

## **GOVERNANCE AND AUDIT COMMITTEE**

**Thursday, 3rd October, 2019**

**10.30 am**

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

**There will be a training presentation to Members of the Committee at 10.00 am prior to the meeting given by James Flannery on “Counter Fraud.”**







## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Thursday, 3rd October, 2019, at 10.30 am**  
**Darent Room, Sessions House, County Hall,**  
**Maidstone**

Ask for: **Andrew Tait**  
Telephone: **03000 416749**

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

#### **Membership (11)**

Conservative (8)      Mr D L Brazier (Chairman),      Mr R A Marsh (Vice-Chairman),  
Mrs R Binks,      Mr N J D Chard,      Mr G Cooke,      Mrs S V Hohler,  
Mr M J Horwood and Mr H Rayner

Liberal Democrat (1):      Mr R H Bird

Labour (1)      Mr D Farrell

Independents (Green Party) (1):      Mr M E Whybrow

#### **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. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes - 24 July 2019 (Pages 5 - 12)

5. Committee Work and Member Development Programme (Pages 13 - 18)
6. Internal Audit Progress Report (Pages 19 - 48)
7. Counter Fraud Update (Pages 49 - 54)
8. External Audit Annual Letter 2018/19 (Pages 55 - 72)
9. External Audit Progress Report and Sector Update (Pages 73 - 86)
10. Report on use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2018 and 31 March 2019 MARK ROLFE (Pages 87 - 106)
11. Updated Scheme of Delegations (Pages 107 - 112)
12. KCC Annual Customer Feedback Report 2018/19 (Pages 113 - 142)
13. KCC Insurance Overview (Pages 143 - 148)
14. Treasury Management Update (Pages 149 - 160)
15. Other items which the Chairman decides are urgent
16. Motion to exclude the public

That under section 100A of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

### **EXEMPT ITEMS**

*(During these items the meeting is likely NOT to be open to the public)*

17. Exempt Minutes - 24 July 2019 (Pages 161 - 162)
18. Kent Superannuation Fund - Oral report

Benjamin Watts  
General Counsel  
03000 416814

**Wednesday, 25 September 2019**

*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.*

## TERMS OF REFERENCE

### Governance and Audit Committee

#### *10 Members*

*Conservative: 7; Liberal Democrat: 1; Labour: 1; Independent: 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.

- (j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.
- (k) Ensure that there are effective governance arrangements in place for Kent County Council's wholly owned limited companies and trading vehicles
- (l) Receive and review the annual financial statements and dividend policies of any KCC limited companies and to consider recommending corrective action where appropriate
- (m) Review the establishment of new limited companies before the company commences trading and make recommendations to the responsible Cabinet Member where appropriate in relation to:
  - i. Governance matters
  - ii. The financial impact of the proposed company on Kent County Council

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Sessions House on Wednesday, 24 July 2019.

PRESENT: Mr D L Brazier (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr N J D Chard, Mr G Cooke, Mr D Farrell, Mr M J Horwood, Mr M J Northey (Substitute for Mrs S V Hohler), Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey

IN ATTENDANCE: Mr J Idle (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr B Watts (General Counsel), Mrs C Head (Head of Finance Operations), Mr D Shipton (Head of Finance - Planning, Policy & Strategy - and Acting Section 151 Officer), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr M Scrivener (Corporate Risk Manager), Mr K Abbott (Director of Education Planning and Access) and Mr A Tait (Democratic Services Officer)

### UNRESTRICTED ITEMS

#### **29. Minutes - 24 April 2019.** (Item 4)

RESOLVED that the Minutes of the meeting held on 24 April 2019 are correctly recorded and that they be signed by the Chairman.

#### **30. Committee Work and Member Development Programme** (Item 5)

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member development programme following best practice guidelines in relation to Audit Committees.

(2) RESOLVED that approval be given to the forward Committee Work programme and Member Development programme set out in the report

#### **31. External Audit Annual Findings for Kent County Council** (Item 6)

(1) The report was published the day after the deadline and circulated to Members of the Committee.

(2) Ms Tina James from Grant Thornton UK LLP presented the External Audit Findings report.

(3) Mr Whybrow asked when an update report on objections to the 2016/17 accounts could be expected. Mr Paul Dossett from Grant Thornton UK LLP replied that the provisional views had recently been sent to the objectors who had until 12 August 2019 to comment. Depending on the content of the replies, the final views would be issued at the earliest opportunity after that date. It was hoped that an update would be available for the October meeting of the Committee.

(4) The Committee asked for an update report from the Corporate Director of Finance on the Valuation, Classification and Ownership of Investments section of the report in January 2020.

(5) RESOLVED that:-

- (a) the conclusions of the Audit Findings Report on value for money and the Council's financial resilience be noted for assurance;
- (b) the audit opinion be noted for assurance; and
- (c) the absence of recommendations to the Council requiring a management response be noted.

### **32. External Audit Findings for KCC Superannuation Fund**

*(Item 7)*

(1) Ms Tina James from Grant Thornton UK LLP presented the External Auditor's Annual Pension Fund Audit Findings report.

(2) RESOLVED that the findings in the report be agreed.

### **33. Internal Audit Annual Report and Opinion for 2018/19**

*(Item 11)*

(1) The Head of Internal Audit introduced the report on the overall outcomes and key themes from Internal Audit and Counter Fraud work for 2018-19 and the resultant substantial opinion on the Council's systems of governance, risk management and internal control that was incorporated in the Annual Governance Statement, together with details of the related performance of the Internal Audit and Counter Fraud Unit in delivering this work.

(2) The Head of Internal Audit informed the Committee that from 2019/20, there would be a separate annual report on counter-fraud activity.

(3) RESOLVED that:-

- (a) the report be noted as a source of independent assurance regarding the risk, control and governance environment across the Council; and



- (b) the outcomes from the 2018/19 audit and counter fraud work and the resultant substantial opinion to the Annual Governance Statement be noted for assurance.

### **34. Annual Governance Statement**

*(Item 9)*

(1) The General Counsel introduced the Annual Governance Statement. He informed the Committee that he intended to review the Annual Governance Statement process, taking full account of the views of Members as expressed in formal and informal meetings.

(2) During discussion of this item, the general Counsel agreed to provide an update report or briefing paper to either the Committee and/or the Policy and Resources Cabinet Committee on the topic of Cyber Security.

(3) RESOLVED that:-

- (a) the report be noted, including the need for the Governance, Audit and Financial elements to be constitutionally reviewed;
- (b) approval be given to the Head of Internal Audit and the General Counsel (in his role as Monitoring Officer) to review the Annual Governance Statement process and to report on progress to the January 2020 meeting of the Committee; and
- (c) the Annual Governance Statement be approved.

### **35. Draft Statement of Accounts 2018/19**

*(Item 8)*

1) The Head of Finance Operations and the Chief Accountant introduced the Draft Statement of Accounts.

(2) RESOLVED that:-

- (a) approval be given to the Statement of Accounts for 2018-19 and to the Letters if representation;
- (b) the recommendations made in the Annual Findings Report be noted.

### **36. Schools Audit Annual Report**

*(Item 10)*

(1) The Director of Education Planning and Access introduced a report which summarised the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2018-19 which enabled the Chief Finance Officer to certify that there was a system of audit for schools which gave adequate assurance over financial management standards in schools.

(2) RESOLVED that the report be noted for assurance.

**37. Update on 2019/20 Savings Programme**

*(Item 12)*

(1) The Head of Finance Operations (in her role as Acting Deputy S151 Officer reported on progress towards the 2019-20 budget savings.

(2) RESOLVED that the progress on the 2019-20 revenue budget savings be noted for assurance.

**38. Treasury Management Annual Review 2018/19**

*(Item 13)*

(1) The Treasury and Investments Manager reported a summary of Treasury Management activities in 2018/19.

(2) On being put to the vote, the recommendations contained in the report were carried by 10 votes to 1

(3) Mr M E Whybrow requested pursuant to Committee Procedure Rule 2.26 (3) that his vote against the recommendations be recorded.

(4) RESOLVED that approval be given to the report for submission to the County Council.

**39. Corporate Risk Register**

*(Item 14)*

(1) The Corporate Risk Manager presented the Corporate Risk Register to the Committee together with an overview of the changes since it had last been presented and an outline of the ongoing process of monitoring and review.

(2) The Corporate Risk Manager agreed that further consideration would be given to the suggestion that the identified consequences of risk events should always stress the impact on the service users.

(3) RESOLVED that the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted.

**SUMMARY OF EXEMPT MINUTE 40**

(where access to that minute remains restricted)

## **40 Kent Superannuation Fund**

*(Item 17)*

1 The General Counsel presented a report on the role of the Committee in scrutinising and overseeing the Superannuation Fund's investment activity as provided for in its Terms of Reference.

2 The General Counsel's report set out the nature and scope of the scrutiny that was to be undertaken, including the need for the Committee to be kept updated with the recognition that the information provided in due course would be treated with the utmost confidentiality.

3 The Committee resolved to agree the course of action set out in the report.

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By: David Brazier, Chairman of Governance and Audit Committee  
Jonathan Idle, Head of Internal Audit

To: Governance and Audit Committee – 3<sup>rd</sup> October 2019

Subject: **COMMITTEE WORK & MEMBER DEVELOPMENT PROGRAMME**

Classification: Unrestricted

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**Summary:** This report provides an update on the forward Committee Work Programme following best practice guidance in relation to Audit Committees.

## **FOR DECISION**

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### **Introduction and background**

1. In December 2013, CIPFA published updated best practice guidance on the function and operation of audit committees in Local Government. The guidance recommends that this Committee's work programme is designed to ensure that it can fulfil its terms of reference and that adequate arrangements are in place to support the Committee with relevant briefings and training.
2. This paper is a standing item on each agenda to allow Members to review the programme for the year ahead and provide Members with the opportunity to identify any additional items that they would wish to include.

### **Current Work Programme**

3. Appendix 1 shows the latest programme of work for the Committee, up to April 2020. The content of the programme is matched to the Committee Terms of Reference and aims to provide at least the minimum coverage necessary to meet the responsibilities set out. This does not preclude Members asking for additional items to be added during the year.

### **Member Development Programme**

4. It is good practice for the Committee to embrace a Member development programme through a series of pre-meeting briefings, focusing on areas that are of specific relevance to this Committee. This has been successfully implemented over the last few years.
5. Before the start of today's meeting, Members received a presentation on Counter Fraud, which is on the agenda.

## **Recommendations**

6. It is recommended that Members approve the forward Committee Work Programme (***Appendix 1***)

**Jonathan Idle**

**Head of Internal Audit (03000 417840)**

## Committee Work Programme

## Appendix 1

Category Item	Owner	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20
<b>Secretariat</b>						
Minutes of last meeting	Andrew Tait	✓	✓	✓	✓	✓
Work Programme	Jonathan Idle	✓	✓	✓	✓	✓
Member Development Programme	Jonathan Idle	✓	✓	✓	✓	✓
<b>Risk Management and Internal Control</b>						
Corporate Risk Register	Mark Scrivener		✓		✓	
Review of the Risk Management Strategy, Policy and Programme	Mark Scrivener				✓	
Report on Insurance and Risk Activity	Lee Manser			✓		
Treasury Management quarterly report/six monthly review	Alison Mings	✓		✓	✓	✓
Treasury Management Annual Review	Alison Mings		✓			
Ombudsman Complaints	Pascale Blackburn-Clarke			✓		
Annual Complaints & Customer Feedback Report	Pascale Blackburn-Clarke			✓		
Update on Savings Programme / Transformation Programme	Zena Cooke		✓		✓	
Annual report on 'surveillance' activities carried out by KCC	Mark Rolfe			✓		
<b>Corporate Governance</b>						
Annual review of Terms of Reference of G & A	Jonathan Idle Ben Watts				✓	
Debt Management	Cath Head		✓	✓		
Annual review of the Council's Code of Corporate Governance	Benjamin Watts		✓		✓	
LATCo Policies and Governance Structures (when required)	LATCO Board or originating Directorate				✓	

Committee Work Programme

Appendix 1

Category Item	Owner	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20
<b>Internal Audit and Counter Fraud</b>						
Internal Audit and Counter Fraud Progress Report	Jonathan Idle	✓		✓	✓	✓
Schools Audit Annual Report	Yvonne King		✓			
Internal Audit and Counter Fraud Annual Report	Jonathan Idle		✓			
Internal Audit Strategy and Annual Plan	Jonathan Idle	✓				✓
Review of the Anti-Fraud and Corruption Strategy (part of plan report)	Jonathan Idle	✓				
Review of Anti-Money Laundering Policy (part of progress report)	Jonathan Idle				✓	
<b>External Audit (provided by Grant Thornton)</b>						
External Audit Update	Paul Dossett	✓	✓	✓	✓	✓
External Audit Findings Report/Value for Money and Annual Audit letter	Paul Dossett		✓	✓		
Pension Fund Audit Findings Report	Paul Dossett		✓			
External Audit Certification of Claims and Returns Report	Paul Dossett	✓				✓
Effectiveness of Internal and External Audit Liaison	Paul Dossett				✓	
External Audit Plan	Paul Dossett	✓				✓
External Audit Pension Fund Plan	Paul Dossett	✓				✓
External Audit Fee letter and / or procurement arrangements	Paul Dossett				✓	
External Audit Fraud, Law & Regulations & Going Concern Considerations	Zena Cooke	✓				✓
<b>Financial Reporting</b>						
Statement of Accounts & Annual Governance Statement	Zena Cooke / Cath Head		✓			
Revised Accounting Policies	Cath Head	✓				✓
Review of Financial Regulations	Emma Feakins	✓				✓
<b>Review of Companies which KCC has an Interest</b>						
Review of statutory accounts	Emma Feakins	✓				✓





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By: Jonathan Idle – Head of Internal Audit and Counter Fraud  
To: Governance and Audit Committee – 3<sup>rd</sup> October 2019  
Subject: **INTERNAL AUDIT PROGRESS REPORT**  
Classification: Unrestricted

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### **Summary:**

This Progress Report details:

- The status of delivery against the Internal Audit Plan 2019/20;
- Summaries of completed audit reviews;
- An update on the resources position of the service;
- Proposed revisions to the Internal Audit Plan 2019/20;
- Issue Implementation status.

### **Recommendation:**

**The Governance and Audit Committee note the Internal Audit Progress Report for the period 1<sup>st</sup> April to 9<sup>th</sup> September 2019, including the proposed revisions to the Internal Audit Plan.**

### **FOR ASSURANCE**

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#### **1. Introduction**

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.
- 1.2 This Progress Report provides the Governance and Audit Committee with an accumulative summary view of the work undertaken by Internal Audit in the period of 1st April to 9<sup>th</sup> September 2019, together with the resulting conclusions, where appropriate.
- 1.3 This is the first Progress Report to the Committee of Internal Audit activity for 2019/20. Progress reports are designed to provide the Committee with a summary of the work completed by the service throughout the year.

## **2. Recommendation**

### **2.1 Members are requested to:**

The Governance and Audit Committee note the Internal Audit Progress Report for the period 1<sup>st</sup> April to 9<sup>th</sup> September 2019, including the proposed revisions to the Internal Audit Plan.

## **3. Background Documents**

Internal Audit Progress Report.

**Jonathan Idle, Head of Internal Audit**

E: [Jonathan.Idle@kent.gov.uk](mailto:Jonathan.Idle@kent.gov.uk)

T: 03000 417840

September 2019



**INTERNAL AUDIT PROGRESS REPORT**  
**GOVERNANCE AND AUDIT COMMITTEE**  
**3<sup>RD</sup> October 2019**

## 1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Governance and Audit Committee and Management with the status of the work carried out by the Internal Audit team for the period of 1<sup>st</sup> April 2019 to 9<sup>th</sup> September 2019.
- 1.4 Additionally, the report provides a revision of the Internal Audit Plan for 2019-20, as well as updates in the following areas:
- Summaries of completed audit reviews;
  - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS);
  - Grant certification; and
  - Issue Implementation status.
- 1.5 The full detail of the Internal Audit work completed or in progress in the period 1<sup>st</sup> April to 9th September 2019, is provided at Appendix A.

## 2. Key Messages

- Planned work remains below target in quarter 2, however a substantial amount of work is in progress;
- 16 grants/ certifications with a total value of £644k have been certified to date with a further £47.4m of grants currently being reviewed;
- A review of resources and skill requirements will be undertaken;
- Proposals are made to revise the Internal Audit Plan in line with good practice;
- An analysis of aged outstanding issue implementation, as requested at the July Committee, is provided at Appendix C; and
- A summary of matters arising for 5 of the completed audit assignments has been provided at Appendix D.

### 3. Updates

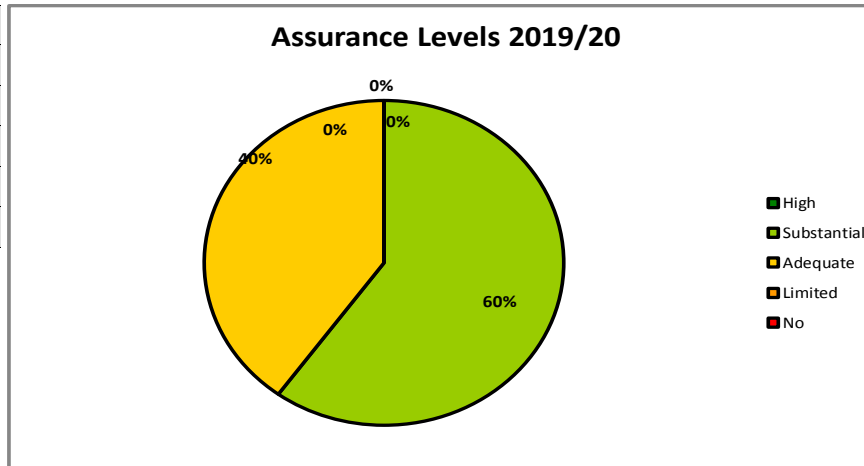
#### 3.1 Internal Audit Plan Status:

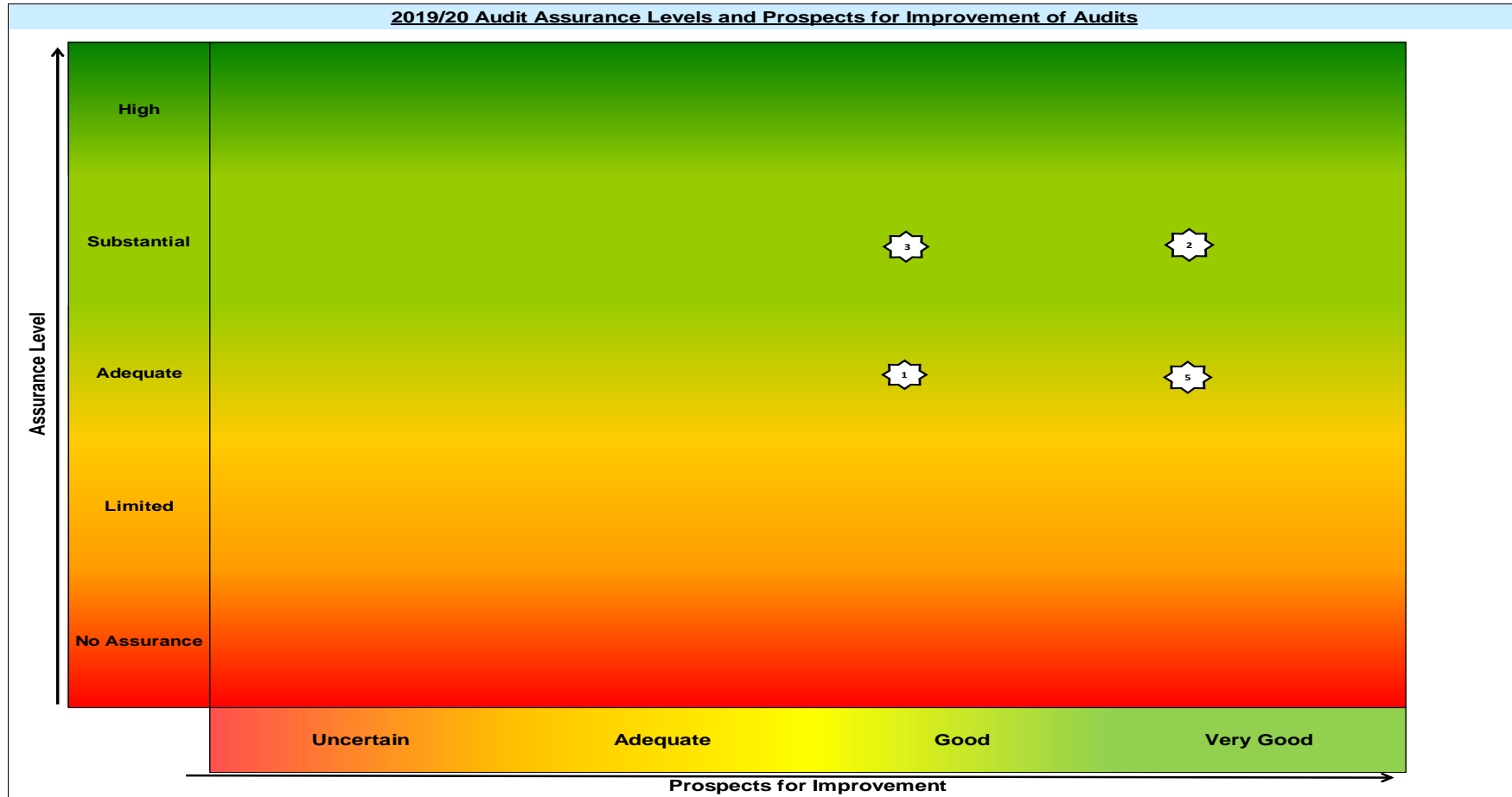
Coverage so far, in this second quarter, has concentrated on progressing reviews from the 2019/20 Audit Plan. Although the planned coverage remains below target at this stage of the year with only 7 of the planned reviews at either draft or final reporting stage, a further 33 reviews are either in progress or at planning stage. It is, therefore, anticipated that there will be a significant increased number of reviews at draft/final report stage by the end of the calendar year.

Full details of the status of planned work, for the period of 1<sup>st</sup> April to 9<sup>th</sup> September 2019, are provided at Appendix A of this report. A summary of the completed reports is shown in Table 1 below:

Table 1: Summary of Assurance Levels to Date

Assurance Level	No	%
High	0	0%
Substantial	3	60%
Adequate	2	40%
Limited	0	0%
No	0	0%





**Audit Opinion October G&A Committee**

No	Audit	Assurance	Prospects for Improvement
1	Debt Recovery	Adequate	Good
2	Social Care Recruitment Incentives (18/19)	Substantial	Very Good
3	Home to School Transport (18/19)	Substantial	Good
4	KRT EU Exit Lessons Learnt Exercise	Substantial	N/A
5	HTW Health & Safety	Adequate	Very Good
6			



### **3.2 Grant Certification Work.**

To date, the team has audited and certified 16 grant claims to the value of approximately £644k. Work is progressing on a further 7 significant certifications related to £47.4m of funding. Details of all certifications can be seen at Appendix A.

### **3.3 Internal Audit Resources:**

In accordance with the Public Sector Internal Audit Standards, members of the Committee need to be apprised of relevant matters relating to the resourcing of the Internal Audit function.

The positive expansion in recent years of the provision of Internal Audit and Counter Fraud services to in excess of 20 external clients and bodies has not been accompanied by corresponding resources to deliver the very wide range of assurance and governance matters it engages in and to the expectations of its stakeholders and clients on a continual basis.

Short-term resource shortfalls, related to vacancies, are currently being addressed by a combination of fixed-term, agency and placement recruitments.

The medium-term solution will commence with a review to assess options to address the resource and skills requirements of the section with the objective of ensuring the maintenance of the delivery of quality services for the Council and its external clients.

### 3.4 Revision of Audit Plan:

The Internal Audit Plan must be flexible to ensure that it remains relevant to risks facing the Council throughout the year. Consequently, the opportunity has been taken to reassess the priority and relevance of items in the Plan.

Table 2 provides details of the proposed Plan amendments which reflect changing circumstances while continuing to ensure an annual opinion can be formed at the end of the year. Rationale for the proposed amendments is set out at Appendix B.

Members will recall that potential areas for audit coverage are also identified as “Level 2” reviews. These audits are essentially the “reserve list” identified via ongoing assessment and consultation with stakeholders. An analysis of which Level 2 reviews will be prioritised is included within Appendix A.

**Table 2: Proposed Audit Plan Changes**

Ref	Assignment	Addition	Deletion	Amendment
CA03	Dept Governance		√	
CA08	Business Planning		√	
RB01 / 02	Leadership and Management Strategy / Kent Manager			√
RB03	Customer Feedback			√
RB07	Finance (Pensions) – Kent Scheme Admin		√	
RB19	Property Disposals / Property Board			√
RB20	KMPT Transformation		√	
RB21	Complaints Process and Outcomes			√
RB22	Home Care -Post New Contract			√
RB23	Mosaic & Finestra – Post Implementation Review			√
RB24	Front Door including Service User experience		√	
RB25	DoLS – Progress with addressing backlog			√
RB32	Change for Kent Children			√
RB36	Safeguarding Children			√
RB42	Gypsy and Traveller Service		√	

RB44	Highways Term Maintenance Contract Re-Let			√
RB45	Non-domestic Waste charging			√
	Pension Fund Investment	√		
	Review of Overpayments	√		
	Assurance Mapping - IT	√		
	Assurance Mapping – ASCH	√		
	Assurance Mapping – Information Governance	√		
	ASCH Transformation	√		
	Contract Management Group	√		

### 3.5 Issue Implementation

At the previous Committee meeting, there was a request for specific analysis in respect of those issues raised by Internal Audit which had not been implemented for a significant period of time. Therefore, analysis in this paper concentrates upon the “aged profile” of outstanding actions with the full analysis of outstanding issues to be reported, as planned, at the January Committee.

