GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 24th September, 2025

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

Kent County Council
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AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 24th September, 2025, at 10.00 am		Ask for:	**Ruth Emberley**
Council Chamber, Sessions House, County Hall, Maidstone		Telephone:	**03000 410690**

Membership (15)

Reform (8):	Mr M Brown (Chairman), Mr A Cecil, Mr R Palmer, Mr M Paul (Vice-Chair), Ms I Kemp, Mr O Bradshaw, Mr J Finch and Mr A Kibble
Liberal Democrat (2):	Mr M Munday and Mr G R Samme
Conservative (1):	Mr H Rayner
Labour (1):	Mr A Brady
Green (1):	Mr M A J Hood
Independent Members (2):	Ms C Black and Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Apologies and Substitutes

3. Declarations of Interest in items on the agenda for this meeting

4. Minutes of the meeting held on 3 July 2025 (Pages 1 - 16)

5. Verbal Update on Committee Business (Pages 17 - 32)

6. Draft Annual Governance Statement (Pages 33 - 56)

7. Lessons from 2023 / 2024 External Auditor's Annual Report (Pages 57 - 88)

8. External Auditor's Progress Report (Pages 89 - 116)

9. 2024/2025 Kent County Council Auditor's Annual Report (Pages 117 - 168)

10. 2024/2025 External Audit Findings Report for Kent Pension Fund (Pages 169 - 260)

11. Independent Member - Term of Office (Pages 261 - 262)

12. Internal Audit Progress Report - To Follow

13. Internal Audit Annual Report - To Follow

14. Covert Enforcement Techniques (Pages 263 - 282)

EXEMPT ITEMS

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

Benjamin Watts
General Counsel
03000 416814

Tuesday, 16 September 2025

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

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 3 July 2025.

PRESENT: Ms C Black, Dr D Horne, Mr A Brady, Mr M Brown, Mr A Cecil, Mr R Palmer, Mr M Paul, Ms I Kemp, Mr O Bradshaw, Mr J Finch, Mr M Munday, Mr G R Samme and Mr M Hood

IN ATTENDANCE: Mr B Collins (Deputy Leader of the Council) Mr P Chamberlain (Deputy Cabinet Member for Corporate and Traded Services)

ALSO PRESENT: Ms A Beer (Chief Executive), Mr J Betts (Interim Corporate Director of Finance), Mr B Watts (General Counsel), Mr R Smith (Corporate Director for Adult Social Care), Ms S Hammond (Corporate Director for Children, Young People and Education), Mr K Kasaven (Director of Children's Countrywide Services), Mr D Whittle (Director for Strategy Policy Relationships and Corporate Assurance) and Mr S Jones (Corporate Director for Growth, Environment and Transport)

Mr T Godfrey (Senior Governance Manager), Mr M Scrivener (Head of Risk and Delivery Assurance), Ms D Chisman (Audit Manager), Mr R Smith (Audit Manager), Ms L Taylor (Deputy Audit Manager), Ms K Herbert (Deputy Audit Manager), Mr J Flannery (Counter Fraud Manager), Ms H Bhat (Counter Fraud Technician), Ms V Beck (Counter Fraud Technician), Ms D Collins (Counter Fraud Technician), Mr K Holyoake (Counter Fraud Specialist, Mr C Ihonor (Intelligence Assistant), Mr J Muteham (Intelligence Analysist)

Ms Clare Maynard (Chief Procurement Officer and Head of Commercial Services and Procurement Division), Mr M Bridger (Strategic Lead for Commercial Services and Improvement), Mr A Luke (Strategic Commercial and Procurement Lead for People), Mr P Dossett (Grant Thornton), Mr Parris Williams (Grant Thornton), Ms S Surana (Pension Fund and Treasury Investments), Mr J McKay (Corporate Accountant), Ms Cath Head (Head of Finance)

VIRTUAL ATTENDANCE: Mr A Shade (Principal IT Auditor), Ms L Nutley (Grant Thornton).

UNRESTRICTED ITEMS

306. Election of Chair
(Item 2)

It was proposed and seconded that Mr Michael Brown be elected as Chair of the Committee. There were no further nominations.

RESOLVED that Mr Michael Brown be elected Chair of the Committee.

307. Election of Vice-Chair
(Item 3)

It was proposed and seconded that Mr Martin Paul be elected as Vice -Chair of the Committee. There were no further nominations.

RESOLVED that Mr Martin Paul be elected Vice-Chair of the Committee.

308. Apologies and Substitutes
(Item 4)

Apologies were received from Mr H Rayner.

309. Declarations of Interest in items on the agenda for this meeting
(Item 5)

There were no declarations of interest.

310. Minutes of meeting held on the 20 March 2025
(Item 6)

Ms Black wanted it recorded that, during the last Committee meeting, the previous Vice Chair, Councillor Passmore, gave his sincere thanks to Councillor Binks for her services to the Committee as Chair.

