secure better value for money. We will keep aware of this development and consider the impact for value for money for the Council.</p>	<p>July to March 2011</p>
<p>The Council has identified a risk of failing to adhere to EU procurement law which could result in legal action and penalties against it.</p>	<p>We will assess the Council's arrangements to mitigate this risk, including any relevant work by Internal Audit.</p>	<p>July to March 2011</p>

The quoted fee for grant certification work is an estimate only and will be charged at the Audit Commission's published rates.

The assessment and inspection fee relates to the managing performance element of the organisational assessment. This is the same for all county councils and has been published in the Commission's work programme for 2010/11. A joint regeneration inspection with Ashford Borough Council on 'Managing Growth for All in Ashford' has been included and relates to an identified risk around the delivery of the broad ambitions of the growth area. Area assessment work is grant funded and is not fee based.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. The organisational assessment for the Council incorporating use of resources and managing performance will be published on the Oneplace website and Claire will confirm the timetable for this once known.

The audit fee excludes any work the Commission may agree to undertake using its advice and assistance powers.

I will be supported in the delivery of the Council's 2010/11 audit by the following key members of my audit team:

Senior Audit Manager	Emily Hill	0844 798 2638
Audit Manager	Liz Robinson	0844 798 1377
Team Leader	Jeremy Jacobs	0844 798 6121
Local Performance Lead	Gordon Brown	0844 798 1355

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Darren Wells
District Auditor

cc Lynda McMullan, Director of Finance

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to members and/or published.

Planned output	Indicative date
Opinion audit plan	March 2011
Annual governance report	June 2011 (interim) September 2011 (final)
Auditor's report giving the opinion on the financial statements and value for money conclusion	July 2011
Annual audit letter	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	December 2010
Managing Growth for all in Ashford joint inspection report	December 2010

This page is intentionally left blank