There were previously 19 issues raised by Internal Audit with actions outstanding in excess of 1 year. Such outstanding issues were specifically raised by Internal Audit at each of the recent Directorate Management Team meetings. This has led to the updating of the position based upon supporting documentation to evidence implementation with 9 issues now not being fully implemented. Details are set out at Appendix C.

## 4. Under the Spotlight!



With each activity report, Internal Audit turns the spotlight on the audit reviews, providing the Governance and Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix D, for the Committee’s information and discussion.

**A Strategic and Corporate Services:**

1. Debt Recovery and Write Off

**B Children, Young People and Education:**

1. Social Care Recruitment and Retention Initiatives Follow Up

**C Children, Young People and Education / Growth, Environment and Transport:**

1. Home to School Transport

**D Growth, Environment and Transport:**

1. Highways, Transport and Waste – Health and Safety
2. Kent Resilience Team – EU Exit Lessons Learnt Exercise

## Appendix A – Internal Audit Plan 2019-20 – Status and Assurance Summary

### A. Priority 1 Audits:

Ref	Audit	Status as at 09.09.19	Assurance
CA01	Annual Governance Statement 2018-19	Final Report	Adequate (18-19) -GAC July 19
CA02	Corporate Governance	To Commence	
CA03	Department Governance	Proposed Deletion	
CA04	Risk Management	To Commence	
CA05	Information Governance – DPS Toolkit	To Commence	
CA06	Data Protection – Deep Dive	In Progress	
CA07	Data Protection and GDPR – Advisory	In Progress / Ongoing	
CA08	Business Planning	Proposed c/fwd to 20/21	
CA09	Strategic Commissioning	To Commence	
CA10	Improving Outcomes and Achievement of Savings	Planning	
CA11	LATCos- Client-Side Contract management, governance and impact of HoldCo	To Commence	
CA12	HoldCo	In Progress	
CS01	Social Care Client Billing	To Commence	
CS02	Debt Recovery and Write-Off	Final Report	Adequate – GAC Oct 19
CS03	Family Placement Payments	In Progress	
CS04	Imprest Accounts	Planning	
CS05	Schools Financial Services	To Commence	
RB01/2	Leadership and Management Strategy/ Kent Manager	To Commence	
RB03	Customer Feedback	Planning	
RB04	Agyllis Contract Management	To Commence	
RB05	Strategic Commissioning – I-Procurement	To Commence	
RB06	Strategic Commissioning – Indirect -Procurement	To Commence	
RB07	Finance Pensions – Kent Scheme Admin	Proposed Deletion	
RB08	Public Health – Delivery of Statutory Services	To Commence	
RB09	Infrastructure – Statutory Compliance Follow Up	To Commence	
RB10	Infrastructure – Property Consultants	Planning	
RB11	Finance External Funding – LOCASE 2 Grant	To Commence	
RB20	KMPT Transformation	Planning - Proposed Plan Amendment	

RB21	Complaints Process and Outcomes	In Progress	
RB22	Home Care – Post New Contract	To Commence	
RB23	Mosaic & Finestra -P.I.R.	To Commence	
RB24	Front Door including Service User Experience	Planning - Proposed Plan Amendment	
RB25	DoLs – Progress with Addressing Backlog	To Commence	
RB31	SEND Follow Up	To Commence	
RB32	Change for Kent Children	To Commence	
RB33	Youth Justice	Planning	
RB34	Foster Care	In Progress	
RB35	Care Leavers	Planning	
RB36	Safeguarding Children	Planning	
RB37	School Themed Review	Planning	
RB40	Business Continuity Planning - Incident Management	To Commence	
RB41	Carbon Reduction Commitment Annual return for KCC	Planning	
RB42	Gypsy and Service Traveller	Proposed c/fwd to 20/21	
RB43	Health and Safety Deep Dive	Final Report	Adequate – GAC Oct 19
RB44	Highways Term Maintenance Contract Re-let	In Progress	
RB45	Non-Domestic Waste Charging	To Commence	
RB46	Developer Contributions (CIL) Follow Up	To Commence	
RB47	Kent Resilience Team – EU Exit Lessons Learnt Exercise	Final Memorandum	Substantial – GAC Oct 19
RB48	Companies in which KCC has a Substantial Interest /investment	Planning	
ICT01	Access Controls to Personal Data	To Commence	
ICT02	Wireless Network Security and Capacity	To Commence	
ICT03	Software Licensing	Planning	
ICT04	ICT Change – Business Realisation	To Commence	
ICT05	Members ICT	In Progress	
CF01	Fraud Awareness /Detection and Prevention	In Progress / Ongoing	
CF02	National Fraud Initiative	In Progress / Ongoing	
CF03	Kent Intelligence Network (KIN)	In Progress / Ongoing	
CF04	Independent Review of Fraud Service	Completed	
CF05	Proactive Fraud Exercise	In Progress	
CF06	Investigations	In Progress / Ongoing	



**B. Work Carried Forward From 2018-19:**

Ref	Audit	Status as at 09.09.19	Assurance
1	Home Care	Draft Report	
2	Social Care Recruitment and retention Initiatives Follow Up	Final Report	Substantial – GAC Oct 19
3	Home to School Transport	Final Report	Substantial – GAC Oct 19

**C. Plan Additions:**

Ref	Audit	Status as at 09.09.19	Assurance
1	Pension Fund Investment	In Progress	
2	Review of Overpayments	In Progress	
3	Assurance Mapping – IT	Proposed Addition	
4	Assurance Mapping - ASCH	Proposed Addition	
5	Assurance Mapping – Information Governance	Proposed Addition	
6	ASCH Transformation	Planning	
7	Contract Management Group	Proposed Addition	
8	Property Board	Planning	

### D Priority 2 Audits:

Ref	Audit	Status as at 09.09.19	Assurance
CA13	Records Management		
CA14	Informal Governance Processes		
CA15	Policy and Legislative Change		
CA16	Performance Management Themed Report		
CS06	Payroll Processing -LATCO Reliance CBS – LATCO Reliance – CBS	To Prioritise – Planning	
CS07	Non-Residential care payments through Finestra		
CS08	Cashiers – LATCO Reliance – CBS		
RB12	Health and Wellbeing Strategy		
RB13	Public Health – Clinical Professional Development	To Prioritise	
RB14	Public Health – Suicide Prevention Plans		
RB15	Public Health – Breast Feeding Support		
RB16	Public Health – Family Drug and Alcohol Court		
RB17	TFM Variable Spend		
RB18	Asbestos Management		
RB19	Property Disposals / Holding Decisions (with changed emphasis)	To Prioritise – Planning	
RB26	Quality of Adult Social Care	To Prioritise – In Progress	
RB27	Sensory and Autism Service Redesign		
RB28	Voluntary Sector Contracts	To Prioritise	
RB29	Safeguarding / Case File Audit		
RB30	Self-Neglect		
RB38	Adoption		
RB39	Troubled Families	To Prioritise	
RB49	Pre-Planning Advice		
RB50	Libraries – Finance Procedures in Libraries		
RB51	Joint Transportation Boards		
RB52	Speed Awareness		
RB53	Highways Code of Practice		
RB54	Young Persons Travel Pass		
RB55	Kent and Medway Business Fund		
RB56	Economic Development – Grant Schemes	To Prioritise	

Notes:

1. Priority 2 Audits are essentially the “reserve list”, which are kept under review for inclusion in delivery of the Audit Plan.
2. A current KPI for the service is to complete 20% of Priority 2 Audits

## E Grant Certifications:

No.	Grant	Status as at 09.09.19
1	<b>DWELL</b> - Empowerment programme enabling patients with type 2 diabetes to access tailored support giving them mechanisms to control their condition and improve their wellbeing.	Completed
2	<b>Step by Step</b> - Seeking to increase the impact of the internationally evidenced men's sheds programme in particular employment & health outcomes.	Completed
3	<b>TICC</b> - Implementing an integrated community team at a pilot site to work with the principles of Buurtzorg (A Dutch home-care model known for innovative use of independent nursing teams in delivering relatively low-cost care).	Completed
4	<b>PACE</b> - Providing help to unemployed parents into work by improving access to childcare relatively low-cost care.	Completed
5	<b>EU Interreg BEGIN</b> - An approach to climate resilience for cities that mimics nature's potential to deal with flooding.	Completed
6	<b>EU Interreg FRAMES</b> - Assess the impact of and build resilience to flooding and climate change across the health and social care sector in Kent.	Completed
7	<b>EU Interreg Inn2Power</b> - Supporting Kent based companies in the offshore wind sector with internationalisation & market entry in mainland Europe.	Completed
8	<b>EU Interreg ICAREs</b> - Developing a cross border innovation cluster to create the necessary conditions for innovation in the field of remote sensing & advanced data communication & processing	Completed
9	<b>EU Interreg Green Pilgrimage</b> - Protecting natural & cultural heritage whilst developing jobs & growth along pilgrim routes by developing low impact tourism, digitalisation, pilgrim accommodation & strengthening local traditions.	In Progress
10	<b>EU Interreg ISE</b> -Protecting natural & cultural heritage whilst developing jobs & growth along pilgrim routes by developing low impact tourism, digitalisation, pilgrim accommodation & strengthening local traditions.	Completed
11	<b>EU Interreg PASSAGE</b> - Examining how KCC can make the transition to a low carbon society and low-carbon economy.	Completed
12	<b>EU Interreg PROWATER</b> - Contributing to climate adaptation by restoring the water storage of the landscape via ecosystem-based adaptation measures.	Completed
13	<b>EU Interreg SCAPE</b> - Developing landscape-led design solutions for water management that make costal landscapes better adapted and more resilient to climate change.	Completed
14	<b>EU Interreg SIE</b> - Evaluating and improving business support services for SMEs specifically related to exporting and internationalisation	Completed
15	<b>EU Interreg Triple A</b> - Supporting homeowners to adopt different low-carbon technologies in their homes.	Completed
16	<b>EU Interreg Triple C</b> - Implementing a set of cost-effective actions to reduce flooding and erosion.	Completed
17	Department for Transport - Capital Funding Grants – <b>Integrated Transport Block</b>	In Progress
18	Department for Transport - Capital Funding Grants – <b>Highways Maintenance Block Needs Element</b>	In Progress
19	Department for Transport - Capital Funding Grants - <b>Highways Maintenance Block Incentive Element</b>	In Progress
20	Department for Transport - Capital Funding Grants – <b>Pothole Action</b>	In Progress
21	Department for Transport - Capital Funding Grants – <b>Connecting Europe Facility</b>	In Progress
22	Department for Transport - <b>Local Authority Bus Subsidy Ring-Fenced Revenue grant</b>	Planning
23	<b>Innovation and Networks Executive Agency</b> - Connecting Europe Facility - Transport Sector. InterCor grant.	Completed

## Appendix B – Internal Audit – Rationale for Proposed Changes to Audit Plan

### A. Additions:

Audit	Rationale
Pension Fund Investment	Key Risk Area – IA commissioned to undertake review.
Review of Overpayments	Emerging Risk Area relating to significant overpayments to suppliers.
Assurance Mapping - IT	Value added Audit in assessing the assurances from 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence and other external assurance providers, preventing duplication of assurance, provision of assurance as a tool for management and to assist in audit planning.
Assurance Mapping – ASCH	Value added Audit in assessing the assurances from 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence and other external assurance providers, preventing duplication of assurance, provision of assurance as a tool for management and to assist in audit planning.
Assurance Mapping – Information Governance	Value added Audit in assessing the assurances from 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence and other external assurance providers, preventing duplication of assurance, provision of assurance as a tool for management and to assist in audit planning.
ASCH Transformation	To provide an embedded assurance approach to a major Council transformation programme, which incorporates coverage of 2 audits within the Original Audit Plan.
Contract Management Group	Attendance to both advise the review of contracts and to assess whether assurances can be drawn from the reviews undertaken.
Property Disposals / Property Board (was Level 2 Audit)	Emerging risk area where assurances required relating to Property Board identified from consultation - increase in resource.

**B. Deletions:**

Audit	Rationale
Department Governance	Value from the audit would not be commensurate to the planned resource as per the experience of similar previous reviews.
Business Planning	Greater value if review undertaken in Q1 2020/21.
Finance (Pensions) Kent Scheme Admin	Pensions Coverage redirected to Pensions Fund Investment Review.
KMPT Transformation	Coverage will be included within the ASCH Transformation review.
Front Door including Service User Experience	Coverage will be included within the ASCH Transformation review.
Gypsy and Traveller Service	May be more appropriate for 2020/21.

## Appendix C – Aged Profile of Outstanding Implementation of Issues

### A: Current Position:

Directorate	Total Issues		3+ Years		2-3 Years		1-2 Years		Less than 1 Year	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	3	4	0	0	0	0	0	0	3	4
ST	5	7	1	0	1	0	1	1	2	6
GET	5	11	0	0	2	0	0	0	3	11
CYPE	5	30	0	1	0	1	0	1	5	27
<b>Total</b>	18	52	1	1	3	1	1	2	13	48
<b>Total %</b>	-	-	6%	2%	16%	2%	6%	4%	72%	92%

3+ Years						
Engagement Reference	Engagement Name	Title	Risk Rating	Original Agreed Date	Revised Date	Directorate
RB22-2016	Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	Issue 3 - Case Audit recording on Liberi	Medium	31/12/2015	30/11/2018	CYPE
ICT07-2015	PCI DSS	Issue 1 - Business Areas Processing Card Transactions	High	31/12/2015	31/03/2020	ST

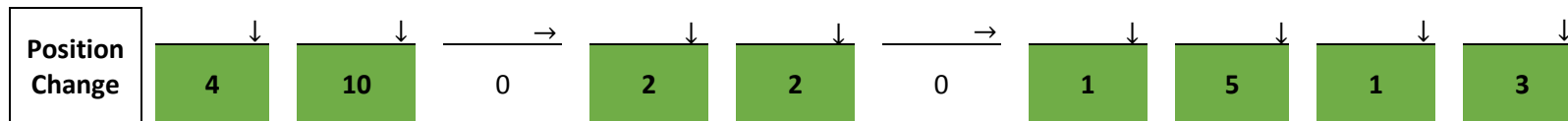
2-3 Years						
Engagement Reference	Engagement Name	Title	Risk Rating	Original Agreed Date	Revised Date	Directorate
RB33-2017	Standards & Schools Improvement Team	Issue 1 - Core Visits	Medium	30/06/2017	09/10/2019	CYPE
RB45-2017	National Driver Offender Retraining Scheme – Phase 2	Issue 1 - Trainer Recruitment and Retention	High	30/06/2017	01/04/2020	GET
RB45-2017	National Driver Offender Retraining Scheme – Phase 2	Issue 2 - Forecasting and Procurement	High	31/07/2017	01/04/2020	GET
RB17-2017	Carers Assessments	Issue 2 - Delegation & Authority	High	31/03/2017	30/09/2019	ST

1-2 Years						
Engagement Reference	Engagement Name	Title	Risk Rating	Original Agreed Date	Revised Date	Directorate
RB38-2018	Children Centres Themed Review Follow-up	Issue 4 - Assets	Medium	31/03/2018		CYPE
RB01-2018	Members Induction and Training	Issue 2 - Mandatory Training	Medium	31/12/2017		ST

RB07-2018	Health & Safety	Issue 2 - Health & Safety Training in Schools	High	31/05/2018	31/01/2019	ST
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**B: Comparison to Previous Position:**

Directorate	Total Issues		3+ Years		2-3 Years		1-2 Years		Less than 1 Year	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	3	4	0	0	0	0	0	0	3	4
ST	7	12	1	2	2	0	2	4	2	6
GET	7	16	0	0	3	0	0	2	4	14
CYPE	5	30	0	1	0	1	0	1	5	27
<b>Total</b>	22	62	1	3	5	1	2	7	14	51
<b>Total %</b>	-	-	4%	5%	23%	2%	9%	11%	64%	82%





## Appendix D – Summaries of Completed Audit Reviews

### Debt Recovery (Sundry Debtors)

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

Cantium Business Solutions (CBS) have reviewed and updated the sundry debt recovery process with the aim of reducing the potential for error and increasing the speed with which the process can be carried out. The required timescales for chasing debts are not defined within the debt recovery policy or procedures, instead CBS performance is measured based on the levels of debt outstanding. At certain stages of the debt recovery process, cases need to be referred to directorates (such as to agree to start legal action or where debts are disputed) and this can cause significant delays, as the oldest debt referred to directorates is dated 2010.

#### Key Strengths

- CBS have developed a sundry debt dashboard and is used to monitor the debt position.
- CBS have a detailed process manual which is available to all relevant staff.
- Prior to April 2019 debtors were not always contacted on a timely basis in line with the Debt Management Policy, however since April 2019 debt recovery with CBS moved from a portfolio management system to a team management approach and this has already resulted in some improved performance regarding the first steps of the recovery process.
- There is an escalation process in place.
- Reports of outstanding debt can easily be extracted from the systems used.
- In line with the KCC Debt Management Policy, it was confirmed that no invoices have been raised for debts under £20 (except for statutory debt).
- The process for dealing with disputed debt is defined within the debt management policy and there is a process in place to monitor these.

- position.
- There are two performance indicators that the CBS Debt Recovery Team are assessed against and it was evident that these are being met.

#### Areas for Development

- The Debt Management Policy has not been reviewed since 2015 and does not currently align with Financial Regulations.
- No instances of interest or other penalties being applied were identified.
- The number of invoices currently being referred to the directorate or budget holder is high, and this often results in delays in further action being taken while a response is awaited. In addition, the distinction between 'disputed' debts and those 'referred to the directorate' is not clear.
- The Debt Management Policy states that 'A Governance and Audit Report will be produced by the provider on a six-monthly basis, reporting on the most recent debt position for the Council' - however this was last reported in January 2018.
- Social Care debt is recovered by KCC finance staff, except for direct payments debt which is the responsibility of the CBS debt recovery team. As a result, there are restrictions as to the actions that CBS can carry out.

#### Prospects for Improvement

Our overall opinion of Good Prospects for Improvement is based on the following factors:

- Management are aware of the historic debts and continue to improve processes to reduce this outstanding debt.
- Management agree with the issues that have been raised and set management action plans to address these.

- The level of debt written off is low. Debts are only written off once all reasonable recovery actions have been exhausted with the appropriate authorisation in accordance with the Financial Regulations.
- The invoice cancellation process is well controlled and there is evidence that invoices are not being cancelled as an alternative to writing off bad debts.
- Detailed monthly reports are produced showing the Council's sundry debt

**Summary of Management Responses**

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	0
Medium Risk	4	4	0
Low Risk	0	0	0

## Social Care Recruitment & Retention Incentives

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Very Good</b>

From Internal Audit's testing the review confirmed that policies and procedures are, with one exception, up to date and are all available on KNet. The content and clarity of guidance for managers has improved, regarding pro rata payments, since the previous audit. However, there were instances where eligibility criteria, set out in the guidance, had not been adhered to. Internal Audit could not locate evidence confirming either that these policies and procedures have been properly communicated or that they are understood by staff and authorising managers.

There has been a significant improvement in the chasing and recovery of outstanding monies owed since the previous audit was completed in 2016. There are now processes in place to recover any overpayments from staff who have had a Golden Hello payment and have left or been overpaid.

Management have undertaken an interim review of the incentive scheme in 2018. The analysis undertaken, and the ongoing dialogue in the directorate, demonstrates that there are sound informed decision-making processes on the incentives to be offered.

### Key Strengths

- All the Policies and Procedures are up to date with one exception.
- All the Car Market Premium Payments we tested met the eligibility criteria and were appropriately authorised.
- All the service-related market Premiums we tested met the eligibility criteria and were appropriately authorised.
- There are now processes in place to identify and recover overpayments of incentives, including Golden Hello Payments for staff who have left.
- 

- There has been a comprehensive review carried out on the impact of recruitment and retention incentives, which has informed the current offer.

### Areas for Development

- There are instances where management guidance has not been followed and payments have been authorised for staff that do not meet eligibility criteria.
- The payment values in the Golden Hello Guidance need to align with the Golden Hello Market Premium Summary.
- Although there is effective identification of Golden Hello repayments, there are weaknesses in follow-up after the initial request for payment.

### Prospects for Improvement

Our overall opinion of Very Good for Prospects for Improvement is based on the following factors:

- There has been significant improvement since the audit undertaken in 2016
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them
- Issues Identified have been promptly addressed

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	2	2	0

## KCC Home to School Transport

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

The services recognise the significant cost of providing home to school transport. Evidence exists both within the application process and through effective contracting with operators that achievement of value for money is a consistent consideration. Legal requirements are clearly understood and the Council's policy regarding compliance with legislation is comprehensively explained within the Home to School Transport guide which is made fully available to parents.

The safety of Children and Young Learners is a fundamental aspect of the contract with operators and inspections are undertaken of both vehicles and staff (including Passenger Assistants (PAs)) to evidence this.

There is recognition of the increasing cost of the service particularly with regard to the increases in SEN requirements and the complications that arise with regard to satisfying the 'nearest appropriate school' criteria and identifying sufficient numbers of appropriate operators; the complications of which increase further where notice of new or additional needs is only available at short notice.

### Key Strengths

- The applications process is robust and complies with statutory guidance contained in the Education Act 1996 and Schedule 35B of the Act which was inserted by Part 6 of the Education and Inspections Act 2006.
- KCC criteria is clearly established and published in a Home to School Transport guide which parents are strongly recommended to read.
- Established processes for managing eligibility and appeals and reviewing, reporting and monitoring of the delivery of services are consistently followed.
- There is good sharing of information between the various teams

### Areas for Development

- The audit identified instances where photographs of pupils and young learners are being retained on systems beyond the time for which they are needed. Similarly, photographs are kept on file for PAs who are no longer working.
- Inspections are undertaken both when reacting to complaints and incidents as well as on a proactive basis, although it was noted that proactive inspections are not clearly planned in advance.
- It is a contractual requirement for drivers and escorts to have DBS clearance in place and ID badges are only issued once this has been satisfactorily completed. Inspection teams check badges as part of their inspection routine, and failure to wear badges is a common cause of penalties issued to contractors.
- One instance was noted where a member of staff was unaware of how to use the specialist equipment needed to assist a young person with their travel.
- Some minor errors in record keeping were identified.

### Prospects for Improvement

Our overall opinion of Good for Prospects for Improvement is based on the following factors:

- The underlying processes for administration of the Home to School Transport provision are strong; staff have a good understanding of the Councils policy and its application.
- There is a commitment to develop and enhance systems to enable information sharing, primary use being made of Synergy and Routewise software which it is hoped will lead to further opportunities to deliver value for money in transport provision as parties establish best practice.
- The process of agreeing the audit issues was protracted, but adequate

responsible for home to school transport, and it is recognised that additions and changes particularly regarding SEN requirements can happen at short notice.

- The use of Personal Transport budgets (which have largely replaced Cash Allowances) continues to provide solutions which are of benefit to parents.
- Options are offered to parents whose children are not eligible for free transport. These include the Young Person's Travel Pass and the Kent 16+ Travel Card, which are discretionary passes subsidised by the Council and which many children use to access their school.
- Effective option planning and route management can be demonstrated and evidenced.
- The Appeals policy appears robust. Appeals are considered in the first instance by the Transport Eligibility Team based on additional information provided by parents. The original decision is upheld in about 95% of cases; the remaining can then lodge an appeal with Members via the Regulation Committee Appeal Panel.

action planes have been developed. Two Low Risk issues are not agreed.

#### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	4	2	2

## Highways, Transport & Waste Health & Safety

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Very Good</b>

Overall, it was evident that a good culture of H&S is embedded within HTW, together with an adequate framework for managing H&S related risks, although some improvements are required to strengthen the effectiveness of the practices in place.

### Key Strengths

- The HTW Divisional Management Team (DMT) have adequate arrangements in place to monitor the health, safety and wellbeing arrangements of staff, and the H&S arrangements of supply chains.
- H&S is a standing agenda item for all team meetings and management meetings, in addition to the dedicated H&S meetings. The HTW Director also holds informal bi-monthly performance review meetings on a rotational basis which cover H&S.
- The GET H&S Forum has recently been re-established following the change in divisional Director and a term of reference is being drafted.
- A dedicated HTW H&S Board meets quarterly with a standing agenda, and acts as the main conduit for managing staff H&S issues, escalating upwards to the DMT as necessary. This Board is chaired by a member of the DMT.
- Overall, the Training Coordinator has provided the tools for enabling managers to define the specific training required for their respective teams, over and above the minimum requirements agreed for the HTW division.
- From a review of the Council's risk system, JCAD, HTW has recorded H&S risks relevant to some of their services, with appropriate controls noted.
- Risk Profiles are the corporate tool for enabling management of H&S risk. All officers interviewed as part of this audit advised that a Risk Profile had been completed, although not all were made available for review.
- HTW follow the corporate processes for raising accident/ incident reports and have recently started to report near misses due to the nature of the work undertaken.

### Areas for Development

- Training matrices should be in place for all HTW staff to document training needs, training completion and renewal, as well as providing management with a means of overseeing the position. Internal Audit found inconsistency across the Division, with some matrices absent or incomplete.
- Currently there is no entry on either the Directorate or Divisional risk registers to record the risk of stress related issues for staff.
- A small number of additional risk management exceptions were also identified, including an absence of overseeing progress of actions resulting from completing H&S Risk Profiles.
- The HTW H&S Board are operating with an out of date terms of reference and no actions log to formally track progress of actions raised.
- Some procedural H&S guidance was found to be missing, out-of-date or requiring review.

### Prospects for Improvement

Our overall opinion of **Very Good** for Prospects for Improvement is based on the following factors:

- H&S is embedded within the culture of the HTW division.
- The HTW Director is a good advocate of H&S and has been receptive to the audit and resulting issues. In addition, the Director had very recently commissioned a H&S maturity assessment with the Corporate H&S Team, and Internal Audit were informed the results aligned to the audit findings.

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	n/a	n/a
Medium Risk	4	4	n/a
Low Risk	0	n/a	n/a

## EU Exit Lessons Learnt Exercise

Audit Opinion

**Substantial**

A review of documentation and discussions with the Kent Resilience Forum (KRF) Brexit Co-ordinator confirmed that the 32 Recommendations agreed are an adequate reflection of the Lessons Learnt exercise, and that sufficient progress is being made to address the issues raised.

### Findings

- The KRF used Survey Monkey to ask a standard set of questions to each relevant group of staff involved in the coordinated effort of managing a no-deal EU Exit in Kent. Of the 243 people that received the Survey, 85 responded.
- The results of the Survey were captured and discussed at an off-site all-day briefing session and the output was a list of 32 Recommendations. Internal Audit performed a completeness check and confirmed that the Recommendations captured all areas identified from the Lessons Learnt exercise.
- A tracking spreadsheet is used by the KRF Brexit Co-ordinator to track progress of the Recommendations, and Internal Audit confirmed that the tracking sheet is complete. However, Internal Audit did identify some improvements that would aid better oversight.
- Discussions with the KRF Brexit Co-ordinator, receipt of the updated Operational Fennel Plan and review of evidence for a sample of actions has confirmed that all Recommendations raised from the Lessons Learnt exercise are being appropriately actioned.
- The KRF Brexit Co-ordinator provides regular updates to key staff throughout the impacted groups across Kent in addition to KCC e.g. Kent Police, Kent Fire & Rescue Service. These updates provide a summary of actions/ events completed in the reporting period. However, these updates do not provide an update regarding overall progress on the Recommendations.

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	n/a	n/a
Medium Risk	0	n/a	n/a
Low Risk	2	2	n/a

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By: James Flannery – Counter Fraud Manager  
To: Governance and Audit Committee – 3<sup>rd</sup> October 2019  
Subject: **COUNTER FRAUD UPDATE**  
Classification: Unrestricted

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**Summary:**

This report details:

- The Counter Fraud activity undertaken for the period April 2019 to August 2019, including reported fraud and irregularities.
- The Proactive Counter Fraud work delivered and planned for 2019/20

**Recommendation: FOR ASSURANCE**

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**Introduction**

- 1.1 This report outlines Counter Fraud work which has been undertaken in 2019/20 to date. The report provides:
- An overview of the work of the Counter Fraud Team;
  - details of savings identified through counter fraud activity; and
  - a spotlight on the volume and variety of investigations work that the Counter Fraud Team undertakes and the competing priorities.

**Irregularity Referrals**

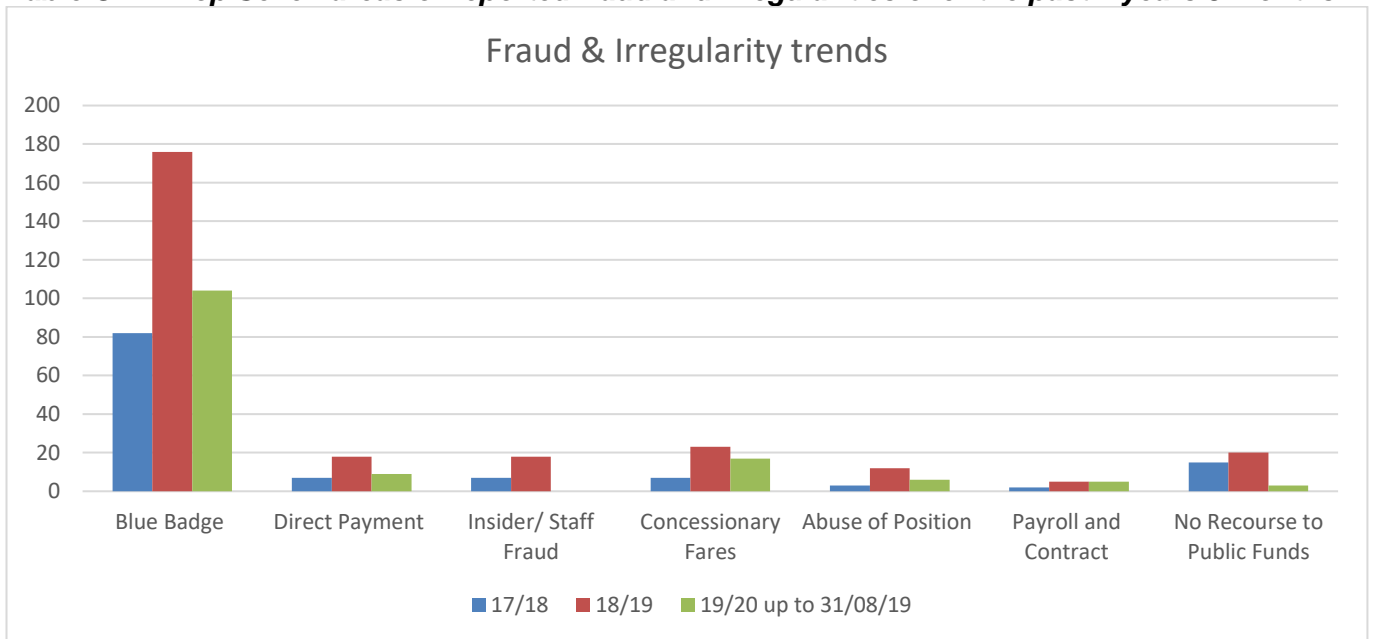
- 1.2 Fraud referrals continue to increase following a programme of fraud awareness sessions across KCC Business Units and Schools over the past two years. There have, however, been no incidences of material fraud, irregularities or corruption discovered or reported during this reporting period.
- 1.3 For the period April 2019 to August 2019, there were 158 suspected irregularities reported to the Counter Fraud Team. The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk so far this year are from false applications for financial support from families claiming to be destitute with no recourse to public funds (NRPF) (around £38k) and from abuse of position/ payroll misuse of social care support paid via a Direct Payment (around £9k).
- 1.4 The majority of the 158 irregularities reported relate to the misuse of the Blue Badge and concessionary fare schemes. These types of fraud are low value, high volume activity. The approach to these investigations has been streamlined, freeing up resources to allow for the more serious and complex cases to be progressed.
- 1.5 Between April 2019 to August 2019, a total of 84 cases have been concluded, the total prevented loss through these cases is £37,970. There are currently 74 cases in progress, two simple cautions have been issued for a false representation on a job application and a false representation of a Blue Badge. The Counter Fraud team has received authorisation to progress four prosecutions relating to Blue Badge offences and Abuse of Position.

- 1.6 The types of investigation undertaken so far this year include:
- Friends and relatives using deceased people’s blue badges to avoid parking charges;
  - False representations when applying for No Recourse to Public Funds support;
  - Falsify employment history and qualifications to gain employment with KCC;
  - Theft of cash/ abuse of position when using corporate purchase cards;
  - Clients/ 3rd parties receiving Direct Payments and not spending it on care;
  - False representations when applying for grants.

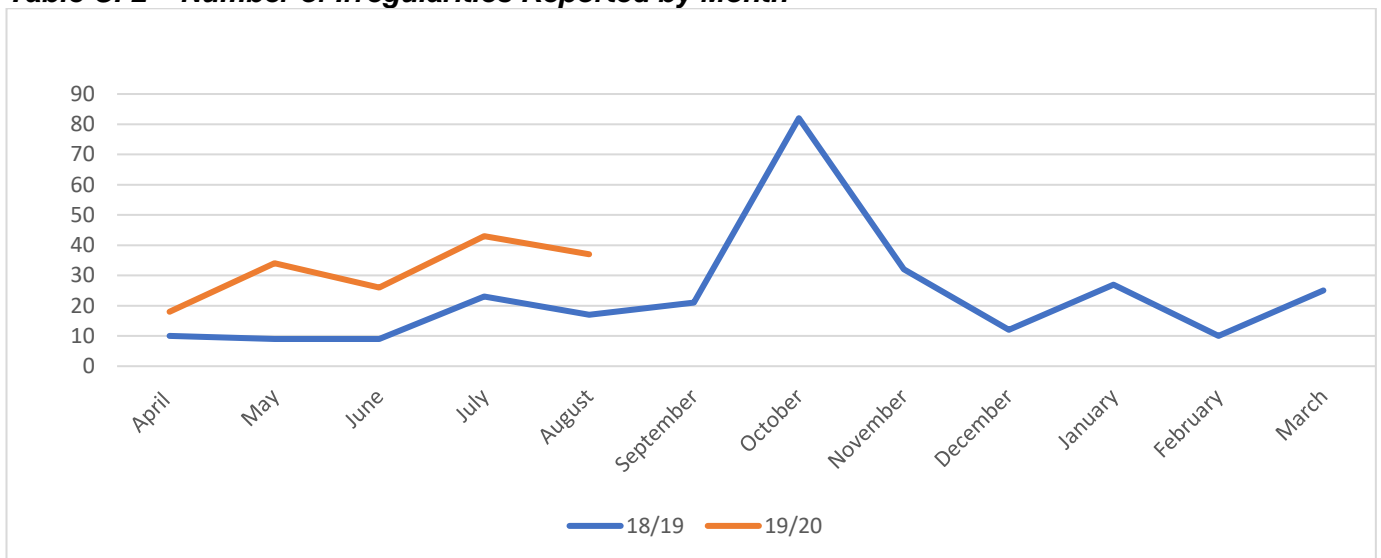
**Fraud and Irregularity Trends**

1.7 The below tables show trends in reported fraud and irregularities:

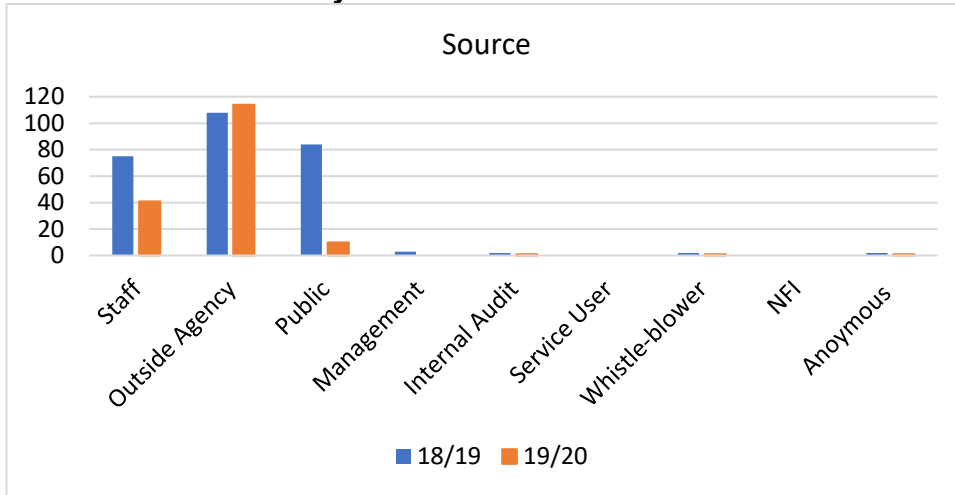
**Table CF1 - Top Seven areas of reported fraud and irregularities over the past 2 years 8 months**



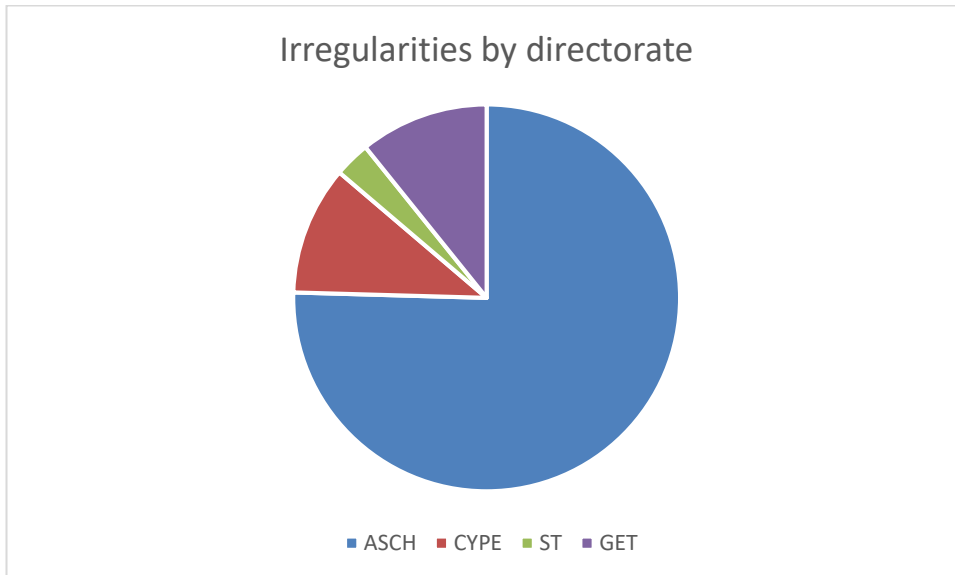
**Table CF2 – Number of Irregularities Reported by Month**



**Table CF3 – Referrals by Source**



**Table CF4 – Referrals by Directorate 2019/20**



**National Fraud initiative**

1.8 KCC take part in the National Fraud Initiative, this matches data between several key data sets to help prevent and detect fraud. As a biennial exercise, it places additional pressure on resources to review and clear significant matches. In order to address this resource pressure, it is intended to utilise the Kent Intelligence Network to conduct more frequent matches to reduce the impact on having two years’ worth of matches to progress. Key activity has been:

- 2,741 Concessionary Travel Passes cancelled following a match to deceased data;
- 2,271 Blue Badges to be cancelled following a match to deceased data;
- 260 pension payments under review following a match to deceased data.

1.9 A new match was received in August 2019 that matched people in residential care’s financial assessment against HMRC Self-Assessment data, initial work is being conducted by the Financial Assessments team as a priority, this has identified:

- 42 matches between financial assessment data and HMRC property data;
- 85 matches between financial assessment data and HMRC income and capital data.

## **Kent Intelligence Network (KIN)**

- 1.10 As a reminder, the KIN is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration initiated by the Kent Finance Officers Group (KFOG) with the shared objective to detect, prevent and deter fraud and corruption. A grant of nearly £1/2 million was awarded. The network has been operating since October 2016 and in its initial operations recoveries of £1/4 million matched the grant spend to that date. KCC is the accountable body for these resources and directly project managed it until a board structure representing the Kent Local Authorities was formed last year.
- 1.11 Activity within KIN from November 2018 and for quarter 1 2019/20 has concentrated on addressing fraud and error within the Business Rates systems, looking at entitlement to Small Business Rate Relief and unrated properties. For this period, a total of £483,694 in Small Business Rate Relief has been identified and being collected through normal billing arrangements.
- 1.12 Additionally, data matching and the use of other sources of intelligence to detect unrated properties commenced in 2019/20, resulting in an additional £268,074 of income so far across the County. There are currently 60 cases with the Valuation Office awaiting valuation, therefore, the additional income figure is expected to be significantly increased. Kent County Council receive in the region of 9% of the additional income recovered through this activity.
- 1.13 Further workstreams are in progress to address fraud within Social Housing and Social Care. For Social Care, Internal Audit have received a Data Match via the National Fraud Initiative looking at the financial assessment of people in residential care. This has been matched to HMRC tax return data to identify undeclared income, capital and property that may impact on their care contributions.

## **Joint Counter Fraud Funding with Other Preceptors**

- 1.14 Funding from KCC, Police, Fire and Rescue as major preceptors has been agreed for a further 2 years, to support District, Borough and City Councils in tackling fraud and error within the Council Tax and Business Rate system. KCC currently grants the 12 District, Borough and City Councils a total of £515k for 2019/20.
- 1.15 Activity conducted so far for Q1 2019/20 has identified a total of £707,340 of underpaid Council Tax and future income expected through the cancellation of discounts/ exemptions. Kent County Council receive in the region of 80p for every additional £1 collected, therefore on track to provide a 3:1 return on investment.

## **Counter Fraud Pro-Active Work**

- 1.16 The balance between reactive and proactive Counter Fraud Work continues to be a challenge for the Counter Fraud Team, with a continued rise in reported fraud and irregularities. To assist in the prevention of fraud occurring, in 2019/20 the Counter Fraud Team have delivered so far:
- Fraud awareness to School Business Managers & Finance Officers, School Senior Leaders and The Sports and Physical Activity Service;
  - The drafting and engagement of fraud risk assessments for Directorates to review and adopt;
  - Blue Badge enforcement event with 10 of the 12 Parking Managers and senior Civil Enforcement Officers;
  - Enforcement day with Gravesham Borough Council; and
  - Implemented the two medium and one low risk recommendations made as part of the independent counter fraud review conducted by Medway Council.

1.17 Further planned pro-active work includes:

- Progressing a pilot with the Cabinet Office to match financial assessment data to more HMRC data sets;
- Delivery of fraud awareness to School Governor forums across the County;
- Roll out a Counter Fraud Culture Survey to set areas to assess culture in preventing and detecting fraud and corruption; and
- Continued engagement with Parking Managers through attendance at the Kent Parking Managers meetings.

## **Counter Fraud Resources**

1.18 With the increasing levels of referrals, staffing resources are under pressure. This will, in part, in the short term be mitigated by the employment an undergraduate on a work placement contract for 44 weeks. This will complement the 3.8 FTE currently working within the team.

1.19 Resource levels will be reviewed on an ongoing basis.

## **Conclusions**

1.20 Referrals are still increasing overall, certain areas such as Blue Badge and Concessionary Passes have inherent weaknesses due to the nature of the scheme. However, where KCC have more influence over the process and as services counter fraud culture improves, Internal Audit are seeing a reduction in fraud and irregularities, for example No Recourse to Public Funds.

1.21 The Counter Fraud Team are increasing the number of prosecutions compared to previous years, this places additional work pressure to ensure that cases are court ready and robust. Additional resources are being obtained to ensure Internal Audit deliver both the reactive and proactive activity.

## **Recommendation**

1.22 The Governance and Audit Committee note the Counter Fraud Update report for the period April to August 2019.

## **Background Documents**

None

**James Flannery, Counter Fraud Manager**

03000 416092, [james.flannery@kent.gov.uk](mailto:james.flannery@kent.gov.uk)

Oct 2019

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# The Annual Audit Letter for Kent County Council

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# Contents



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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Kent County Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Governance and Audit Committee as those charged with governance in our Audit Findings Report<sup>24</sup> July 2019.

## Our work

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £43,000,000, which is 1.95% of the Council's gross expenditure.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the Council's financial statements on 25 July 2019.
<b>Whole of Government Accounts (WGA)</b>	We expect to complete work on the Council's consolidation return following guidance issued by the NAO by the deadline of 13 September 2019.
<b>Use of statutory powers</b>	We are required under the Act to give electors the opportunity to raise questions about the Council financial statements and we consider and decide upon objections received in relation to the financial statements. We received no questions or objections from electors in relation to the 2018/19. We are completing our work around an objection from an elector to the 2016/17 financial statements

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

# Executive Summary

<b>Value for Money arrangements</b>	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 25 July 2019.
<b>Certification of Grants</b>	We also carry out work to certify the Council's Teachers Pension Grant claim. Our work on this claim is not yet complete and will be finalised by 29 November 2019. We will report the results of this work to the Governance and Audit Committee separately.
<b>Certificate</b>	We are currently unable to certify the completion of the 2016/17 due to an outstanding elector objection which is still being considered, and will therefore also be unable to certify completion of the 2017/18 and 2018/19 audit when we give our audit opinion.

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## Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements 6 days before the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

- Sharing our insight – we provided regular audit committee updates covering best practice.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
August 2019

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £43,000,000, which is 1.95% of the Council's gross expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £2,150,000, above which we reported errors to the Governance and Audit Committee in our Audit Findings Report.

### Superannuation Fund Materiality

For the audit of the Kent County Council Superannuation Fund accounts, we determined materiality to be £58,000,000, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Superannuation Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a threshold of £2,900,000 above which we reported errors to the Governance and Audit Committee.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report, annual governance statement to check they are consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• Evaluated the competence, expertise and objectivity of any management experts used.</li> <li>• Discussed with the valuer the basis on which the valuation is carried out and challenge the key assumptions.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Tested revaluations made during the year to ensure they are input correctly into the Authority's asset register</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value</li> <li>• Utilised the work of an auditor's expert to consider the valuation movements against the expected levels across similar properties.</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of property, plant and equipment</p>

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of net pension liability</b></p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 61</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out</li> <li>assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>Undertook procedures to confirm the reasonableness of the actuarial assumptions made. We utilised an auditor's expert in order to gain this assurance; PWC as a consulting actuary;</li> <li>Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> <li>Additional work was required due to the impact of the McCloud judgement. During the year The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</li> </ul>	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p>
<p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore consider management over-ride of controls, in particular journals, management estimates and transactions outside the normal course of business as a significant risk requiring special audit consideration.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> <li>gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>evaluated the rationale for any changes in accounting policies or significant unusual transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Audit of the Financial Statements

## Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation, classification and ownership of investments</b></p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Investments held by the Authority are often complex and require judgment. Level 3 investments by their very nature require a particularly high degree of judgement, but there is risk to reach an appropriate valuation at year end for all the investments, There is also the risk of investments being classified incorrectly due to the accounting requirements changing under the new IFRS 9.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> <li>gained an understanding of the Authority's process for valuing investments and evaluate the design of the associated controls</li> <li>reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</li> <li>considered of the competence, expertise and objectivity of any management experts used.</li> <li>reviewed the qualifications of the Fund Managers to value investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>assessed the Authority's policy undertaken in regard to the new accounting standard and ensure all investments are subsequently categorised correctly.</li> </ul> <p>As part of our audit work we reviewed management's assessment of the classification of investments under the new standard (IFRS 9 Financial instruments). Prior to the audit the Council were in discussion with us on the treatment of these investments and they indicated that they were going to classify them as fair value through other comprehensive income (FVOCI) as advised by their treasury advisors. They also sought QC advice, which determined that the Council had treated the investments correctly. However, our internal assessment, based on our understanding of IFRS 9 and our understanding of the CIPFA Accounting Code, which has been adopted by local authorities in 2018/19, determined that this designation was not open to the Council for these types of investments and they should instead be classified as Fair Value through Profit and Loss (FVPL).</p> <p>Following further discussions between ourselves and the Council, the Council agreed to amend to FVPL and the required adjustments were made to the accounts.</p>	<p>Our audit work identified an adjustment required in the classification of the investments initially held as FVOCI. These were amended to FVPL following discussions with the client. We did not identify any other issues.</p>

# Audit of the Financial Statements

## Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation, classification and ownership of Investments</b></p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Investments held by the Pension Fund are often complex and require judgment. Level 3 investments by their very nature require a particularly high degree of judgement, but there is risk to reach an appropriate valuation at year end for all the investments. With the Pension Fund having moved a portion of its investments into the new ACCESS pool, this creates additional risk.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund's process for valuing investments and evaluated the design of the associated controls</li> <li>reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments</li> <li>consideration of the competence, expertise and objectivity of any management experts used</li> <li>reviewed the qualifications of the Fund Managers to value investments at year end and gained an understanding of how the valuation of these investments has been reached</li> <li>for a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We also reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period</li> </ul>	<p>Our audit work has not identified any issues in respect of this risk.</p>
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore consider management over-ride of controls, in particular journals, management estimates and transactions outside the normal course of business as a significant risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 25 July 2019.

## **Preparation of the financial statements**

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the Council's Governance and Audit Committee on 25 July 2019.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## **Pension fund accounts**

We gave an unqualified opinion on the pension fund accounts of Kent Superannuation Fund on 25 July 2019. We also reported the key issues from our audit of the pension fund accounts to the Council's Governance and Audit Committee on 24 July 2019.

## **Whole of Government Accounts (WGA)**

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. Our work is not yet complete and we expect to issue an assurance statement by the deadline of 13 September.

## **Other statutory powers**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

To date we have received no questions or objections from electors in relation to the 2018/19 financial statements. We are completing our work around an objection from an elector to the 2016/17 financial statements.

## **Certificate of closure of the audit**

We are unable to certify that we have completed the 2016/17, 2017/18 and 2018/19 audit of the accounts of Kent County Council until we resolve all elector objections.



# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2019, we agreed recommendations to address our findings.

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Overall Financial Position – Medium Term Financial Plan</b></p> <p>You have a strong track record of delivering to your budgeted spend at the year end. However as reported at Month 8 you were anticipating a outturn deficit pressure of £1.9m for the year. There is a requirement for a considerable level of savings of the life of the Medium Term Financial Plan (MTFP).</p> <p style="text-align: right;">Page 66</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> <li>Reviewed the assumptions behind the latest MTFP</li> <li>Reviewed savings plans and revenue generating schemes.</li> <li>Discussed your plans and outcomes with management, as well as reviewing how finances are reported to Councillors.</li> </ul>	<p>The Council has set balanced budget for 2019/20, which includes the need to identify circa £45m of income generation and savings in the year. In the 2019/20 year you faced the following immediate challenges:</p> <ul style="list-style-type: none"> <li>- A net reduction in government grants primarily due to the continued phased reduction in the Revenue Support Grant</li> <li>- Increased spending demands of £72m driven by changes in demography/increasing demand, inflation of pay and prices, replacement of one-off items in 2018-19 and other budget realignments.</li> </ul> <p>We have analysed your detailed breakdown of the reductions in income and increased expenditure budgeted for 2019/20. We discussed the key items with management and looked at the assumptions behind these and concluded that they were realistically and prudently estimated but remain challenging.</p> <p>We have discussed with management the assumptions and estimates which underlie their estimates of the additional revenue which you plan to generate and the savings plans. We challenged the key assumptions and we found the estimates were reasonable. The Council has a very good track record in setting budgets which are accurate and very close to the reality shown in the outturn position.</p> <p>We discussed and reviewed key savings plans with management and they were able to demonstrate to us that there are advanced and well developed plans underlying the transformational savings totals 2019/20.</p> <p>We are satisfied that management have demonstrated that sound financial planning processes and robust financial controls are in place.</p> <p>On the basis of this work, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for securing value for money.</p>

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Brexit</b></p> <p>With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on the Authority and which it will need to plan for.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 67</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> <li>Reviewed your arrangements and plans to mitigate any risks on Brexit. Our review will focus on areas such as workforce planning, supply chain analysis, regulatory impact and impacts on finances including investments.</li> </ul>	<p>At the time of writing our audit plan, the UK was due to exit from the EU on 29 March 2019. this was delayed and Brexit is now expected to happen on a revised date of 31 October 2019. Therefore the expected risk related to the impact of Brexit has not materialised within the period covered by this report. However we have considered the level of preparedness and planning undertaken by the Council.</p> <p>The Council is part of the Kent Resilience Forum and work undertaken to assess the risk and prepare for Brexit have included work undertaken with in the Council as part of a multi agency approach. The overall approach has involved considering the risk from a no-deal scenario and the areas which it would impact;</p> <ul style="list-style-type: none"> <li>The internal resilience groups within Directorates meeting regularly to consider Brexit risks and responses</li> <li>Co-ordination of the approach and risk assessment across the county through the Kent Resilience Forum. Through this body the Council has participated in exercises to test plans related to identified risks such as transport</li> <li>Brexit briefings have been provided to the Council in order keep members informed of progress Through this body the Council</li> <li>The business continuity plans across the Council have been reviewed and updated to ensure they consider the potential impact of Brexit</li> <li>The regulatory impact has been considered by the Council's legal team</li> <li>The Council's website also provides helpful links to where residents and businesses can get the most up to date advice including government's official source for a wide-range of information for residents and businesses about the UK leaving the EU.</li> </ul> <p>On the basis of this work, we have concluded that the risk was sufficiently mitigated based on the information the Council has had in order to prepare for the impact of Brexit at this time.</p>

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

### Reports issued

Report	Date issued
Audit Plan	24 April 2019
Audit Findings Report	24 July 2019
Annual Audit Letter	31 August 2019

### Fees

	Planned £	Actual fees £	2017/18 fees £
<b>Audit and Audit related fees</b>			
Statutory audit	120,062	128,862	155,925
Audit of Pension Fund	23,537	35,337	30,568
Teachers Pension Grant Certification 2017-18	4,250	4,750	4,250
RGF grant certification	2,500	2,500	n/a
<b>Non-audit fees</b>			
CFO Insights membership 2019-19	10,000	10,000	10,000
<b>Total fees</b>	<b>160,349</b>	<b>181,449</b>	<b>200,743</b>

### Audit fee variation – Kent County Council audit

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £120,062 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
<b>Assessing the impact of the McCloud ruling</b>	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	2,400
<b>Pensions – IAS 19</b>	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,200
<b>PPE Valuation – work of experts</b>	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work at all clients to reflect this.	2,400
<b>Financial instruments – IFRS 9 classification</b>	As a result of the implementation of IFRS 9 and the discussions with the Council on the classification of the pooled investment vehicles, additional work was required including the involvement of technical specialist.	2,800
<b>Total</b>		<b>8,800</b>

Fee variations are subject to PSAA approval.

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

### Audit fee variation – Kent Superannuation Fund

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £23,537 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

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Area	Reason	Fee proposed
<b>Assessing the impact of the McCloud ruling</b>	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	800
<b>Pensions – IAS 19</b>	As auditor of the pension fund we are required to provide assurance to the auditors of admitted bodies. This is an additional requirement this year in addition to the work required to provide assurance for the pension fund financial statements. As this additional work is to support the IAS 19 for admitted bodies, the Pension Fund will need to determine whether to recharge the cost to these bodies.	11,000
<b>Total</b>		11,800

Fee variations are subject to PSAA approval.

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

## Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

## New opportunities and challenges for your community

### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

## Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

## Grant Thornton in Local Government

### Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

### Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

### Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

### Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

### Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

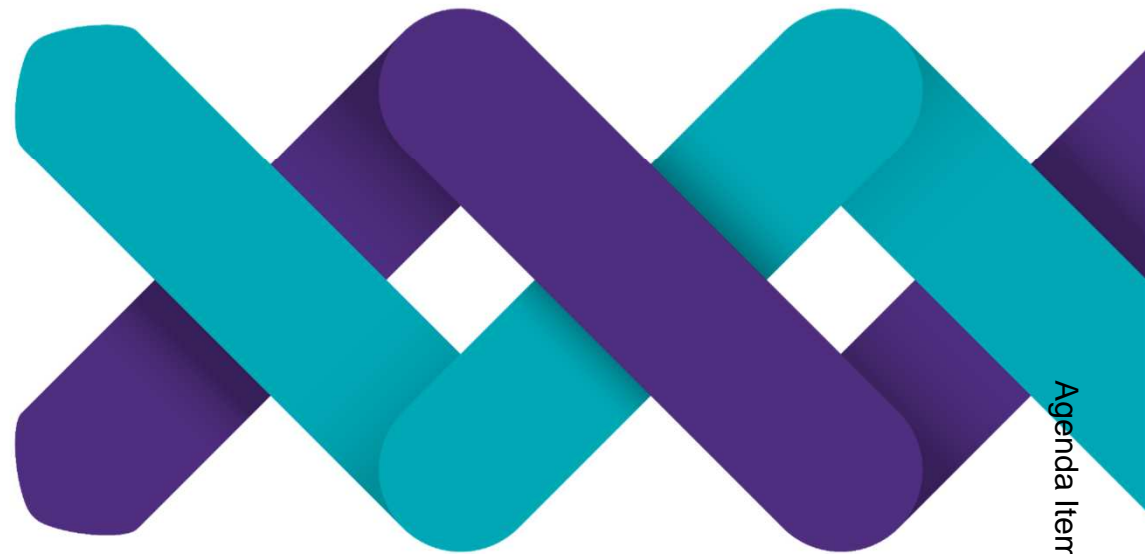


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# Audit Progress Report and Sector Update

Kent County Council  
Year ending 31 March 2020  
Page 73  
September 2019



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# Introduction



**Paul Dossett**

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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**Engagement Manager**

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

## PSAA Contract Monitoring

Kent County Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psaa.co.uk](http://www.psaa.co.uk).

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

# Progress at September 2019

## Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 25 July 2019.

We will begin our planning for the 2019/20 audit in November and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the statutory accounts publication date of 31 July 2020.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the statutory accounts publication date of 31 July 2020.

## Other areas

### Meetings

We met with Finance Officers in July as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

### WGA and Kent Sports Partnership

Our work in these areas is ongoing and we hope to complete them shortly.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Audit Findings Report</b> The Audit Findings Report was reported to the July Audit Committee.	July 2019	Complete
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Complete
2019/20 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2019	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	January 2020	Not yet due
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2020	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2020	Not yet due

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# Sector Update

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Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Page 7  
Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local  
government

# CIPFA – CFO confidence survey

## In July, the Chartered Institute of Public Finance and Accountancy (CIPFA) reported the results of their annual confidence survey.

The survey found that the majority of local government finance officers have lost confidence in their future financial positions over the last year.

Seventy per cent of respondents said they were either slightly less or much less confident in their financial position this year compared to 2018-19.

The survey also found that 68% said they were either slightly less or much less confident in their ability to deliver services in 2020-21. Sixty-two per cent expressed equal confidence in their financial position for 2019-20 as they had last year.

CIPFA found that the area of greatest pressure for top tier authorities was children's social care, with the number of authorities rating it as the biggest pressure rising by six percentage points.

For districts the greatest pressures were housing, cultural services and environmental services.

Rob Whiteman, CIPFA chief executive, said: "Local government is facing greater demand pressures than ever before, with particularly pressures in adults' and children's social care and housing. Local authorities also lack certainty about their future financial positions, so it's unsurprising to see confidence on the decline.

"We have repeatedly pointed out that local government is in need of a sustainable funding solution, but meeting this demand requires more than pennies and pounds. The sector as a whole must come together to address the challenges of effective service delivery."

CIPFA's survey received a total of 119 responses from authorities in the UK - 56 top tier authorities, 47 English districts, 12 Scottish authorities, and 4 Welsh authorities.



On the same theme, a Local Government Association (LGA) survey, also reported in July, found that almost two-thirds of councils believe cash for services like adult social care, child protection and preventing homelessness will dry up by 2024-25.

The survey got responses from 141 of the 339 LGA member councils in England and Wales.

It also found that 17% of councils were not confident of realising all of the savings they had identified this year (2019-20).

The LGA said that councils needed a guarantee they will have enough money to meet growing demand pressures in particular in adult social care, children's services, special educational needs, homelessness support and public health.



## Financial confidence



### Challenge question:

How confident over its' financial position is your Authority? Has this changed from previous years?

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”

In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.





# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

**Stage 1** involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

**This stage of the consultation is now closed.** The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)


**Stage 2** of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

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

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation is open until 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>


<b>Consultation response</b> by the National Audit Office
Local audit in England Code of Audit Practice
Issues paper: Consultation response

# Local Government Association – Profit with a purpose – delivering social value through commercial activity

The Local Government Association (LGA) report 'Profit with a purpose' focuses on some of the practicalities of how councils can deliver social value through their commercial activity.

Through 'key questions' to ask, the guidance supports councils to face the challenge of how to undertake commercial activity and achieve greater value for the public purse in ways that better meet society's needs and outcomes for people and communities.

In addition, the publication features a number of short case studies highlighting some of the innovative commercial practice already achieving results for communities.

The LGA comments that the best approaches ensure the generation of social value is the primary factor driving commercial activity; from the initial decision to develop a commercial vision to how the approach is developed, and implemented, councils which are pulling ahead ensure social value is placed centre stage.

The guidance starts with an overview of what the LGA understands by 'profit with a purpose', the guidance explores different types of social value and the role of councils in driving social value alongside their commercial ambition.

The guidance then looks at how consideration and delivery of social value should be practically considered when deciding on whether to embark on commercial activity, the need for social value to be prioritised alongside financial return and the key questions councils should consider when embarking on a commercial initiative.

Following on from this, there are specific chapters on; embedding social value in governance of alternative service delivery vehicles, the role of procurement in contracting services that deliver social value and finally how to contract and performance manage social value through your service providers.

Each chapter outlines the factors that need to be considered and the 'key questions' councils should be asking themselves.

In addition, a number of short case studies are provided to highlight some of the innovative commercial practice already achieving results for communities.

The report can be downloaded from the LGA website:

<https://www.local.gov.uk/profit-purpose-delivering-social-value-through-commercial-activity>



## Profit with a purpose

Delivering social value through commercial activity

Profit with a purpose



**Challenge question:**

If your Authority is looking at commercial activity, have you considered the LGA report?

# MHCLG – Brexit preparations

Councils should be fully prepared to leave the European Union by the end of October, the Communities and Local Government Secretary announced on 3 August as he ramped up preparations.

Mr Jenrick thanked councils for all the work they have already done, but said they must step up vital preparations and committed £20 million for councils across England to prepare for delivering Brexit on 31 October, whatever the circumstances.

He has asked each council to designate a Brexit lead to work with central government and oversee teams in every community who will work with stakeholders in their area to plan intensively for Brexit.

The new funding comes in recognition of the central role councils will play to make sure their residents are ready for Brexit, and is expected to support a range of activity including communications, training and the recruitment of staff.



The Secretary of State said:

“From Whitehall to town halls – everyone needs to be ready to fulfil our democratic mandate to leave the European Union by the end of October.

Local government has a vital role in helping to make Brexit a success and it is absolutely right that together we intensify preparations in every community.

And to do this successfully I have asked every council to appoint a Brexit lead to work with government. We’ll be providing £20 million for councils to support the major step up in preparations.

I want all of us – central and local government – to be fully prepared for leaving the EU on 31 October whatever the circumstances. I know that we can achieve this, by continuing to work side by side with renewed national focus and intensity.”

## Brexit preparations



### Challenge question:

Who is your Brexit lead and how is your authority supporting Brexit preparations?

# Public Accounts Committee – Local Government Governance and Accountability

The Public Accounts Committee has found that the Government has not done enough to ensure that, at a time when local authority budgets are under extreme pressure, governance systems are improved.

The Ministry of Housing, Communities & Local Government (the Department) is responsible for: ensuring that this framework contains the right checks and balances, and changing the system if necessary. The Secretary of State also has powers to intervene in cases of perceived governance failure. The framework includes: officers with statutory powers and responsibilities; internal checks and balances such as audit committees and internal audit; and external checks and balances such as external audit and sector-led improvement overseen by the Local Government Association. These arrangements represent a significant reduction in the level of central oversight in recent years following the government's decision to abolish the Audit Commission and the Standards Board for England as part of a broader reform of local audit, inspection and reporting.

The Public Accounts Committee report summary notes "Local authorities have a good overall track record with governance arrangements generally robust across the sector, and there is evidence that local authority governance compares favourably to that of the health sector. However, this is not universal and in some authorities governance is under strain, as funding reduces and responsibilities and exposure to commercial pressures change. We are worried to hear about audit committees that do not provide sufficient assurance, ineffective internal audit, weak arrangements for the management of risk in local authorities' commercial investments, and inadequate oversight and scrutiny. This is not acceptable in the more risky, complex and fast-moving environment in which local authorities now operate.

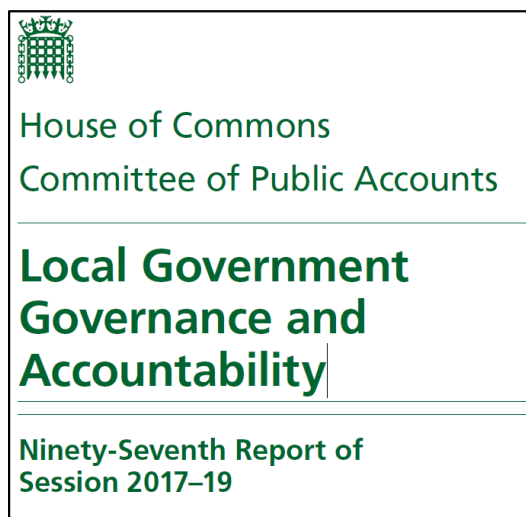
The Department has been reactive and ill-informed in its approach to oversight of the local governance system. However, the Department has now recognised that the network of bodies with responsibility for the local governance framework is fragmented and lacking the leadership needed to drive change. Encouragingly, the Department has now committed to enhancing its oversight role and producing a proactive work programme to deliver this change. We urge the Department to ensure that this activity leads to concrete actions and outcomes on a timely basis. When a local authority fails this has a significant impact on local people and the Department has a responsibility to work with local government to ensure that problems are caught early and that it can pinpoint at-risk councils. Since the abolition of the Audit Commission and other changes culminating in the Local Audit and Accountability Act 2014 there is no central assessment of value for the money, which means the Department's work is fundamental."

The report makes five conclusions, with associated recommendations:

- 1) The Department is not yet providing effective leadership of the local governance system.
- 2) The Department does not know why some local authorities are raising concerns that external audit is not meeting their needs.
- 3) The Department lacks reliable information on key governance risks, or relies on weak sources of information, meaning it has no way of pinpointing the at-risk councils.
- 4) The Department's monitoring is not focused on long-term risks to council finances and therefore to services.
- 5) There is a complete lack of transparency over both the Department's informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The Government response is available on the website below:

<https://www.parliament.uk/documents/commons-committees/public-accounts/Gov-response-to-Public-Accounts-on-the-93-98-reports.pdf>





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**To:** Governance & Audit Committee

**From:** Mike Hill, Cabinet Member, Community and Regulatory Services  
Barbara Cooper, Corporate Director, Growth, Environment & Transport

**Date:** 18<sup>th</sup> September 2019

**Subject:** Report on use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2018 – 31 March 2019

**Classification:** Unrestricted

## **FOR ASSURANCE**

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**Summary** This report outlines work undertaken by KCC Officers on surveillance, the use of covert human intelligence sources (CHIS) and access to telecommunications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2018/19 business year.

**Recommendations** Members are asked to note for assurance the use of covert investigative techniques during the period and endorse the policy in relation to the use of covert investigative techniques.

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### **1. Background**

- 1.1 The document sets out the extent of Kent County Council's use of covert surveillance, covert human intelligence sources and access to telecommunications data. The County Council wishes to be as open and transparent as possible, to keep Members and senior officers informed and to assure the public these powers are used only in a 'lawful, necessary and proportionate' manner.
- 1.2 To achieve transparency and in accordance with the Codes of Practice, an annual report outlining the work carried out is submitted by the Senior Responsible Officer (SRO) to an appropriate Committee. The last report was submitted and approved by the Governance and Audit Committee on 25<sup>th</sup> July 2018.

### **2 What this report covers**

- 2.1 Covert Surveillance – Surveillance which is intended to be carried out without the person knowing and in such a way that it is likely that private information may be obtained about a person (not necessarily the person under surveillance). Local authorities are only permitted to carry out certain types of covert surveillance and for example cannot carry out surveillance within or into private homes or vehicles (or similar "bugging" activity).

- 2.2 Covert Human Intelligence Source (CHIS) – the most common form is an officer developing a relationship with an individual without disclosing that it is being done on behalf of the County Council for the purpose of an investigation. In most cases this would be an officer acting as a potential customer and talking to a trader about the goods / services being offered for sale. Alternatively, a theoretical and rare occurrence would be the use of an ‘informant’ working on behalf of an officer of the Council. In such cases, due to the potential increased risks, KCC has agreed a memorandum of understanding with Kent Police.
- 2.3 Access to communications data – Local authorities can have access to data held by telecommunications providers. Most commonly this will be the details of the person or business who is the registered subscriber to a telephone number or social media account. Local authorities are not able to access the content of communications and so cannot “bug” telephones or read text messages.
- 2.4 In each of the above scenarios an officer is required to obtain authorisation before undertaking the activity. This decision is logged in detail, with the authorising officer considering the lawfulness, necessity and proportionality of the activity proposed and then completing an authorisation document.

After authorisation has been granted (if it is), in relation to surveillance and CHIS, the officer applies for judicial approval and attends a Magistrates’ Court to secure this.

For surveillance and CHIS the approval document is then held on a central file. There is one central file for KCC, held on behalf of the Corporate Director, Growth, Environment and Transport, which is available for inspection by the Investigatory Powers Commissioner (IPC). For telecommunications authorisations KCC uses the services of the National Anti-Fraud Network (NAFN) to manage applications and keep our records. This was on the advice of the then Interception of Communications Commissioner’s Office (IoCCO). Any inspection of this type of approval carried out by IPC is conducted at the offices of NAFN.

### **3 RIPA work carried out between 1 April 2018 – 31 March 2019**

Total number of authorisations granted for 2017/18 (figure for 2017/18 in brackets):

Surveillance – 5 (5)

Covert human intelligence source (CHIS) – 1 (2)

Access to telecommunications data – 3 (10)

### **4. Purposes for which covert techniques used**

#### Sale of counterfeit goods

1 Surveillance authorisation, 1 CHIS authorisation and 1 access to communications data authorisations were granted for the purpose of one investigation into the crime of selling counterfeit goods. This is an ongoing, active and high value investigation



### Doorstep frauds

4 access to communications data authorisations were granted for the purpose of investigating crimes associated with fraud conducted at homeowners' doorsteps. The crimes include fraud and money laundering. The cases are still under investigation.

### Sales of age restricted goods to children

1 surveillance authorisation was granted for the purpose of investigating allegations of sales of age restricted goods, including alcohol and tobacco, to children. Four investigations resulted from sales during this operation.

### Fly tipping

1 surveillance authorisation was granted for the purpose of investigating an allegation of fly tipping. No fly tipping was observed.

## **5. Reportable errors**

These are errors which are required, by law, to be reported to the oversight commissioners for either surveillance or communications data requests. The errors can include those made by KCC or those made by third parties including communications data providers.

No reportable errors have been made in relation to KCC authorisations this year.

## **6. KCC Policy**

The statutory codes of practice which cover public authority use of covert investigative techniques require that the elected members of a local authority should review the authority's use of these techniques and set policy at least once per year.

Appendix 1 to this report is KCC's policy.

Since this matter last came to the committee the policy has been updated. Some updates are administrative to, for example, update job titles within the KCC structure. More fundamentally, however, the policy has been updated to take into account changes to the law introduced by the Investigatory Powers Act 2016 which came into force in 2019. Paragraph 7, below, explains those changes.

To adequately reflect the new position the policy is now titled "Policy in relation to the use of covert investigative techniques" rather than referring only to RIPA.

## **7. New legislation**

As highlighted in last year's report, the Investigatory Powers Act 2016 (IPA) has set up a new regime within which local authorities must access communications data. Such access is no longer controlled by RIPA.

A new Office for Communications Data Authorisations (OCDA) has been created and all local authority requests for such data must be channelled through them. Officers will continue to submit their applications via the National Anti-Fraud Network (NAFN) but officers within KCC will no longer authorise these applications. OCDA is a wholly independent body and, as a result, officers will no longer be required to seek judicial approval for authorisations under IPA, saving both officer and court time.

The definitions within IPA also allow local authority officers to seek, in appropriate circumstances, a wider range of information from a communications service provider, beyond the data which was accessible previously. This is likely to have a positive benefit to investigations into serious criminality. Local authorities may not intercept or “eaves drop on” communications. This has only ever been an option for agencies involved in dealing with the most serious offending and national security matters.

The role of Senior Responsible Officer (SRO) under IPA is different from the SRO role under RIPA. The Corporate Director for Growth, Environment and Transport has occupied that role under RIPA and will continue to do so. Whilst the Corporate Director will retain oversight of KCC’s use of IPA, the SRO role is more operational and includes the need for engagement with OCDA and also authorisation of certain use of data. The Head of Kent Scientific Services will undertake this role.

## **8. Recommendations**

Members are asked to note for assurance the use of covert investigative techniques during the period and endorse the policy in relation to the use of covert investigative techniques.

### Contact Officer

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# Kent County Council

## Policy in relation to the use of covert investigative techniques

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## 1. Introduction

This policy document is based on the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) as amended, The Protection of Freedoms Act 2012, The Investigatory Powers Act 2016 and the Home Office's Codes of Practice for Directed Surveillance, Covert Human Intelligence Sources (CHIS) and Acquisition and Disclosure of Communications data.

Links to the above documents can be found at:

<http://www.legislation.gov.uk/ukpga/2000/23/contents>

<http://www.legislation.gov.uk/ukpga/2012/9/contents>

<http://www.legislation.gov.uk/ukpga/2016/25/contents>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/742041/201800802\\_CSPI\\_code.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742041/201800802_CSPI_code.pdf)

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/822817/Communications\\_Data\\_Code\\_of\\_Practice.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822817/Communications_Data_Code_of_Practice.pdf)

- 1.1 Surveillance plays a necessary part in modern life and law enforcement. It is used not just in the targeting of criminals, but also as a means of preventing crime and disorder. The Regulation of Investigatory Powers Act 2000 (RIPA) introduced a system of authorisation and monitoring of activities, to ensure that the rights of the individual were not unnecessarily compromised, in the pursuance of regulatory compliance. The Protection of Freedoms Act and Investigatory Powers Act have refined the system introduced by RIPA.
- 1.2 Within the County Council, Trading Standards Officers may need to covertly observe and then visit a shop, business premises, website, social media page or to follow a vehicle or individual as part of their enforcement functions. During a visit or a test purchase situation it may be necessary to covertly video record a transaction, as it takes place. Environmental crime enforcement staff may also need to observe or record at places where illegal tipping or other similar crimes take place and access communications data when investigating such crimes. Similarly, KCC's Internal Audit fraud investigators may need to carry out covert surveillance or acquire communications data when they are investigating a crime which they intend to prosecute using the criminal law. They need to use covert surveillance techniques as part of their official duties.
- 1.3 Only those officers designated as "authorising officers" from the specified units or services are permitted to authorise the use of techniques referred to in RIPA. Trading Standards may use Covert Directed Surveillance, Covert Human Intelligence Sources and acquisition of communications data. Environmental Crime enforcement team may use Covert Directed Surveillance and acquisition of

communications data. Internal Audit fraud investigators may use Covert Directed Surveillance and acquisition of communications data.

- 1.4 Covert Directed Surveillance is undertaken in relation to a specific investigation or operation, where the person or persons subject to the surveillance are unaware that it is, or may be, taking place. The activity is also likely to result in obtaining private information about a person, whether or not it is specifically for the purpose of the investigation.
- 1.5 Investigations may also require the use of Covert Human Intelligence Sources (CHIS). These may be under-cover officers, agents or informants. Such sources may be used by the County Council to obtain and pass on information about another person, without their knowledge, as a result of establishing or making use of an existing relationship. This clearly has implications as regards the invasion of a person's privacy and is an activity which the legislation regulates. A CHIS (other than our own staff) would be used only rarely and in exceptional circumstances.
- 1.6 The Investigatory Powers Act (IPA) also requires a control and authorisation procedure to be in place in respect to the acquisition of telecommunications data. The County Council needs to comply with these requirements when obtaining, for example, telephone or internet subscriber, billing and account information.
- 1.7 In addition, the IPA put in place the Investigatory Powers Commissioner whose duties include inspection those public bodies undertaking covert surveillance and the acquisition of communications data and introduced an Investigatory Powers tribunal to examine complaints that human rights may have been infringed.

## **2. Policy Statement**

- 2.1 Kent County Council will not undertake any activity defined within RIPA or the IPA without prior authorisation in the legally prescribed form.
- 2.2 The Corporate Director of Growth, Environment and Transport has been appointed as the overall Senior Responsible Officer (SRO) with responsibility for the use of covert techniques and, as such, has been given authority to appoint Authorising Officers for the purposes of RIPA (for surveillance and CHIS activities), a Senior Responsible Officer and "Made Aware" Officers for the purposes of the IPA (for access to communications data). The Corporate Director is a member of the corporate leadership team currently called Corporate Management Team.
- 2.3 The Authorising Officer will not authorise the use of surveillance techniques or CHIS unless the authorisation can be shown to be necessary for the purpose of preventing or detecting crime or of preventing disorder.
- 2.4 In addition, the Authorising Officer must believe that the surveillance or use of CHIS is lawful, necessary and proportionate to what it seeks to achieve. In making this judgment, the officer will consider whether the information can be obtained using other methods and whether efforts have been made to reduce the impact of the surveillance or intrusion on other people, who are not the subject of the operation.

- 2.5 Applications for authorisation of surveillance or the use of a CHIS will be made in writing on the appropriate form (see Annexes 1 or 2 for example forms).
- 2.6 Intrusive surveillance operations are defined as activities using covert surveillance techniques on residential premises or in any private vehicle, which involves the use of a surveillance device or an individual in such a vehicle or on such premises. Kent County Council officers are NOT legally entitled to authorise or undertake these types of operations. Operations must not be carried out where legal consultations take place at the places of business of legal advisors or similar places such as courts, Police stations, prisons or other places of detention.
- 2.7 Public bodies are permitted to record telephone conversations, where one party consents to the recording being made and an appropriate authorisation has been granted. On occasions, officers do need to record telephone conversations, to secure evidence.
- 2.8 It is the policy of this authority to be open and transparent in the way that it works and delivers its services. To that end, a well-publicised KCC Complaints procedure is in place and information on how to make a complaint will be provided on request being made to the Corporate Director or Authorising Officer.

### **3. Internet and social media investigations**

- 3.1 On-line communication has grown and developed significantly over recent years. The use of this type of communication in the commission of crime is a recognised aspect of routine investigations.
- 3.2 Observing an individual's lifestyle as shown in their social media pages or securing subscriber details for e-mail addresses is covered by the same considerations as off-line activity.
- 3.3 Staff using the internet for investigative purposes must not, under any circumstances, use their personal equipment or their personal social media or other accounts.
- 3.4 KCC will provide equipment not linked to its servers for this purpose and will maintain a number of "legends" (false on-line personalities) for use in investigations. A register of all such legends will be maintained by the Trading Standards Service.
- 3.5 Under no circumstances will a legend include personal details of any person known to be a real person, including their photograph, or a name known to be linked to the subject of the covert technique.
- 3.6 A log will be maintained by the Trading Standards Service of the use of each legend. The log will include details of the user, time, date and enforcement purpose for which the legend is used. The log will be updated each time a legend is used.

- 3.7 It is unlikely that single viewing of open source data will amount to obtaining private information and it is therefore unlikely that an authorisation will be required. If in doubt, the investigating officer should consult a RIPA Authorising Manager.
- 3.8 Where data has restricted access (e.g. where access is restricted to “friends” on a social networking site), an application for CHIS and, if appropriate, directed surveillance should be made before any attempt to circumvent those access controls is made.

#### **4. Obtaining Authorisation**

- 4.1 The Corporate Director will designate by name one or more Directors, Heads of Service, Service Managers or equivalent to fulfil the role of Authorising Officer (for the purposes of Surveillance and CHIS authorisation), Senior Responsible Officer and “Made Aware” Officer (for the purposes of access to communications data). The Corporate Director will cause to be maintained a register of the names of such officers.
- 4.2 Where a CHIS is a juvenile or a vulnerable person, or there is the likelihood that the information acquired by covert surveillance will be Confidential Information (see Glossary), then the authorisation must be from the Head of Paid Service or, in his absence, a Corporate Director nominated by the Head of Paid Service to deputise for him. In the event of such circumstances, the KCC General Counsel will also be informed.
- 4.3 Authorisations from the Authorising Officer for directed surveillance or to use a CHIS shall be obtained using the appropriate application form (see annexes 1 and 2 for example forms). Also see Section 12 in relation to CHIS.
- 4.4 Applications for access to communications data shall be made using the system provided by the National Anti-Fraud Network.
- 4.5 Guidance for completing and processing the application forms is attached (annexes 3 or 4). Guidance for use of the NAFN portal is published and updated on that website.
- 4.6 If authorisation is granted by the Authorising Officer, the applicant, or a suitably experienced officer nominated by the applicant, will make the necessary arrangements to secure judicial approval of the authorisation in compliance with the requirements of the Protection of Freedoms Act 2012. This requires the applicant, or their nominee, to attend a Magistrates’ Court and seek an approval order.

#### **5. Duration of authorisations**

- 5.1 All records shall be kept for at least 3 years.
- 5.2 A written authorisation (unless renewed) will cease to have effect at the end of the following periods from when it took effect:
- a) Directed Surveillance - 3 months
  - b) Conduct and use of CHIS - 12 months

## **6. Reviews**

- 6.1 Regular review of authorisations shall be undertaken by the relevant Authorising Officer to assess the need for the surveillance or CHIS to continue. The results of the review shall be recorded on the central record of authorisations (see annexes 1 or 2 for review forms). Where surveillance or CHIS activity provides access to Confidential Information or involves collateral intrusion, particular attention shall be given to the review for the need for surveillance or activity in such circumstances.
- 6.2 In each case, the Authorising Officer shall determine how often a review is to take place, and this should be as frequently as is considered necessary and practicable.

## **7. Renewals**

- 7.1 If, at any time, an authorisation ceases to have effect and the Authorising Officer considers it necessary for the authorisation to continue for the purposes for which it was given, s/he may renew it, in writing, for a further period of:
- three months – directed surveillance
  - twelve months – use of a CHIS
  - (see annexes 1 or 2 for examples of renewal forms)
- 7.2 A renewal takes effect at the time at which the authorisation would have ceased to have effect but for the renewal. An application for renewal should not be made until shortly before the authorisation period is drawing to an end. Any person who would be entitled to grant a new authorisation can renew an authorisation. Authorisations may be renewed more than once provided they continue to meet the criteria for authorisation.

## **8. Cancellations**

- 8.1 The Authorising Officer who granted or last renewed the authorisation must cancel it if s/he is satisfied that the Directed Surveillance or the use or conduct of the CHIS no longer meets the criteria for which it was authorised (see annexes 1 or 2 for examples of cancellation forms). When the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer.
- 8.2 As soon as the decision is taken that Directed Surveillance should be discontinued or the use or conduct of the CHIS no longer meets the criteria for which it was authorised, the instruction must be given to those involved to stop all surveillance of the subject or use of the CHIS. The authorisation does not 'expire' when the activity has been carried out or is deemed no longer necessary. It must be either cancelled or renewed. The date and time when such an instruction was given should be recorded in the central register of authorisations and the notification of cancellation where relevant.

## **9. Central Register and Oversight by Corporate Director**

- 9.1 A copy of any authorisation, any renewal or cancellation (together with any supporting information relevant to such authorisation or cancellation) shall be forwarded to the Corporate Director or a person nominated by them within 5



working days of the date of the application, authorisation, notice, renewal or cancellation.

9.2 The Corporate Director shall:

- (a) ensure that a register of the documents referred to in paragraph 9.1 above is kept;
- (b) monitor the quality of the documents and information forwarded;
- (c) monitor the integrity of the process in place within the Council for the management of CHIS;
- (d) monitor compliance with Part II of RIPA and with the Codes;
- (e) oversee the reporting of errors to the relevant Oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- (f) engage with the IPC inspectors when they conduct their inspections, where applicable; and
- (g) where necessary, oversee the implementation of post-inspection action plans approved by the relevant Oversight Commissioner.

**10. Training**

- 10.1 The Authorising Officers shall be provided with training to ensure awareness of the legislative framework.

**11. Planned and Directed Use of KCC CCTV Systems**

- 11.1 KCC's CCTV systems shall not be used for Directed Surveillance, without the Corporate Director or other senior legal officer confirming to the relevant operational staff that a valid authorisation is in place.

**12. Special Arrangements**

- 12.1 The use of a CHIS can present significant risk to the security and welfare of the person. Each authorisation will have a specific documented risk assessment and the CHIS (and all members of any support team) will be briefed on the details of the assessment. Kent County Council has a Memorandum of Understanding with Kent Police for circumstances where the CHIS is not an employee or other agent working for or on behalf of the authority. In other circumstances such as a member of public, "whistle-blower" or informant then Kent Police will handle the operation of the CHIS. Kent Police will ensure the compliance with the Regulations, codes of practice and all other risks such as the security and welfare of the CHIS (and associated persons). Any necessary and relevant information will be provided following best practise as to not risk identifying CHIS unless this is appropriate and approved by Kent Police. In such cases, Kent Police are responsible for all records and monitoring processes.

**13. Oversight**

- 13.1 The Corporate Director shall ensure that this policy is reviewed on an annual basis by presenting a report of activity to the Governance and Audit Committee (or similar Committee). There shall also be brief details of all activity under this policy provided to the Corporate Director and shared with the appropriate Cabinet

Member at such intervals between the annual reports as the Corporate Director sees fit.

- 13.2 Every two years the KCC General Counsel will review the policy, and also contact the Corporate Directors responsible for all other units and services within Kent County Council to inform them of any changes or alterations. The communication will also seek to highlight the details of the restrictions imposed by RIPA, the IPA and Human Rights legislation. Should any unit or service (other than those permitted by this policy) consider that any actions it may have taken (or are considering taking) might infringe this policy, they must be raised with the KCC General Counsel as soon as practicable.

## Glossary

**"Confidential information"** consists of matters subject to legal privilege, confidential personal information, or confidential journalistic material.

**"Directed Surveillance"** is defined in section 26 (2) of RIPA as surveillance which is covert, but not intrusive (i.e. takes place on residential premises or in any private vehicle), and undertaken:

- (a) for the purpose of specific investigation or specific operation;
- (b) in such a manner is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and
- (c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of RIPA to be sought for the carrying out of the surveillance.

**"A person is a Covert Human Intelligence Source"** if:

- he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything within paragraph (b) or (c);
- he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.

**"Communications data"**, in relation to a telecommunications operator, telecommunications service or telecommunication system, means entity data or events data—

(a) which is (or is to be or is capable of being) held or obtained by, or on behalf of, a telecommunications operator and—

(i) is about an entity to which a telecommunications service is provided and relates to the provision of the service,

(ii) is comprised in, included as part of, attached to or logically associated with a communication (whether by the sender or otherwise) for the purposes of a telecommunication system by means of which the communication is being or may be transmitted, or

(iii) does not fall within sub-paragraph (i) or (ii) but does relate to the use of a telecommunications service or a telecommunication system,

(b) which is available directly from a telecommunication system and falls within sub-paragraph (ii) of paragraph (a), or

(c) which—

(i) is (or is to be or is capable of being) held or obtained by, or on behalf of, a telecommunications operator,

(ii) is about the architecture of a telecommunication system, and

(iii) is not about a specific person,

but does not include any content of a communication or anything which, in the absence of subsection (6)(b), would be content of a communication.

## **Annex 1 – Surveillance forms**

Application for Authorisation to Carry Out Directed Surveillance

Review of Directed Surveillance Authorisation

Cancellation of a Directed Surveillance Authorisation

Application of Renewal of a Directed Surveillance Authorisation

(Forms available at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms/> )

## **Annex 2 – Covert Human Intelligence forms**

Application for Authorisation of the Use or Conduct of a Covert Human Intelligence Source

Review of a Covert Human Intelligence Source Authorisation

Cancellation of an Authorisation for the use of or Conduct of a Covert Human Intelligence Source

Application for renewal of a Covert Human Intelligence Source Authorisation

(Forms available at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms/> )

## **Annex 3 - Guidance on completing surveillance forms**

### **Details of Applicant**

Details of requesting officer's work address and contact details should be entered.

### **Details of Application**

**1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2003; No. 3171**

Fill in details of Authorising Officer (see paras 3.1 and 3.2 of Policy)

**2. Purpose of the specific operation or investigation**

Outline what the operation is about and what is hoped to be achieved by the investigation. Indicate whether other methods have already been used to obtain this information. Give sufficient details so that the Authorising Officer has enough information to give the Authority e.g. "Surveillance at Oakwood House and Mr. X".

**3. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, recorder) that may be used**

Give as much detail as possible of the action to be taken including which other officers may be employed in the surveillance and their roles. If appropriate append any investigation plan to the application and a map of the location at which the surveillance is to be carried out.

**4. The identities, where known, of those to be subject of the directed surveillance**

**5. Explain the information that it is desired to obtain as a result of the directed surveillance**

This information should only be obtained if it furthers the investigation or informs any future actions

**6. Identify on which grounds the directed surveillance is necessary under section 28(3) of RIPA**

The ONLY grounds for carrying out Directed Surveillance activity is for the purpose of preventing or detecting crime or of preventing disorder.

This can be used in the context of local authority prosecutions, or where an employee is suspected of committing a criminal offence e.g. fraud.

**7. Explain why this directed surveillance is necessary on the grounds you have identified (code chapter 3)**

Outline what other methods may have been attempted in an effort to obtain the information and why it is now necessary to use surveillance.

**8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable (code chapter 3) Describe precautions you will take to minimise collateral intrusion**

Who else will be affected by the surveillance, what steps have been done to avoid this, and why it is unavoidable?

**9. Explain why the directed surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means? [Code chapter 3]**

If the Directed Surveillance is necessary, is it proportionate to what is sought to be achieved by carrying it out? This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms. Reasons should be given why what is sought justifies the potential intrusion on the individual's personal life and his privacy. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

**10. Confidential information (Code chapter 4)**

Will information of a confidential nature be obtained (i.e. communications subject to legal privilege, or communications involving confidential personal information and confidential journalistic material) if so the appropriate level of authorisation must be obtained (see para 3.2 of the Policy).

**12. Authorising Officer's Statement**

**13. Authorising Officer's comments**

Must be completed outlining why it is proportionate and why he/she is satisfied that it is necessary.

## **Annex 4 - Guidance on completing Covert Human Intelligence forms**

### **Details of Application**

#### **1. Authority Required**

Fill in details of Authorising Officer (see paras 4.1 and 4.2 of the Policy)

Where a vulnerable individual or juvenile source is to be used, the authorisation **MUST** be given by the Head of Paid Service or, in their absence, the Corporate Director deputising for them.

#### **2. Describe the purpose of the specific operation or investigation**

Sufficient details so that the Authorising Officer has enough information to give Authority. Outline what the operation is about and the other methods used already to obtain this information.

#### **3. Describe in detail the purpose for which the source will be tasked or used**

Give as much detail as possible as to what the use of the source is intended to achieve.

#### **4. Describe in detail the proposed covert conduct of the source or how the source is to be used**

Describe in detail the role of the source and the circumstances in which the source will be used

#### **5. Identify on which grounds the conduct or the use of the source is necessary under Section 29(3) of RIPA**

The **ONLY** grounds for carrying out Directed Surveillance activity is for the purpose of preventing or detecting crime or of preventing disorder

#### **6. Explain why this conduct or use of the source is necessary on the grounds you have identified (Code chapter 3)**

Outline what other methods may have been attempted in an effort to obtain the information and why it is now necessary to use surveillance for the investigation.

#### **7. Supply details of any potential collateral intrusion and why the intrusion is unavoidable (Code chapter 3)**

Who else will be affected, what steps have been done to avoid this, and why it is unavoidable?

#### **8. Are there any particular sensitivities in the local community where the source is to be used? Are similar activities being undertaken by other public authorities that could impact on the deployment of the source? (see Code chapter 3)**



Ensure that other authorities such as the police or other council departments are not conducting a parallel investigation or other activity which might be disrupted.

**9. Provide an assessment of the risk to the source in carrying out the proposed conduct (see Code chapter 6)**

A risk assessment will have to be carried out to establish the risks to that particular source, taking into account their strengths and weaknesses. The person who has day to day responsibility for the source and their security (the 'Handler') and the person responsible for general oversight of the use made of the source (the 'Controller') should be involved in the risk assessment.

**10. Explain why this conduct or use of the source is proportionate to what it seeks to achieve. How intrusive might it be on the subject(s) of surveillance or on others? How is this intrusion outweighed by the need for a source in operational terms, and could the evidence be obtained by any other means? [Code chapter 3]**

If the use of a Covert Human Intelligence Source is necessary, is it proportionate to what is sought to be achieved by carrying it out? This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms. Reasons should be given why what is sought justifies the potential intrusion on the individual's personal life and his privacy. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

**11. Confidential information (Code chapter 4). Indicate the likelihood of acquiring any confidential information**

Will information of a confidential nature be obtained (i.e. communications subject to legal privilege, or communications involving confidential personal information and confidential journalistic material) if so the appropriate level of authorisation must be obtained (see para 3.2 of the Policy).

**13. Authorising Officer's comments**

Must be completed outlining why it is proportionate and why he/she is satisfied that it is necessary to use the source and that a proper risk assessment has been carried out.

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By: Peter Oakford – Deputy Leader and Cabinet Member for  
Finance and Traded Services  
Zena Cooke - Corporate Director of Finance

To: Governance and Audit Committee – 3 October 2019

Subject: Updated Scheme of Delegation

Classification: Unrestricted

Summary: This report summarises the updated Scheme of Financial Delegation, prior to approval by County Council.

## **FOR APPROVAL**

### **1. Introduction**

- 1.1 The Scheme of Delegation has been revised to align with the new staffing structures and responsibilities of Strategic Procurement and Commissioning.
- 1.2. In line with the terms of reference of this Committee, revisions made to the Scheme of Delegation need to be agreed before being submitted to County Council for approval as an amendment to the Constitution.
- 1.3 The Scheme of Delegation is usually approved alongside the Financial Regulations. However, this year the Financial Regulations are undergoing a major review which will take some time to complete.

### **2. Main Amendments**

- 2.1 The amendments made to the Scheme of Delegation can be seen in detail at Appendix A, as it is presented showing all tracked changes.
- 2.2 The main areas of change to highlight are:
  - Authorisation limits within the Procurement and Invoice Approval Process have been significantly increased for senior commissioning staff.
  - Contract Extension approval and sign off has been removed as the option to extend is now included in the terms of all relevant contracts.
  - Procurement Plan Approval has been removed as this process is being redesigned.
  - Note 19 has been added to allow directorates to delegate authority to the Strategic Commissioning Team for specified activities up to the value of £500k. This reflects the authority that individual commissioning units held within individual directorates prior to the restructure.

**3. Recommendation**

Members are asked to recommend the updated Scheme of Financial Delegation, to be put forward to County Council for approval.

**Emma Feakins**  
**Chief Accountant**  
**Ext: 416082**

Finance Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic Commissioning				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Strategic Commissioning	Head of Service (Portfolio 1&2) / Head of Commissioning Support	Senior Commissioning Manager / Commercial Manager	Senior Commissioner / Commercial Officers / Indirect Procurement Manager	Buyer
<b>Revenue Virement Limits</b>												
Within Portfolio	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Within Portfolio	2		Less than £200k	Less than £200k								
Between Portfolios	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Between Portfolios	2		Less than £200k	Less than £200k								
<b>Capital Virement Limits</b>												
Within or across Portfolios	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Within or across Portfolios	3		From £50k up to (but not including) £200k	From £50k up to (but not including) £200k								
Within or across Portfolios				Less than £50k								
<b>Writing off of obsolete stock</b>	4			Up to £10k								
<b>Ex Gratia Payments</b>	5		More than £6k	Up to £6k								
<b>Writing off irrecoverable debts</b>	6			Up to £10k								

Procurement & Invoice Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic Commissioning				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Strategic Commissioning	Head of Service (Portfolio 1&2) / Head of Commissioning Support	Senior Commissioning Manager / Commercial Manager	Senior Commissioner / Commercial Officers / Indirect Procurement Manager	Buyer
Contract Award Recommendation acceptance	7/16/17	Unlimited*	Unlimited*	Up to £1m*	Up to £500k except where Property Management Protocol expressly differs	Up to £250k	Up to £50k					
Contract/Framework Signature	8, 19			Up to £1m and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £500k and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*			Up to £1m and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £250k £1m	Up to £400k £500k	Up to £50k £250k	
Requisition (Budget expenditure) Approval i-Procurement	9/10/17			Unlimited where previously approved as designated signatory and where relevant authority is in place	Up to £1m*	Up to £500k	Up to £50k					
Purchase Order Approval Contract Authorisation (Creation of Order)	11							Unlimited when correct political or previously delegated authority is in place and no contract is required*	Up to £250k £1m	Up to £400k £500k	Up to £50k £250k	Up to £8k £50k

Variation Approval	14, 19	Unlimited*	Unlimited*	Up to £1m*	Up to £500k	Up to £250k	Up to £50k						
Variation Signature				Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*								

**Procurement & Invoice Approval Process**

Stage or Transaction Approval	Notes	Members		Officers				Strategic Commissioning				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Strategic Commissioning	Head of Service (Portfolio 1&2) / Head of Commissioning Support	Senior Commissioning Manager / Commercial Manager	Senior Commissioner / Commercial Officers / Indirect Procurement Manager	Buyer
Receipt Confirmation	12			Unlimited	Unlimited	Unlimited	Unlimited					
Invoice Payment	13/17			Unlimited	Up to £1m or over £1m where previous delegation from Cabinet or Cabinet Member is in place*	Up to £500k	Up to £50k					
Contract Extension Approval (Contracts can only be extended if the option was included in the original contract)	18, 19	Unlimited	Unlimited	Up to £1m or over £1m with Cabinet or Cabinet Member Decision to extend and express authorisation of the Monitoring Officer to sign or seal*								
Contract Extension Signature (Contracts can only be extended if the option was included in the original contract)	18, 19			Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	Up to £1m and over £1m where previous delegation from Cabinet or Cabinet Member is in place* and express authorisation of the Monitoring Officer to sign or seal*			Up to £1m or over £1m with Cabinet or Cabinet Member Decision to extend and express authorisation of the Monitoring Officer to sign or seal*	Up to £250k	Up to £100k	Up to £50k	Up to £8k
Procurement Plan Approval (Procurement plans have been removed but will be replaced by another process)								Unlimited (Plans of >£1m or of significant risk or with political implications will be advised on by Procurement Board)	Up to £250k	Up to £100k	Up to £50k	

\* These decisions/actions are subject to statutory recording and publication requirements. Seek advice from Democratic Services.  
 \*\* These decisions/actions are subject to statutory recording and publication requirements when over £500k. Seek advice from Democratic Services.

**Notes:**

- Virement of £1m to £200k has to be signed off by Portfolio Cabinet Member, relevant Corporate Director, Deputy Leader and Cabinet Member for Finance and Corporate Director of Finance  
Advice should be sought as to whether the Virement requires a formal Decision to be taken.
- Virement less than £200k has to be signed off by the Corporate Director of Finance along with the relevant Cabinet Member and Corporate Director.
- Virement of £200k to 50k has to be signed off by the Corporate Director of Finance along with the relevant Cabinet Member and Corporate Director.
- Write off of obsolete stock up to £10k is in consultation with the Corporate Director of Finance. Above £10k to be reported to Corporate Director of Finance and Deputy Leader and Cabinet Member for Finance and then taken to Scrutiny Committee for write off.
- Ex gratia payments above £6k Corporate Directors are responsible for obtaining approval from relevant Cabinet Member, Deputy Leader and Cabinet Member for Finance and Corporate Director of Finance.
- Write off of irrecoverable debts up to £10k is in consultation with the Corporate Director of Finance. Above £10k should be put forward by the relevant Corporate Director to the Corporate Director of Finance in his/her role of Section 151 Officer for his decision in consultation with the Deputy Leader and Cabinet Member for Finance. A report by the relevant Corporate Director will also be submitted to Governance and Audit Committee.
- Award recommendation prepared by lead
- Authorities only valid if Contract Award Recommendation acceptance has been approved; will also require a review schedule e.g. with Legal Services for non-standard contract use; decisions on signing under seal or under hand
- Only valid for approved budgets/expenditure within plan – values will be used within i-Procurement
- Procurement authorities relate to own budget only
- For simple contracts only, those that are required to be sealed as required in "Contracts and Tenders Standing Orders" must be dealt with by Legal Services.
- May be exercised by any member of staff who can directly confirm correct receipt of goods, services or works
- Relates to signature on invoices; post i-Procurement implementation this authority is no longer required (3-way system match provides authorisation)
- Approval of a variation against an existing contract
- Approval of an extension to an existing contract, only valid if budget expenditure has been approved by relevant Service Officer
- Cabinet Member Approval where authority has been delegated, in some instances this may require Cabinet Approval in line with the Constitution
- For areas with high expenditure e.g. Highways, Property, ICT approval level can be increased to £5m for Service Directors at Corporate Directors discretion
- Variations/extensions must be sealed if the main contract is sealed unless specifically excluded in the contract
- Head of Procurement Commissioning Portfolio Outcome / Head of Commissioning Support can sign for up to £500k where delegated in writing by the relevant service Director

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**By:** Amanda Beer – Corporate Director - People and Communications  
**To:** Governance and Audit Committee  
**Date:** 3<sup>rd</sup> October 2019  
**Subject:** KCC Annual Customer Feedback Report 2018/19  
**Classification:** Unrestricted

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**Summary:** This report provides a summary of the compliments, comments and complaints recorded by the Council. The report includes statistics relating to customer feedback received by the Council and a sample of complaints considered by the Local Ombudsman.

**Recommendation:** Committee is asked to note the contents of this report for assurance.

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## **1. Introduction**

- 1.1 This is the Council's ninth annual report on compliments, comments and complaints.
- 1.2 Customer feedback only relates to those comments, compliments and complaints received from members of the public and our customers. It does not include internal feedback.

## **2. Progress in refining practices within KCC**

- 2.1 This is the first full year of all services actively logging complaints, compliments and comments in the iCasework system. There are new charts within this report which will form a baseline for future reports.
- 2.2 This year more training has been developed for staff. The focus of the training is to equip staff with the tools to confidently look into issues raised by the public and carry out a robust investigation that can withstand the scrutiny of the Ombudsman should it be escalated.
- 2.3 There is a comprehensive investigation and communicating with customers training package that is being rolled out for staff in Children, Young People and Education (CYPE). Additional training has been developed to help Highways staff deal with customer enquiries by phone, face to face or by email/letter. This will be made available more widely through Delta (staff training platform) in 2019/2020.

### 3 Overview of Customer Feedback Received

- 3.1 A compliment is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).
- 3.2 A comment is a general statement about policies, practices or a service as a whole, which has an impact on everyone and not just one individual. A comment can be positive or negative in nature. Comments may question policies and practices, make suggestions for new services or for improving existing services.
- 3.3 A complaint is an expression of dissatisfaction, whether justified or not and however made, about the standard or the delivery of a service, the actions or lack of action by the Council or its staff which affects an individual service user or group of users. This is consistent with the definitions used by other local authorities.
- 3.4 The following table gives an overview of the feedback received by KCC as a whole compared with the previous year. The increase in volumes compared to the last year can largely be attributed in part to more rigorous reporting and the inclusion of new services that previously did not submit returns.

**Table 1 – Feedback received by KCC compared with previous year**

Year	Complaints at stage one	Comments	Compliments	Local Government Ombudsman complaints
<b>2018/2019</b>	<b>4,451</b>	<b>542</b>	<b>1,416</b>	<b>179</b>
<b>2017/2018</b>	<b>3,628</b>	<b>1,751</b>	<b>1,917</b>	<b>190</b>
Difference in volume	823	1,209	501	11
% increase/ Decrease	23% increase	69% Decrease	26% decrease	6% Decrease

**Appendix A** offers a breakdown of customer feedback received by Directorate and service.

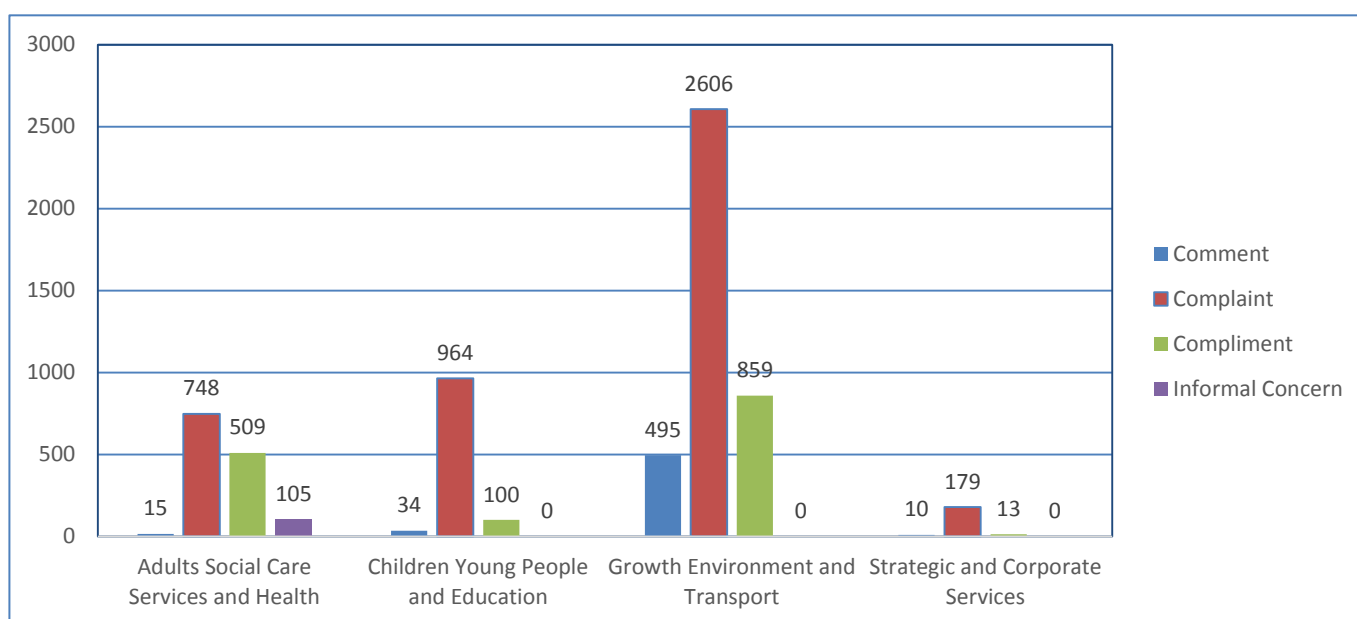
- 3.5 Cases received at stages 1 (local resolution) and 2 (Corporate Director/Director)

**Table 3 - Cases received at stages 1 (local resolution) and 2 (Corporate Director/Director)**

	Stage 1	Stage 2	Total	%
Adults Social Care Services and Health*	777	0	<b>777</b>	17%
Children Young People and Education	862	107	<b>969</b>	21%
Growth Environment and Transport	2658	65	<b>2723</b>	59%
Strategic and Corporate Services	154	7	<b>161</b>	3%
<b>Total</b>	<b>4451</b>	<b>166</b>	<b>4630</b>	
<b>%</b>	96%	4%		

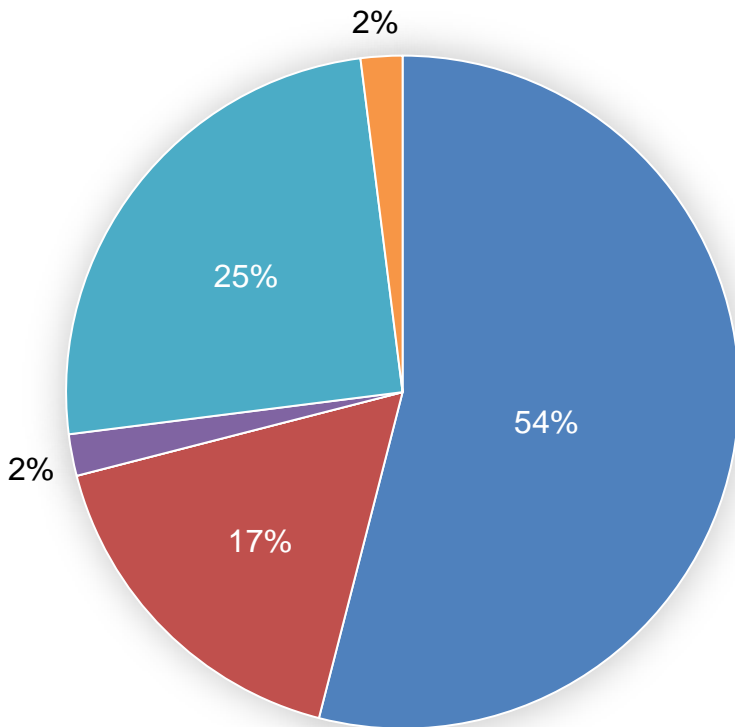
\*ASCH operate a 2-stage process with the Local Government Ombudsman acting as the second stage

### 3.5 Cases closed by Directorate at Stage 1



	Comment	Complaint	Compliment	Informal Concern	Total
Adults Social Care Services and Health	15	741	509	105	<b>1370</b>
Children Young People and Education	34	854	100	0	<b>988</b>
Growth Environment and Transport	495	2598	859	0	<b>3952</b>
Strategic and Corporate Services	10	148	13	0	<b>171</b>
<b>Total</b>	<b>554</b>	<b>4341</b>	<b>1481</b>	<b>105</b>	<b>6481</b>
<b>%</b>	<b>8%</b>	<b>67%</b>	<b>23%</b>	<b>2%</b>	

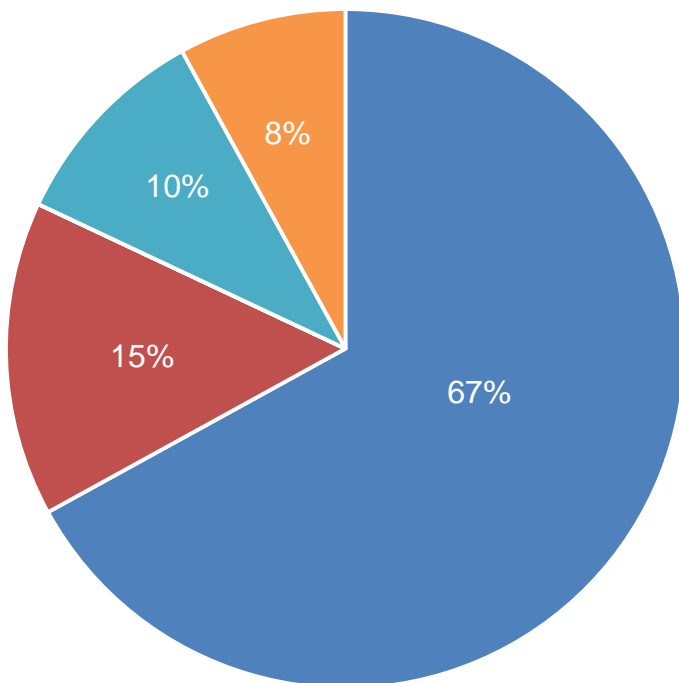
### 3.6 Case outcomes at Stage 1\*



Outcome	Total	%
Not upheld	2340	54%
Upheld	1080	25%
Partly upheld	734	17%
Resolved upon receipt	102	2%
Withdrawn	82	2%
Resolved at first point of contact	3	<1%
<b>Total</b>	<b>4341</b>	

\*Number of cases closed will not equal the number received

### 3.7 Case outcomes at Stage 2\*



Outcome	Total	%
Not upheld	126	67%
Partly upheld	28	15%
Upheld	19	10%
Withdrawn	16	8%
Resolved at first point of contact	0	0%
Resolved upon receipt	0	0%
<b>Total</b>	<b>189</b>	

\*Number of cases closed will not equal the number received

3.8 This is the first full year that we have the ability to track other types of feedback received by the Council including Member and MP enquiries and general comments. The below captures the volumes received for other feedback types.

Table 4 – Volumes received for other types of feedback.

<b>Member/MP enquiry</b>	<b>Enquiry (includes Ask a Kent Librarian)</b>	<b>Informal Concerns</b>	<b>Representation</b>
1,371	14,734	105	10

3.9 A representation is a procedure for cases where a complainant wishes to complain about something which is eligible for progression through the statutory Children Act complaints procedure, however there is something else in progress which prevents them from having it accepted i.e. Section 47 child protection enquiries, legal proceedings, a Child and Family Assessment, Tribunal, disciplinary etc.

### 3.9 Table 5 - Top three reasons for the complaint

#### Whole KCC

	<b>Amount</b>
Service failure	<b>1660</b>
Policy and procedure	<b>737</b>
Service quality	<b>731</b>

#### Full breakdown\*

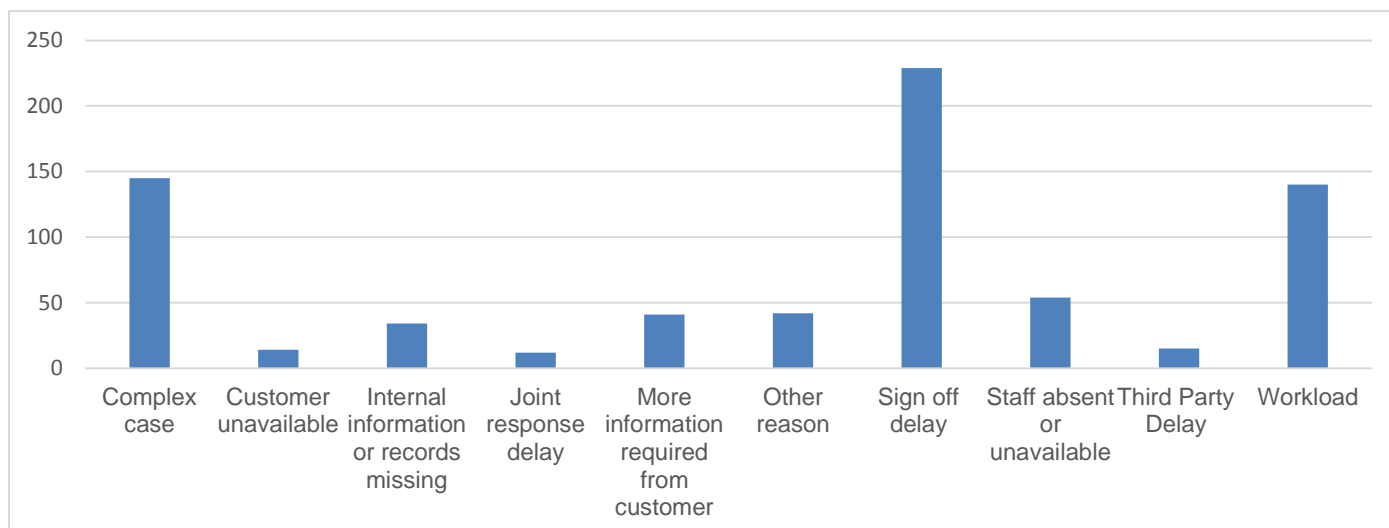
	<b>Adults Social Care Services and Health</b>	<b>Children, Young People and Education</b>	<b>Growth Environment and Transport</b>	<b>Strategic and Corporate Services</b>	<b>Total</b>	<b>%</b>
Communication or information	224	175	143	52	<b>594</b>	<b>13%</b>
Equalities and regulatory	5	45	9	16	<b>75</b>	<b>2%</b>
Not for KCC	1	5	19	1	<b>26</b>	<b>1%</b>
Policy and procedure	95	202	417	23	<b>737</b>	<b>16%</b>
Service failure	153	227	1247	33	<b>1660</b>	<b>37%</b>
Service quality	78	89	538	26	<b>731</b>	<b>16%</b>
Staff conduct cause	81	175	168	24	<b>448</b>	<b>10%</b>
Value for money or disputed charges	139	25	38	1	<b>203</b>	<b>4%</b>
<b>Total</b>	<b>776</b>	<b>943</b>	<b>2579</b>	<b>176</b>	<b>4474</b>	

\*Some cases will have more than one reason for the complaint

### 3 Compliance with standards

4.1 KCC is committed to acknowledging any complaints received within 3 working days and to provide the customer with a response within 20 working days. As a whole KCC **responded to 84%** of complaints within corporate timescales which compares to 83% the previous year.

#### 4.2 Table 6 - Delay reasons



	Adults Social Care Services and Health	Children Young People and Education	Growth Environment and Transport	Strategic and Corporate Services	Total
Complex case	52	52	37	4	145
Customer unavailable	2	4	8	0	14
Internal information or records missing	5	0	26	3	34
Joint response delay	9	2	1	0	12
More information required from customer	12	17	10	2	41
Other reason	10	20	9	3	42
Sign off delay	128	59	38	4	229
Staff absent or unavailable	7	19	25	3	54
Third Party Delay	7	1	7	0	15
Workload	36	61	39	4	140
<b>Total</b>	<b>268</b>	<b>235</b>	<b>200</b>	<b>23</b>	<b>726</b>

## 5 Customer communications channels

- 5.1 Information on 'How to complain' is available on our website and on our Complaints, Comments and Compliments leaflets. The public can provide feedback to the Council through a number of different ways including via our online form, phone, email and through Social Media.
- 5.2 The breakdown below indicates by percentage which channel customers have chosen to communicate feedback (compliments, comments & complaints) during 2018/2019 & 2017/2018.

**Table 7:** Channels used to communicate compliments, comments, informal concerns and complaints

	Phone	Letter	Email	Comment card/ Face to Face	Online	Contact via Corporate Director, Member or MP	Other
<b>2018/2019</b>	<b>22%</b>	<b>9%</b>	<b>30%</b>	<b>12%</b>	<b>26%</b>	<b>1%</b>	<b>&gt;1%</b>
Volume	1418	596	1893	747	1688	57	1
<b>2017/2018</b>	<b>36%</b>	<b>8%</b>	<b>33%</b>	<b>11%</b>	<b>10%</b>	<b>0%</b>	<b>2%</b>
Volume	2819	594	2586	866	811	0	143

- 5.3 The above table shows that we have had an increase in submitting compliments, comments and complaints via our online systems. Also there has been a significant decrease compared to last year of residents using the phone to submit feedback. Over 50% of feedback received is now arriving digitally either by email or via the online form.



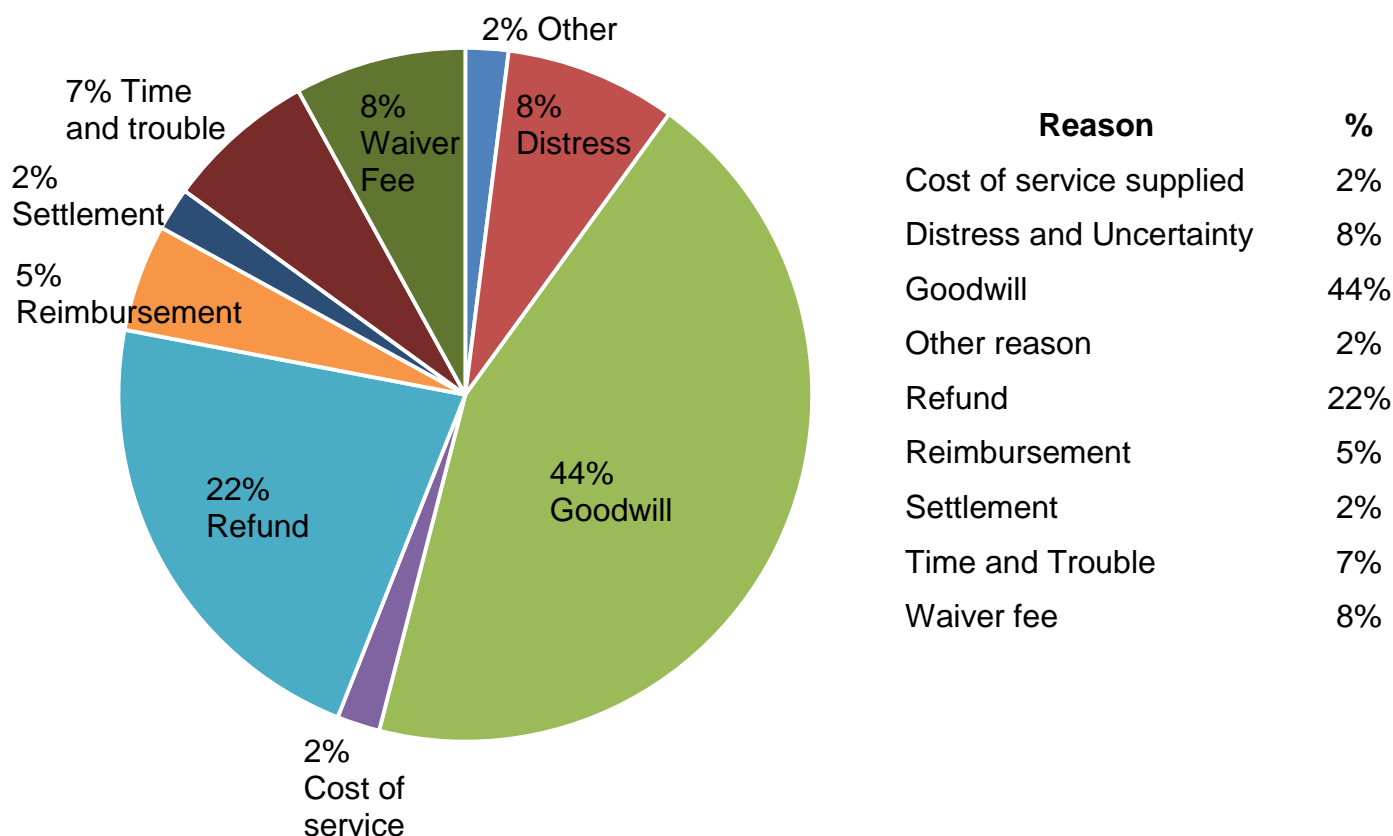
## 6 Compensation across all complaints received by KCC

6.1 In 2018/19, £36,002 was paid in compensation, settlements, changes to the amount we charge and waived charges as a result of complaints to the organisation this includes;

- £18,028 has been paid or waived as part of local resolution in Adult Social Care and Health.
- £900 has been paid out by Strategic and Corporate services including Legal Services, Insurance and Property & Infrastructure.
- £578 has been paid out for Growth, Environment and Transport
- £1,419 has been paid out for Children, Young People and Education Directorate including Community Learning and Skills and Children Social Work Services
- £15,077 additional payments following Local Government Ombudsman Decisions found against KCC.

This is a decrease of £37,701 from 2017/18 when £73,703 was paid out in settlements or through waived charges.

### 6.2 Compensation complaint reason chart



- 6.3 It is important to note that monies paid out during the 2018/19 financial year may relate to complaints recorded in previous years. This is due to the time that elapses between the date the complaint was lodged and achieving resolution.

## 7 Levels of complaints to the standards committee (Member complaints)

### Complaints recorded in 2018/19

- 7.1 During 2018/19 the Monitoring Officer has responded to 12 complaints of alleged misconduct of the breach of the Elected Member Code of Conduct.

Number of Complaints			Outcome
2018/2019	2017/2018	2016/2017	
12	10	3	No Action. Dismissed by the Monitoring Officer
0	0	1	Action taken by party

## 8 The Local Government Ombudsman complaints review 2018/19

### Overview of Ombudsman

- 8.1 In cases where a customer is unhappy with the responses received about their complaint from the Council they can exercise their right to involve the Local Government Ombudsman. The Ombudsman will investigate cases where a customer has exhausted the Council's own complaints policy and feel that their case has not been appropriately heard or resolved.
- 8.2 Each year, in June/July, the Local Government Ombudsman issues an annual review to each local authority. In his letter he sets out the number of complaints about the authority that his office has dealt with and offers a summary of statistics to accompany this.
- 8.3 The annual review statistics are publically available, allowing councils to compare their performance on complaints against their peers; copies of the Annual Review letter as well as any published Ombudsman complaints are issued to the Leader of the Council and Head of Paid Service to encourage more democratic scrutiny of local complaint handling and local accountability of public services.

- 8.4 Decision statements made in 2018/19 will have been published on the Local Government Ombudsman website three months after the date of the final decision. The information published will not name the complainant or any individual involved with the complaint. Cases in which the complainant, despite redaction of names, can be easily identified are not published.

## 9 KCC Performance – Ombudsman complaints

- 9.1 It should be noted that there will be discrepancies between the volume recorded by the Local Government Ombudsman and the authority. This is due to the Local Government Ombudsman recording complaints that it does not progress to Kent County Council, as it is able to resolve the issue at first point of contact, either through referring the customer to the Council or it is identified as out of jurisdiction.
- 9.2 During 2018/19 KCC received a total of 179 decisions from the Ombudsman this included 45 referred back for local resolution. The full letter and Ombudsman statistics can be found in Appendix B.
- 9.3 We received one public report in 2018/19. Details of the report can be found in section 11 (page 13).
- 9.4 The level of complaints received by KCC for the size of population, volume of services and interaction is low. Each complaint provides an opportunity to learn from our customers and improve our systems and we need to focus on those complaints that are upheld to ensure that lessons are learned.
- 9.5 The Ombudsman has changed the way in which they categorise complaints to include 'Upheld: not investigated – injustice remedied during Body in Jurisdiction complaint processes.' This means that our upheld figures include those that were successfully remedied before the Ombudsman were asked to investigate, which we believe has led to an increase in 'upheld' cases for many organisations including KCC.
- 9.6 The Ombudsman's report noted that the national average that the Ombudsman upheld is 58% of complaints they investigated; this is up nationally from 57% last year.
- 9.7 The average upheld rate for other County Councils was **64%**, Kent County Council's average is **61%**; an increase on 39% in 2018/19.
- 9.8 However, in 28% of upheld cases the Council had provided a satisfactory remedy before the complaint reached the Ombudsman. This compares to an average of 9% in similar authorities.
- 9.9 It is also worth noting that the number of KCC cases the Ombudsman investigated and upheld in Adult Social Care and Education and Children's Services is lower than the national average. In Adult Social Care 66% are nationally upheld compared to 62% in KCC, and Education and Children's Services 65% are nationally upheld, compared with 59% in Kent.

## 10 Local authority report – Kent County Council

10.1 For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

### Complaints and enquiries received

The following table examines the number of complaints received by the Ombudsman over the last three years against the LGO's service categories.

	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services	Highways and transport	Housing	Planning and development	Other	Total
2018/19	56	0	11	83	8	17	0	1	3	179
2017/18	57	0	6	99	6	20	2	0	0	190
2016/17	62	0	4	89	12	14	1	1	0	184*

\* This figure excludes 6 complaints received by the LGO that have not been classified against a service.

### Decisions made

The following table examines the number of complaints received by the Ombudsman over the last three years and decision category given by the LGO.

	<u>Detailed investigation carried out</u>		Advice given	Closed after initial enquiries	Incomplete / Invalid	Referred back for local resolution	Total
	Upheld	Not upheld					
2018/19	36	23	2	59	11	45	176
2017/18	19	30	0	55	11	59	174
2016/17	42	25	2	46	13	62	190

Whilst the number of complaints heard by the Ombudsman is not necessarily an indicator of successful complaint handling, it can be noted that the number of complainants exercising their right to escalate to the Ombudsman has reduced in the last 2 years.

## 11. Public Report

11.1 The Council received one public report in 2018/19. Public reports are released by the Ombudsman where they believe that there is an issue that has significant public interest and that the learning from that issue could be applied to other authorities.

### Complaint

Mr X complains about the Council's decision to issue him with a Parking Charge Notice, causing him to incur costs.

### Finding Fault

Found causing no significant injustice and recommendations made.

### Recommendations

To remedy the injustice identified in this report the Council has agreed to carry out the following actions:

- pay Mr X £100 for time and trouble within one month; and
- stop issuing parking penalties at Lullingstone Country Park and at its other parks that use the same enforcement process, until it has put in place appropriate arrangements.

**The full report** – Can be accessed at the following link -

<https://www.lgo.org.uk/decisions/transport-and-highways/parking-and-other-penalties/17-004-169>

**Lessons Learned** – a report was heard at the Environment and Transportation Committee on the 19<sup>th</sup> March 2019. (Item 15) The report was discussed, and a new way of charging has been put in place. For more information about the service's response to the report please visit

<https://democracy.kent.gov.uk/ieListDocuments.aspx?Cid=831&Mid=7979&Ver=4>

## 12 Ombudsman Complaints – Themes and Outcomes

12.1 The following section examines some cases that were investigated by the Ombudsman. The complaint and the subsequent decisions are taken from the Local Government Ombudsman's website where all decisions (in which the complainant cannot be identified) are published.

## Children, Young People and Education

	Upheld	Not upheld	Closed: out of jurisdiction/no further action or withdrawn	Premature	Total
<b>Children Social Work Services</b>	8	3	20	2	<b>33</b>
<b>Kent Test/ School Admission appeals</b>	0	3	7	0	<b>10</b>
<b>Home to School Transport/ Free School Meals</b>	4	4	3	1	<b>12</b>
<b>Special Educational Needs</b>	8	4	0	7	<b>19</b>
<b>The Education People</b>	0	0	1	0	<b>1</b>
<b>Total</b>	<b>20</b>	<b>14</b>	<b>31</b>	<b>10</b>	<b>75</b>

### **Children Social Care - Not upheld example – 18 006 789**

#### **The complaint**

Miss X complains the Council has failed to properly assess or meet her needs as carer to her son Z. She said it had not offered her appropriate support and respite care. As a result, she says she has no quality of life and she and her son are completely isolated.

Miss X wants the Council to help with support from an appropriately disability trained social worker that understands her son's needs.

#### **Outcome**

The Council has assessed Miss X's needs as a carer without fault. It has also offered to reassess her needs to see if they have changed since the last assessment.

### **Children Social Care - Upheld example - 17 016 977**

#### **The complaint**

Miss X complains:

1. The Council failed to provide appropriate support in 2012 when she left a secure mental health unit to live at home.
2. The Council did not provide enough help and support to access education and mental health services in 2012.

3. When she contacted the Council in 2015 she was contacted by Specialist Children's Services staff. However, she complained the support provided since then was insufficient.
4. The Council did not provide a suitable response to her complaint and misled her due to her vulnerability.

### **Outcome**

The Council agreed to pay Miss X £500 to reflect the failings in the support it provided following her discharge from hospital in 2012.

The Council agreed to pay Miss X £300 to recognise the failings in the way the complaint was considered and the time and trouble she was put to in pursuing her complaint further.

There was fault by the Council that it has remedied appropriately. I have now completed my investigation and closed the complaint.

## **Education - Not upheld example – 18 002 844**

### **The complaint**

Ms Q removed her two children, A and B, from their nearest school due to bullying issues with A. She applied for free school transport for both of them to their new school. The Council awarded A free school transport, but not B. Ms Q complains the Council did not properly consider:

- the impracticalities of only having one child on the school bus;
- the impact the bullying had on B and;
- the family's financial situation.

### **Outcome**

The Ombudsman finds no evidence of fault in the way the appeal panel reached their decision.

## **Education - Upheld example – 18 007 520**

### **The complaint**

Mrs X complains about the Council's handling of the Education, Health and Care Plan (EHCP) process for her son. Mrs X is dissatisfied with the time taken by the Council to complete the process. Mrs X says she had to chase the Council for information as she was not kept informed of progress on the application or the reasons for any delay.

Mrs X says her son's behaviour deteriorated at school because he did not receive the specialist provision required to meet his needs.

### **Outcome**

There was fault by the Council because of unreasonable delay in completing an EHCP for Mrs X's son. The complaint was closed because the Council agreed to remedy the injustice to Mrs X and her son.

## Growth, Environment and Transport

	Upheld	Not upheld	Closed: out of jurisdiction/no further action or withdrawn	Premature	Total
Environment, Planning and Enforcement	2	1	2	1	6
Highways, Transportation and Waste	1	0	10	1	12
<b>Total</b>	<b>3</b>	<b>1</b>	<b>12</b>	<b>2</b>	<b>18</b>

### **Not Upheld example – 17 011 500**

#### **The complaint**

Mr B complains that the Council promised him a heating grant, sent a representative who condemned his existing gas heater without testing it, and then failed to provide a heating grant. The Council then delayed in responding to his complaint. As a result, he has no affordable heating in his home.

He considers that the Council should, at the very least, provide funding for a proper assessment of his current heating and to fund any necessary repairs. Ideally, he would like the Council to provide enough funds for a minimal modern heating replacement which would be economic to run and environmentally better.

#### **Outcome**

I have closed my investigation into Mr B's complaint because I have not found significant fault in the way the Council handled his application for a grant to replace his gas heating.

### **Upheld example – 17 016 559**

#### **The complaint**

Mrs X complains there were failings by the Coroner's service following the passing away of Mr X causing her distress.

#### **Outcome**

I am completing my investigation. There is evidence of fault by the Coroner's Support Services following the passing away of Mr X. The Council has accepted it was a fault, made errors in documents and failed to tell Mrs X of her right to representation for the post-mortem. It has apologised to Mrs X and carried out officer training. I consider this is a suitable and proportionate remedy and I cannot achieve anything more for Mrs X.



## Strategic and Corporate Services

Upheld	Not upheld	Closed: out of jurisdiction/no further action or withdrawn	Premature	Total
0	0	4	5	9

## Adult Social Care and Health

Upheld	Not upheld	Closed: out of jurisdiction/no further action or withdrawn	Premature	Total
13	8	8	9	38

### Not Upheld example – 17 007 066

#### **The complaint**

Mr and Mrs A complain about Kent County Council's (the Council) decision to manage their son Mr B's case in its mental health service. They say Mr B should also receive input from the learning disability service.

Mr and Mrs A say:

1. The assessment of Mr B's learning disability was flawed. He was not present during the assessment;
2. A member of staff claimed to have relied on school records, but the school confirmed records on Mr B had been destroyed;
3. Education records state Mr B has a learning disability and cognitive abilities far below expected of a child at the relevant ages;
4. The Council used IQ of 70 as a measure of learning disability. Despite no testing, there is other evidence suggesting Mr B fits within this range.

#### **Outcome**

The complaint is about the Council's decision to manage Mr B's care within mental health services rather than learning disability services. The Council acted in line with the Care Act 2014 and Valuing People, so there is no fault.

### Upheld example – 18 000 484

#### **The complaint**

Ms C complains for her father Mr A that Kent County Council (the Council) refused to fund the day service he has been attending.

#### **Outcome**

The Council refused to fund Ms C's preferred day care provision for her father before carrying out an assessment of his needs or review of his care and support plan. This is pre-empting the outcome of an assessment, is not in line with Care and Support Statutory Guidance and is fault. To remedy the injustice, the Council will carry out a fresh assessment of need or review the current care and support plan within two months of my final decision.

### 13 LESSONS LEARNED

13.1 Where the Ombudsman has made a decision against the Council, steps are taken by officers' service to ensure that any lessons learned are applied across the service to improve the customer experience and avoid any further complaints of a similar nature.

13.2 With regards to lessons learned across the Council, the following table explores some of the actions taken following an investigation of a complaint.

The top three actions taken following complaint closure were explanations given, arranging for staff training or guidance and changes or reviewing of communications.

Action taken	Stage 1
Advice	9
Arrange staff training or guidance	128
Change or review communications	88
Change or review policy or procedure	35
Change or review service	20
Discuss at team meeting	51
Explanation	221
Financial remedy	39
Formal apology	51
Performance management - staff member	16
Policy change/review	9
Procedure change	7
Provided service requested	38
Reassessment/Rehearing	1
Remedy complete and satisfied	7
Review contract or partner arrangements	9
Supervision discussion	14

## **14 RECOMMENDATIONS**

14.1 The Governance and Audit Committee is asked to note the contents of this report for assurance.

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## Appendix A – Directorate overview of Customer Feedback Received

### Children, Young People and Education

#### All Feedback Reported

	Complaints (Stage One)	Comments	Compliments	Local Government Ombudsman enquiries & complaints*
<b>2018/19</b>	<b>862</b>	<b>32</b>	<b>94</b>	<b>65</b>
2017/18	666**	1101	190	53
2016/17***	260	326	474	32

\*Excluding premature

\*\*Specialist Children Services moved Directorates

\*\*\*excluding Specialist Children Services

The below table compares the number of complaints received in 2018/19 with those received in 2016/17 and 2017/18

Service	2016/17	2017/18	2018/19
Specialist Children Service/Children's Social Work Services	269	368	490
Community Learning & Skills (was Adult Education)	86	80	94
Education Services	174	218	259
The Education People	-	-	19
<b>Total Complaints</b>	<b>529</b>	<b>666</b>	<b>862</b>

### Growth, Environment and Transport

#### All Feedback Reported

	Complaints (Stage one)	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
<b>2018/19</b>	<b>2658</b>	<b>486</b>	<b>828</b>	<b>16</b>
2017/18	2054	509	1188	13
2016/17	1764	509	1326	17

\*Excluding premature

The below table compares the number of complaints received in 2018/19 with those received in 2016/17 and 2017/18

Service	2016/17	2017/18	2018/19
Environment, Planning and Enforcement	57	76	79
Economic Development	0	4	3
Highways and Transportation and Waste Management	1,437	1705	2059
Libraries, Registrations and Archives	270	269	517
<b>Total Complaints</b>	<b>1764</b>	<b>2053</b>	<b>2658</b>

(\* Data not previously collected) (^ Q1 data not captured)

### Adult Social Care and Health

#### All Feedback Reported

	Complaints (Stage One)	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
<b>2018/19</b>	<b>777</b>	<b>15</b>	<b>480</b>	<b>29</b>

2017/18	625	118	357	36
2016/17**	919	640	542	65

\*Excluding premature \*\*Includes Specialist Children Services.

The below table compares the number of complaints received in 2018/19 with those received in 2016/17 and 2017/18

Service	2016/2017	2017/18	2018/19
Adult Social Care and Health	650	625	777
<b>Total Complaints</b>	<b>650</b>	<b>625</b>	<b>777</b>

## Strategic and Corporate Services

### All Feedback Recorded

	Complaints (Stage One)	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
<b>2018/19</b>	<b>154</b>	<b>6</b>	<b>11</b>	<b>4</b>
2017/18	283	23	182	3
2016/17	481	74	362	3

\*Excluding premature

The below table compares the number of complaints received in 2018/19 with those received in 2016/17 and 2017/18

Service	2016/17	2017/18	2018/19
Finance	71**	28**	52
FOI	134	57	7
Gateways and Contact Point	56	53	55
Insurance *	144	62	5
Infrastructure, Property and Total Facilities Management	75	38	23
Other	1	45	12
<b>Total Complaints</b>	<b>481</b>	<b>283</b>	<b>154</b>

\* There is a marked decrease in Insurance complaints as these now follow a different appeal process due to the scope of the Local Government and Social Care Ombudsman

\*\* Includes procurement figures

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24 July 2019

*By email*

David Cockburn  
Head of Paid Service  
Kent County Council

Dear Mr Cockburn

### **Annual Review letter 2019**

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2019. The enclosed tables present the number of complaints and enquiries received about your authority, the decisions we made, and your authority's compliance with recommendations during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

### **Complaint statistics**

As ever, I would stress that the number of complaints, taken alone, is not necessarily a reliable indicator of an authority's performance. The volume of complaints should be considered alongside the uphold rate (how often we found fault when we investigated a complaint), and alongside statistics that indicate your authority's willingness to accept fault and put things right when they go wrong. We also provide a figure for the number of cases where your authority provided a satisfactory remedy before the complaint reached us, and new statistics about your authority's compliance with recommendations we have made; both of which offer a more comprehensive and insightful view of your authority's approach to complaint handling.

The new statistics on compliance are the result of a series of changes we have made to how we make and monitor our recommendations to remedy the fault we find. Our recommendations are specific and often include a time-frame for completion, allowing us to follow up with authorities and seek evidence that recommendations have been implemented. These changes mean we can provide these new statistics about your authority's compliance with our recommendations.

I want to emphasise the statistics in this letter reflect the data we hold and may not necessarily align with the data your authority holds. For example, our numbers include

enquiries from people we signpost back to your authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside our annual review of local government complaints. For the first time, this includes data on authorities' compliance with our recommendations. This collated data further aids the scrutiny of local services and we encourage you to share learning from the report, which highlights key cases we have investigated during the year.

This year, we issued a public report about your Council's failure to use the correct process to issue parking penalties in its country parks. The Council had issued parking charge notices to the complainant and others under the Protection of Freedoms Act 2012, which we do not consider applied to the land in question.

We recommended the Council pay the complainant £100 for his time and trouble in bringing the matter to my office, and to stop issuing parking penalties until it put appropriate arrangements in place. The Council did not agree it had used an incorrect process, but nevertheless did agree to our recommendations. Since our report it has confirmed that it will, in future, change its approach. I welcome this resolution.

My investigators noted delay by your Council in responding to our enquiries on numerous occasions this year. In one instance we gave a deadline of 10 January to enquiries we made on 5 December. The Council failed to respond in time and asked for an extension to 29 January, and then to 12 February. The response was not received until 15 February and even then, only addressed some of our enquiries. Further enquiries had to be made and, eventually, a witness summons was threatened before the information we had requested was received. Delay to investigations only aggravates any injustice to complainants and I ask that you take the necessary steps to ensure timely and complete responses are provided to my office in future.

### **New interactive data map**

In recent years we have been taking steps to move away from a simplistic focus on complaint volumes and instead focus on the lessons learned and the wider improvements we can achieve through our recommendations to improve services for the many. Our ambition is outlined in our [corporate strategy 2018-21](#) and commits us to publishing the outcomes of our investigations and the occasions our recommendations result in improvements for local services.

The result of this work is the launch of an interactive map of council performance on our website later this month. [Your Council's Performance](#) shows annual performance data for all councils in England, with links to our published decision statements, public interest reports, annual letters and information about service improvements that have been agreed by each council. It also highlights those instances where your authority offered a suitable remedy to resolve a complaint before the matter came to us, and your authority's compliance with the recommendations we have made to remedy complaints.

The intention of this new tool is to place a focus on your authority's compliance with investigations. It is a useful snapshot of the service improvement recommendations your authority has agreed to. It also highlights the wider outcomes of our investigations to the

public, advocacy and advice organisations, and others who have a role in holding local councils to account.

I hope you, and colleagues, find the map a useful addition to the data we publish. We are the first UK public sector ombudsman scheme to provide compliance data in such a way and believe the launch of this innovative work will lead to improved scrutiny of councils as well as providing increased recognition to the improvements councils have agreed to make following our interventions.

### **Complaint handling training**

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2018-19 we delivered 71 courses, training more than 900 people, including our first 'open courses' in Effective Complaint Handling for local authorities. Due to their popularity we are running six more open courses for local authorities in 2019-20, in York, Manchester, Coventry and London. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Finally, I am conscious of the resource pressures that many authorities are working within, and which are often the context for the problems that we investigate. In response to that situation we have published a significant piece of research this year looking at some of the common issues we are finding as a result of change and budget constraints. Called, [Under Pressure](#), this report provides a contribution to the debate about how local government can navigate the unprecedented changes affecting the sector. I commend this to you, along with our revised guidance on [Good Administrative Practice](#). I hope that together these are a timely reminder of the value of getting the basics right at a time of great change.

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** Kent County Council  
**For the Period Ending:** 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
56	0	11	83	8	17	0	1	3	179

## Decisions made

Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Detailed Investigations			Total
				Not Upheld	Upheld	Uphold Rate (%)	
11	2	45	59	23	36	61	176

**Note:** The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.

## Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
10	28

**Note:** These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.

## Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
19	19	0	0	Number
	100%		-	Compliance rate**
<p><b>Notes:</b></p> <p>* This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year.</p> <p>** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.</p>				

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By: Peter Oakford – Deputy Leader and Cabinet Member for Finance and Traded Service  
 Zena Cooke – Corporate Director Finance

To: Governance and Audit Committee – 3 October 2019

Subject: **KCC INSURANCE OVERVIEW**

Classification: Unrestricted

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Summary: This paper provides a summary of insurance activity for the 2018/19 financial year and other points of interest.

**FOR ASSURANCE**

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## **INTRODUCTION**

1. The Council’s insurance programme is extensive and designed to provide increased financial control of the risks flowing from the diverse nature of the activities undertaken to meet statutory duties and support general business functions and income generating operations.
2. This report provides a review of activity for the 2018/19 financial year and other points of interest.

## **INSURANCE PROGRAMME**

3. The insurance programme covers all directorate operations and local authority (non-academy) schools and is made up of several separate policies. The main four policies purchased are Employers Liability, Public Liability, Property, and Motor.
4. Following a tender of the full insurance programme effective from 1 January 2016, Zurich Municipal was awarded the contract for the majority of covers on a 5-year Long Term Agreement – expiring 31<sup>st</sup> December 2020. The hardening insurance market and the Council’s claims experience (particularly in relation to liability claims) at the time, resulted in a substantial increase in overall premium.

However, following the decision on 1 January 2018 to implement a higher excess on the Council’s Public Liability and Employer’s Liability policies, this has now been reduced. The excess on these policies has risen from 100k to £500k for each claim. This decision exposes the Council to potential additional claim spend but has reduced the premium spend by 43%. Historical claim trends suggested that an overall saving could be achieved and whilst the 2018 and 2019 policy years continue to mature, the early indications are that this will be the case.

## **FUNDING OF INSURANCE PREMIUMS AND CLAIMS**

5. Premiums and excess payments are met through the corporately managed Kent Insurance Fund (KIF), to which directorates and LEA schools contribute in accordance with their risk profile and claims experience. As at 31 August 2019, the KIF had a fully funded committed balance of £14.15m to meet the values for outstanding liabilities.
6. The KIF is supported by the Insurance Reserve. As at 31 August 2019 this stood at £13.65m and is held to protect the Council against future unexpected insurance costs. This includes historic claims where insurance may not be available or those associated with the unexpected increase in the cost or volume of claims, particularly where previous insurers have ceased trading or invoked a scheme of arrangement requiring contribution to the cost of claims (see para 23).

## **INSURANCE CLAIMS**

7. Below is a summary of activity relating to the four main insurance policies during 2018/19.

### Employers Liability

8. The number of claims remains low, with only 12 new cases currently recorded for the 2018/19 financial year. This continued pattern is thought to be due to the number of schools that have converted to academy status, the creation of several separately insured LATCO's and the enactment of the Enterprise & Regulatory Reform Act 2013. This Act provides greater protection for those employers who take their health and safety responsibilities seriously by tightening up on the legal threshold that has to be met in order to bring a claim. Kent County Council has a comprehensive policy in place and has benefitted as a result.
9. The majority of the 12 claims have arisen due to incidents that have occurred in schools. All these claims are currently reserved below £100k.
10. There are 67 open claims currently being processed across all years. The overall outstanding balance is reserved at £2.5m. £950k of this figure is reserved against the Kent Insurance Fund and the remaining £1.55m with the Council's insurer.



## Public Liability

11. A total of 1470 claims have been recorded against the 2018/19 financial year to date. This is nearly 300 less than were recorded at the same time in 2017/18 and is thought to be due to the milder winter, which saw a fall in vehicle damage claims. Of the number received, 96% are highway related.
12. Vehicle damage claims due to potholes account for 65% of all highway claims in 2018/19. Decisions have now been provided on all of these claims, with liability being denied for 90%. To date £19k has been paid out in settlements. This is a fall of 4k compared to this time last year.
13. 310 personal injury claims have been recorded against the 2018/19 year to date (a fall of 20 compared to this time last year). 95% of these are highway related. £86k has been paid out on these claims thus far, but there is a reserve of £2.4m for those that currently remain open. In light of KCC's increased excess level, this is all reserved against the insurance fund. However, this reserve is £1.4m less than the claims recorded for 2017/18 at this time last year (of which 3.5m was recorded against the fund).
14. The majority of PL claims received are less than £20k in value, however a number of what are known as 'large loss' claims with a value of £100k+ can also be expected. There are currently 33 £100k+ open claims, against which £3.9m has been paid and a reserved value of £17.7m remains. £2.3m of this figure is reserved against the Kent Insurance Fund and the remaining £15.4m with the Council's insurer.
15. Since 1<sup>st</sup> April 2018, 8 such claims have been received of which 7 are highway related. These claims have a current reserved value of £2.2m, of which £1.3m has been set against the Kent Insurance Fund and £900k has been reserved by the Council's insurer.

Of these 8 claims, the 5 highest valued result from:

- A vehicle losing control due to ice
  - Flooding to property
  - A cyclist falling from a bicycle due to a pothole
  - A motorcyclist falling from bike due to a pothole
  - A person tripping on the footway
16. There are 621 open claims currently being processed across all years, with an overall reserved value of £25m. Of this figure, £9.4m is reserved against the Kent Insurance Fund and £15.6m by insurers. Whilst most claims relate to events that occurred in the past five years, there are a small number that could be described as historic.

17. Included within this figure is a significant large loss claim involving a motorcyclist. A decision was taken in May 2016 to concede liability on a 77.5% / 22.5% basis in the claimant's favour. Due to the complexities of the claimant's injury, the process of settling the claim is ongoing. Interim payments have already been made but future payments are likely to be by way of 'periodic payments', which provide an amount on an annual basis (reviewed every year). The Council's deductible for this claim is £50k, so the significant percentage is being met by the insurer.

### Property

18. 180 claims were made against the property policy for 2018/19 with a working reserve of £865k. School claims account for 65% of the claims received under this policy, with the other 35% being made up from libraries, youth centres and working premises. The Council has paid £575k on claims to date, with the insurer paying £115k. This is a sizeable increase in comparison to last year, due to several properties suffering flood damage as a result of the heavy rain experienced on 29 May 2018 – one school in particular being heavily affected.

### Motor

19. 141 claims were recorded for the 2018/19 financial year, with an estimated working reserve of £210k. All claims have fallen below the Council's 100k excess level and £146k has been paid to date -the majority of these being vehicle damage only.
20. Of these claims, 62 related to school vehicles and 42 to highway vehicles. The remainder were from Social Care and Youth Services.

## **MUNICIPAL MUTUAL INSURANCE**

21. As previously reported, the Municipal Mutual Insurance Company ceased writing business in 1992 and has been operating in run-off ever since.

A solvent run-off has not been possible and as a result what is known as the 'Scheme of Arrangement' has been triggered which involves the clawing back of monies from past members of the mutual to meet the outstanding future costs of claims. The Council paid £600k in 2014 following a demand by the scheme administrator.

With significant numbers of claims for asbestos related mesothelioma and historical abuse and a surge in noise-induced deafness claims, the company's position continued to deteriorate and a further amount of £380k was paid in April 2016. An additional levy cannot be ruled out and funds have been retained for this eventuality.

This situation is not unique to KCC. Municipal Mutual Insurance insured the majority of local councils up to 1992 and all have received demands for payment relative to the value of claims settled by the insurer on their behalf.

### **INSURANCE BROKER**

22. The contract with Arthur J Gallagher has been extended for a further 12 months on existing rates. A further option to extend until July 2021 has been agreed, in order to ensure continued consistency through 2020 – during which the Council will begin its insurance tender process for 2021.

### **RECOMMENDATION**

23. Members are asked to note this report for assurance.

Lee Manser  
Insurance Manager

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By: Peter Oakford, Deputy Leader and Cabinet Member for  
Finance and Trading Services  
Zena Cooke, Corporate Director of Finance

To: Governance and Audit Committee – 3 October 2019

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

Summary: To report a summary of Treasury Management activity

## **FOR ASSURANCE**

### **INTRODUCTION**

1. This report covers Treasury Management activity and developments in 2019-20 up to the end of July.

### **INTRODUCTION**

2. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides an additional quarterly update.
3. The Council's Treasury Management Strategy for 2019-20 was approved by full Council on 14 February 2019.
4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy. This report covers treasury activity and the associated monitoring and control of risk.

### **MONTHLY ACTIVITY REPORT**

5. The Treasury and Investments Manager produces a monthly report for members of the Treasury Management Advisory Group and a copy of the July 2019 report is attached at appendix 1.

### **EXTERNAL CONTEXT**

6. Politics has been a big driver over the last few months with the Brexit deadline being extended to 31 October 2019 and Boris Johnson elected as the new prime minister. The terms on which the UK will leave the EU have still yet to be agreed.
7. The UK Consumer Price Inflation (CPI) for July 2019 was 2.1% year/year, coming in at consensus and meeting the Bank of England's inflation target. The most recent labour market data for the three months to May 2019 showed the unemployment rate remain at a low of 3.8% while the employment rate of 76.0% dipped by 0.1%, the first

quarterly decrease since June to August 2018. The 3-month average annual growth rate for pay excluding bonuses was 3.6% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.7%.

8. There was a fall in quarterly GDP growth in the second calendar quarter for 2019 of 0.2% having grown by 0.5 in Q1 2019. Services provided a positive contribution, while agriculture, production and construction all contributed negatively.
9. With the deterioration in the wider economic environment, compounded by Brexit-related uncertainty and the risk of a no-deal Brexit, the Bank of England has hinted at the possibility of interest rate cuts, rather than gradual and limited rate hikes.
10. Since the beginning of 2019 markets have rallied, and the FTSE 100 moved up in Q1 2019/20 increasing by around 2%.
11. Gilt yields continued to display significant volatility over the period. The 5-year benchmark gilt yield falling to 0.63% at the end of June from 0.75% at the start of April. There were falls in the 10-year and 20-year gilts over the same period dropping from 1.00% to 0.83% and from 1.47% to 1.35% respectively. Money markets rates stabilised with 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.60%, 0.68% and 0.92% respectively over the period. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is also a global risk.
12. Credit Default Swap (CDS) spreads fell slightly across the board during the quarter, continuing to remain low in historical terms. S&P upgraded RBS Group and its subsidiaries, including National Westminster Bank PLC, NatWest Markets PLC, RBS and Ulster Bank Ltd. S&P believes the group and its subsidiaries have enhanced their capacity to manage the current UK political and economic uncertainties. There were minimal other credit rating changes during the period.

## **LOCAL CONTEXT**

13. At 31 March 2019 KCC had net investments of £455m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

## **BORROWING STRATEGY**

14. At 31 July 2019 the Council held £898.98m of loans, a reduction of £7.22m from the balance as at 31 March 2019. Details of this debt is shown in the table at paragraph 1.1 of Appendix 1.
15. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

16. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs and the Council's Treasury Advisor, Arlingclose has assisted it with this 'cost of carry' and breakeven analysis. The Council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
17. KCC continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

## **INVESTMENT ACTIVITY**

18. The Council's average investment balances to date have amounted to £458m, representing income received in advance of expenditure plus balances and reserves held. These balances are forecast to fluctuate over the coming months ending the year at a lower level reflecting the spend of grants received in advance in 2018-19. as shown the graph at paragraph 2.1 in appendix 1.
19. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
20. Security of capital has remained the Council's main investment objective. Against a background of uncertainty and low returns from short-term unsecured bank investments, the Council has continued to hold investments in strategic pooled funds and these represented 34% of total investments at 31 July.
21. Details of the Council's investment position during the 4 months to the end of July is summarised in the table at paragraph 3.2 in appendix 1. The average rate of return on the Council's portfolio for the 4 months to end July was 2.16% which is used to support services in year.

## **STATEMENT OF INVESTMENTS**

22. A statement of investments as at 31 July is attached in Appendix 2. This statement is circulated to members of the Treasury Management Advisory Group with the monthly TM report.

## **READINESS FOR BREXIT**

23. The scheduled date for the UK to leave the EU is now 31 October 2019 and there remains little political clarity as to whether a deal will be agreed by this date, the potential of a no-deal Brexit has not been ruled out. Particularly as this new leave date approaches KCC will ensure there are enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity and that its account with the Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

## **RECOMMENDATION**

24. Members are asked to note this report for assurance.

**Alison Mings**  
**Treasury and Investments Manager**  
**Ext: 03000 416488**



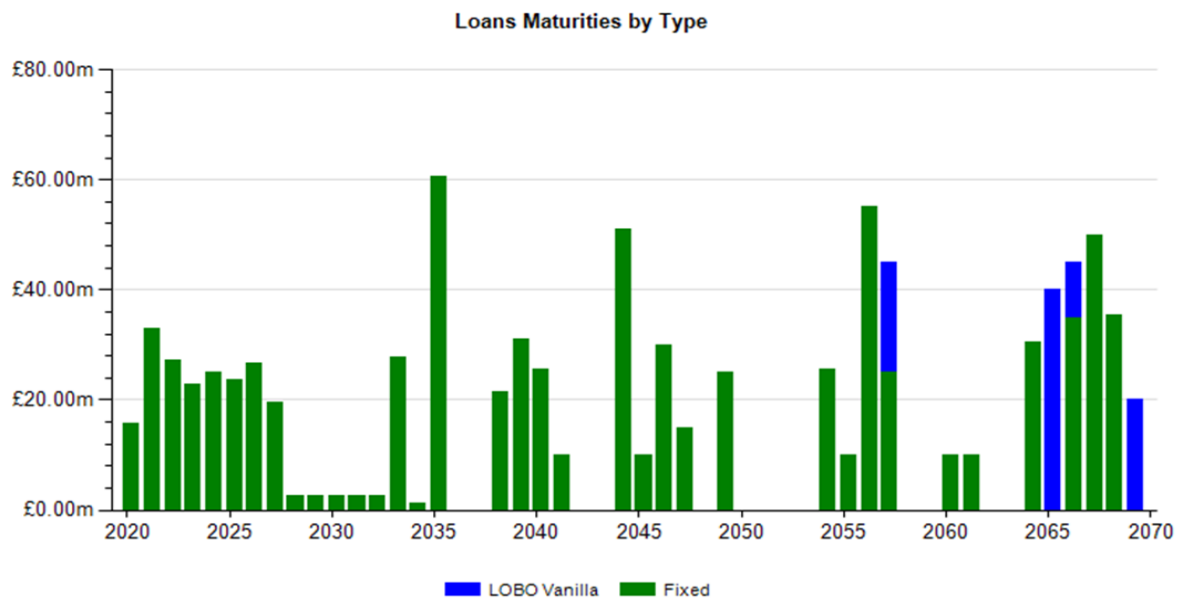
## Treasury Management Report for the month of July 2019

### 1. Borrowing

1.1 The total amount of debt outstanding at the end of July was £899m. The following table shows the borrowing analysed by lender.

	31/03/2019 Balance £m	2019-20 Movement £m	31/07/2019 Balance £m	Average Rate %	Value waited Average Life (yrs)
Public Works Loan Board	490.94	-5.00	485.94	5.00%	16.53
Banks (LOBO)	90.00	0.00	90.00	4.15%	44.55
Banks (Fixed Term)	325.26	-2.22	323.04	4.06%	35.67
<b>Total borrowing</b>	<b>906.20</b>	<b>-7.22</b>	<b>898.98</b>	<b>4.58%</b>	<b>26.21</b>

1.2 The maturity profile of KCC's outstanding debt at 31 July is shown in graphical and tabular format as follows:

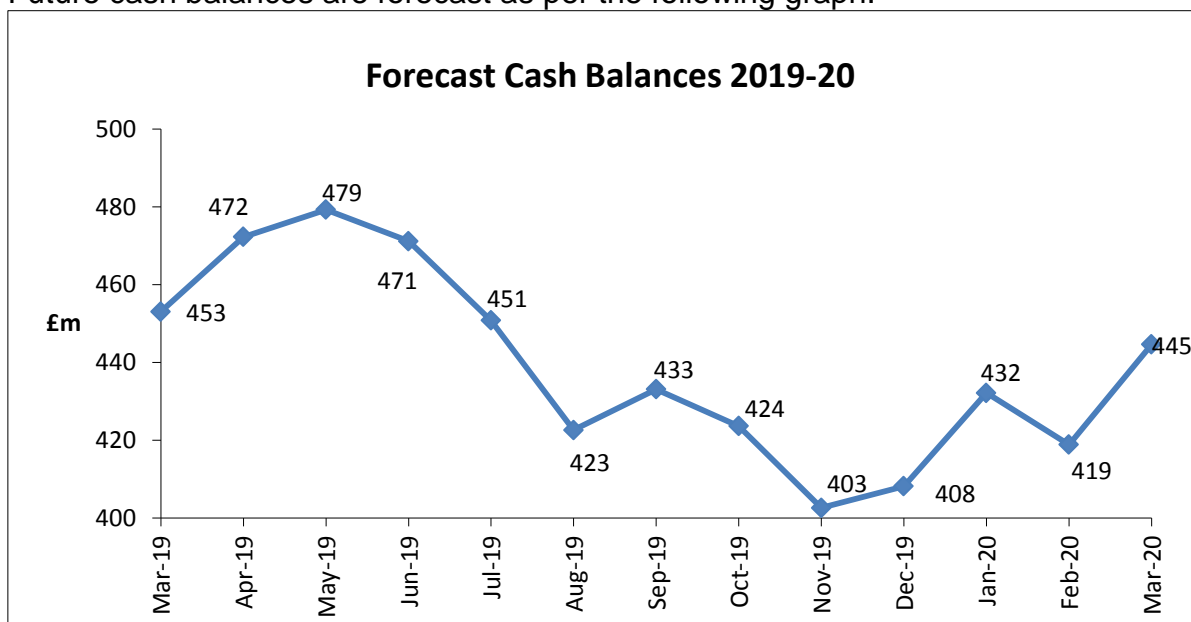


	Principial Maturing £m	Balance Outstanding £m	Percentage of Opening Balance Maturing
Opening Balance 31/07/2019		898.980	
Maturity 0 -5 years	130.546	768.434	14.5%
Maturity 5 -10 years	75.362	693.072	8.4%
Maturity 10-15 years	37.002	656.070	4.1%
Maturity 15 -20 years	112.970	543.100	12.6%
Maturity 20 -25 years	86.500	456.600	9.6%
Maturity 25 -30 years	79.800	376.800	8.9%
Maturity 30 -35 years	25.700	351.100	2.9%
Maturity 35 - 40 years	110.000	241.100	12.2%
Maturity 40 -45 years	50.600	190.500	5.6%
Maturity 45 -50 years	190.500	0.000	21.2%
Total	898.980		

- 1.3 The Council's strategy continues to be to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles.
- 1.4 Total long-term debt managed by KCC includes £33.52m pre-LGR debt managed by KCC on behalf of Medway Council.

## 2. Cash Balances

- 2.1 During the month of July, the value of cash under management fell by £20m to £451m reflecting higher than anticipated outflows in respect of normal creditor clearances. Future cash balances are forecast as per the following graph.



## 3. Investments

- 3.1 At the end of July the value of KCC's investments was £451m of which £154m, 34%, was invested in strategic pooled funds.

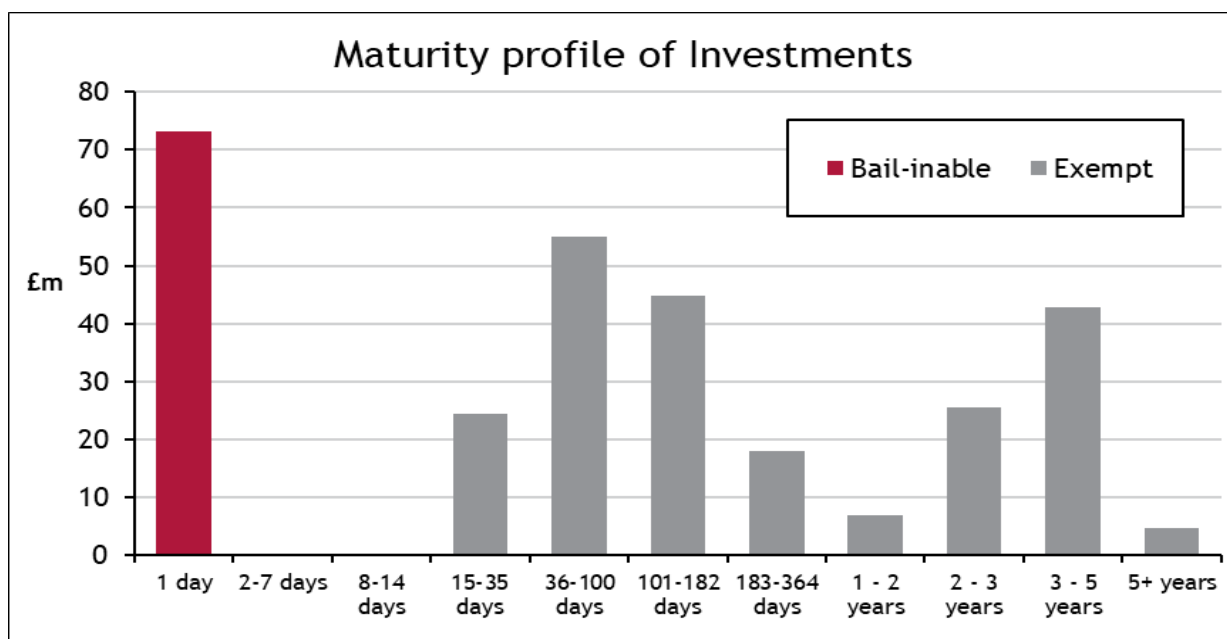
3.2 Details of the investments at the month end as well as the movement in 2019-20 are shown in the following table. A detailed listing of investments at 31 July is at appendix 2.

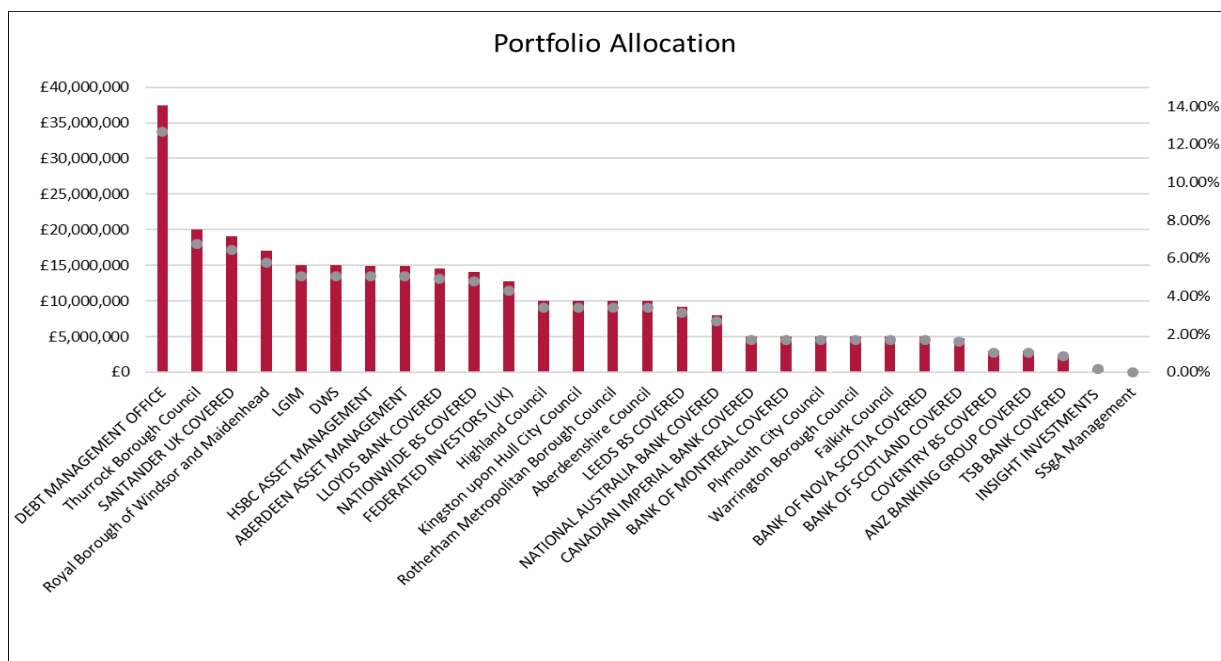
	31-Mar-19	2019-20	31-Jul-19		
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	£m	£m	£m	%	
Bank Call Accounts	2.0	-2.0	0		
Money Market Funds	92.9	-19.7	73.2	0.73	AA-
Local Authorities	65.0	27.0	92.0	0.92	AA-
Treasury Bills	52.4	-15.0	37.4	0.72	AA
Covered Bonds	90.4	2.6	93.0	1.12	AAA
Icelandic Recoveries o/s	0.4	-	0.4		
Equity	2.1	-	2.1		
<b>Internally managed cash</b>	<b>305.2</b>	<b>-7.1</b>	<b>298.1</b>	<b>0.91</b>	<b>AA</b>
<b>Strategic Pooled Funds</b>	<b>150.0</b>	<b>3.7</b>	<b>153.7</b>	<b>4.57</b>	
<b>Total</b>	<b>455.2</b>	<b>-3.4</b>	<b>451.8</b>	<b>2.16</b>	

### 3.3 Internally managed investments

3.3.1 The rate of return on investments held at month end was 0.91% vs the target return 7-day LIBID of 0.564%.

3.3.2 The maturity profile of KCC's investments and counterparty exposure are shown in the following charts.





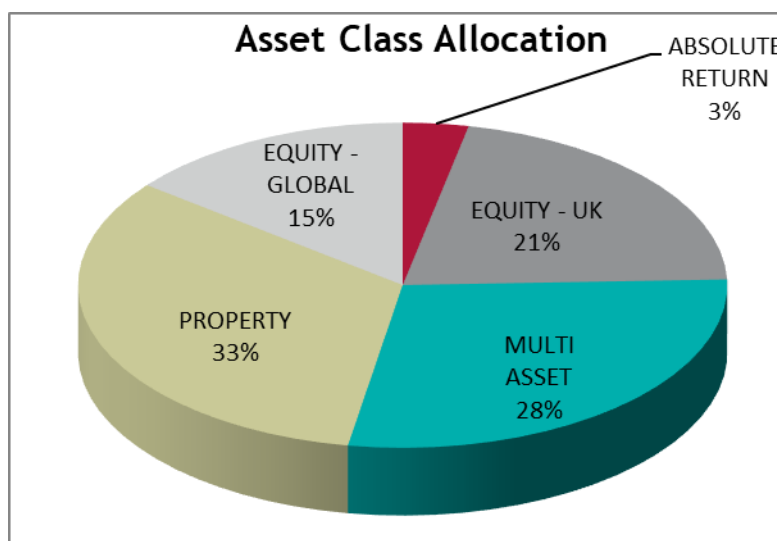
### 3.3.3 Credit Score matrix

The Council's overall credit scores for its internally managed cash are detailed in the following table.

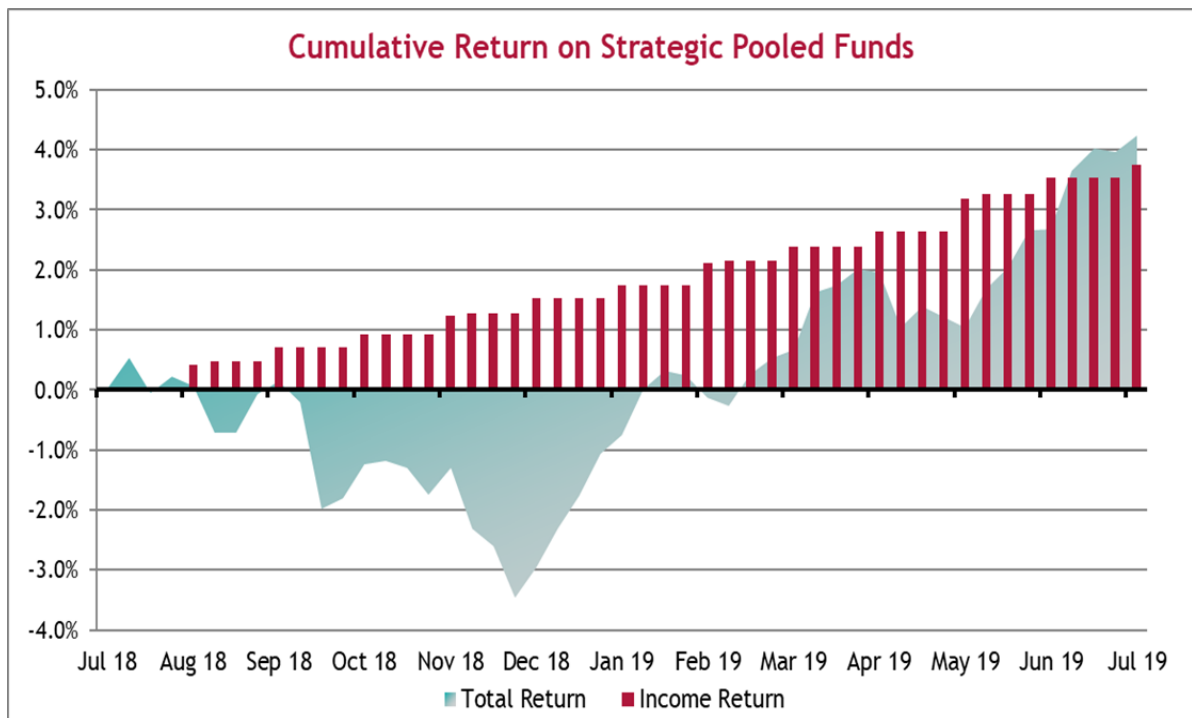
	Credit Rating	Credit Risk Score
Value Weighted Average	AA	3.0
Time Weighted Average	AAA	1.3

## 4 Strategic Pooled Funds

4.1 A breakdown of the strategic pooled funds by asset class is shown in the following chart.



4.2 The following chart tracks the returns earned on the pooled funds over the 12 months to end July 2019.



## 5. Revenue outturn

5.1 An underspend is forecast against the net debt costs budget (£2.1m) mainly as a result of higher forecast dividends from the externally managed funds.

**Alison Mings**  
**Treasury and Investments Manager**  
**14 August 2019**

## Investments as at 31 July 2019

## 1. Internally Managed Investments

## 1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Fixed Deposit	Kingston Upon Hull City Council	5,000,000	0.85%	20/12/19
Fixed Deposit	Plymouth City Council	5,000,000	0.80%	10/09/19
Fixed Deposit	Warrington Borough Council	5,000,000	0.82%	18/12/19
Fixed Deposit	Rotherham Metropolitan Borough Council	10,000,000	0.85%	20/08/19
Fixed Deposit	Thurrock Borough Council	10,000,000	0.95%	31/08/19
Fixed Deposit	Falkirk Council	5,000,000	1.00%	05/09/19
Fixed Deposit	Highland Council	5,000,000	1.05%	23/10/19
Fixed Deposit	Highland Council	5,000,000	1.05%	06/01/20
Fixed Deposit	Aberdeenshire Council	10,000,000	0.88%	29/10/19
Fixed Deposit	Royal Borough of Windsor and Maidenhead	5,000,000	0.90%	31/10/19
Fixed Deposit	Royal Borough of Windsor and Maidenhead	10,000,000	0.92%	08/11/19
Fixed Deposit	Royal Borough of Windsor and Maidenhead	2,000,000	0.79%	22/08/19
Fixed Deposit	Kingston Upon Hull City Council	5,000,000	0.85%	20/01/20
Fixed Deposit	Thurrock Borough Council	10,000,000	1.07%	29/05/20
<b>Total Local Authority Deposits</b>		<b>92,000,000</b>		
Treasury Bill	DMO	4,982,699	0.72%	25/11/19
Treasury Bill	DMO	9,964,227	0.72%	09/12/19
Treasury Bill	DMO	9,964,176	0.73%	25/11/19
Treasury Bill	DMO	9,982,578	0.70%	28/10/19
Treasury Bill	DMO	2,528,429	0.76%	27/08/19
<b>Total Govt Deposits</b>		<b>37,422,109</b>		
Money Market Fund	Aberdeen Sterling Liquidity Fund	14,946,631	0.75%	n/a
Money Market Fund	Deutsche Managed Sterling Fund	14,984,355	0.75%	n/a
Money Market Fund	Federated (PR) Short-term GBP Prime Fund	12,737,537	0.75%	n/a
Money Market Fund	HSBC Global Liquidity Fund	14,954,991	0.68%	n/a
Money Market Fund	Insight Liquidity Funds PLC	543,663	0.67%	n/a
Money Market Fund	LGIM Sterling Liquidity Fund	14,994,973	0.72%	n/a
Money Market Fund	SSgA GBP Liquidity Fund	10,885	0.67%	n/a
<b>Total Money Market Funds</b>		<b>73,173,035</b>		
<b>Equity and Loan Notes</b>	Kent PFI (Holdings) Ltd	<b>£2,135,741</b>		n/a

<b>Icelandic Recoveries outstanding</b>	Heritable Bank Ltd	<b>£366,905</b>		n/a
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## 1.2 Bond Portfolio

<b>Bond Type</b>	<b>Issuer</b>	<b>Adjusted Principal £</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>
Floating Rate Covered Bond	Australia and New Zealand Banking group	3,000,000	1.39%	24/01/22
Floating Rate Covered Bond	Bank of Montreal	5,005,028	1.02%	17/04/23
Fixed Rate Covered Bond	Bank of Nova Scotia	4,990,619	0.88%	14/09/21
Fixed Rate Covered Bond	Bank of Scotland	4,703,496	1.71%	20/12/24
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce	5,030,580	0.96%	10/01/22
Floating Rate Covered Bond	Coventry Building Society	3,001,558	1.02%	17/03/20
Floating Rate Covered Bond	Leeds Building Society	5,000,000	1.18%	01/10/19
Fixed Rate Covered Bond	Leeds Building Society	4,206,223	1.29%	17/04/23
Floating Rate Covered Bond	Lloyds	4,500,000	1.31%	14/01/22
Floating Rate Covered Bond	Lloyds	2,502,747	0.99%	27/03/23
Floating Rate Covered Bond	Lloyds	2,503,666	0.98%	27/03/23
Floating Rate Covered Bond	Lloyds	5,006,474	0.98%	27/03/23
Fixed Rate Covered Bond	National Australia Bank	4,971,050	1.35%	10/11/21
Fixed Rate Covered Bond	National Australia Bank	3,001,889	1.10%	10/11/21
Floating Rate Covered Bond	Nationwide Building Society	4,504,528	1.00%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society	5,587,041	0.98%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society	3,999,236	1.42%	10/01/24
Fixed Rate Covered Bond	Santander UK	5,006,977	0.94%	05/05/20
Floating Rate Covered Bond	Santander UK	3,751,775	0.96%	13/04/21
Floating Rate Covered Bond	Santander UK	3,265,748	0.65%	14/04/21
Floating Rate Covered Bond	Santander UK	5,003,042	1.02%	16/11/22
Floating Rate Covered Bond	Santander UK	2,003,206	1.40%	12/02/24
Floating Rate Covered Bond	TSB	2,503,995	1.54%	15/02/24
<b>Total Bonds</b>		<b>93,048,878</b>		

<b>Total Internally managed investments</b>	<b>£ 298,146,670</b>
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## 2. Externally Managed Investments

Investment Fund	Book Cost £	Market Value at 31 July 2019 £	12 months return to 31 July 2019	
			Income	Total
CCLA - Diversified Income Fund	5,000,000	5,204,801	3.32%	6.92%
CCLA – LAMIT Property Fund	50,000,000	50,490,581	4.19%	4.00%
Fidelity Global Multi Asset Income Fund (purchased 20 March 2019)	25,038,637	27,547,469	1.88%	11.90%
Fidelity Multi Asset Income Fund (sold 20 March 2019)		0	2.49%	1.89%
Kames Diversified Monthly Income Fund	10,000,000	10,662,144	3.19%	9.82%
M&G Global Dividend Fund	10,000,000	11,433,461	3.04%	7.32%
Pyrford Global Total Return Sterling Fund	5,000,000	5,014,126	1.83%	3.13%
Schroder Income Maximiser Fund	25,000,000	22,796,118	7.03%	-4.15%
Threadneedle Global Equity Income Fund	10,000,000	10,780,538	3.30%	9.62%
Threadneedle UK Equity Income Fund	10,000,000	9,767,931	3.83%	-1.33%
<b>Total External Investments</b>	<b>150,038,637</b>	<b>153,697,169</b>	<b>4.57%</b>	<b>5.06%</b>

## 3. Total Investments

<b>Total Investments</b>	<b>£451,843,839</b>
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Agenda Item 17

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