It was held that the minutes of the meeting held on the 20 March 2025 were a correct record and a copy to be signed by the Chair.

311. 2024/2025 External Audit Plan for Kent Pension Fund
(Item 7)

1. The item was presented by Mr Parris Williams. It was explained that the report initially came to the Committee in March 2025 however due to the change in Membership, the item returned to make the Committee aware of the Audit plan for 2024 – 2025. The report was taken as read and the key points were highlighted for Members.

2. In answer to Members' questions and comments, the following was said:

   a) Any transfer of Town Council pensions into the County Pension fund would be picked up as part of the external auditor's testing.

b) The Interim Corporate Director of Finance, Mr John Betts, explained that, in general, Districts were already part of the pension fund and so would not materially impact on the audit of those accounts.

c) Mr Betts clarified that the identified risk with the Oracle Programme was accepted. Going forwards with the new version of the programme, revisions were being undertaken to avoid these risks occurring in the future.

3. RESOLVED the Committee noted the 2024-2025 External Audit Plan for the Kent Pension Fund

312. Corporate Risk Register
(Item 8)

1. The item was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.

2. Mr Scrivener highlighted to Members that a previous information briefing had taken place around the Committees' purposes and responsibilities in relation to risk management and confirmed that a training session as part of the Member Induction was scheduled for later in the month. In addition, a specific briefing could be provided for elected Members in relation to the Corporate Risk Register, ahead of a future presentation of the register.

3. Some of the key points of the report included the following:

a) The covering report provided an overview of any changes to the Register. This included any additions or removal of risks, any change of ratings or revisions.

b) Mr Scrivener drew Members' attention to Appendix 1 which contained the details of the Register and Appendix 2 which provided headlines of the directorate risks below corporate level.

c) It was confirmed that Cabinet Committees and officer forums would discuss details of the risks throughout the year. This report was intended to provide assurance regarding a broader approach to risks.

d) Mr Scrivener confirmed that his team were currently looking at the control element to see where the key controls resided and what assurances were given against them. It was confirmed that the internal audit function used the risk register as one of the sources of information to guide their audit work.

4. In answer to Member questions, the following was said:

a) The Corporate Director for Growth, Environment and Transport and Senior Responsible Officer for the Oracle Cloud Project, Mr Simon

Jones confirmed that the programme was due to go live on 18 August 2025 for models relating to finance and some procurement activities. Within the organisation, several business readiness groups and training / familiarisation with the new system had taken place.

In terms of product testing, user acceptance testing was currently being conducted, and the test scripts operated at around 88% success rate. At the end of July 2025, the organisation would check the progress of the product to ensure it was capable of operating when the programme went live in August. A system cutover would take place prior to going live, which involved a 10 day period where data would be migrated onto the new system and initial safety testing would be undertaken within that, ahead of making a final decision to cut over and go live for all users.

b) It was discussed and confirmed that interim updates on the progress of the Oracle Cloud implementation could be delivered to the Committee ahead of the next scheduled meeting in September, by way of an informal briefing. These would likely take place after critical milestones in the delivery of the programme had been achieved.

c) A Member asked a specific question concerning how the risk rating was devised relating to the corporate risk of fraud and error. Mr Scrivener explained that, when looking at risk ratings, the current risk exposure was assessed, which considered the controls in place to manage the risk. It was further explained that if there was an inherent rating, the risk would be high, however as there were controls in place this reduced the fraud risk and error to an amber level.

d) The Head of Couter Fraud, Mr James Flannery, explained that within the reports around fraud and error, there were irregularities and on occasion it was not to the benefit of an individual and was classified as an error, however there were certain circumstance where on the balance of probabilities, it was fraudulent behaviour. Issues arose where it was considered not in the public interest to progress further to criminal investigation and recovery, due to the value of the funds involved. Mr Flannery confirmed that he would revisit the way fraudulent activity and error was reflected in future reports.

e) The General Counsel, Mr Ben Watts, clarified that the Authority did take prosecutions on some cases where it was appropriate in relation to fraud and there was a recognition of a deterrent element which created a broader saving.

f) In answer to a Member’s question regarding risk CR0015 – Sustainability of the Social Care Market, with a focus on the change in Employer National Insurance and new Visa restrictions, the Corporate Director for Adult Social Care, Mr Richard Smith confirmed that the directorate continued to closely monitor the relationship with care providers and no intelligence had been received to indicate that providers had not been able to meet payroll, or had to close businesses due to the changes in employer National Insurance.

g) In answer to a Member's questions regarding Peppercorn Rents and PFIs, it was confirmed that a note would be taken of these specific requests so the Executive could consider them as part of their policy formation, as well as ensuring the relevant Cabinet Member has the opportunity for consideration.

h) Mr Scrivener confirmed he would liaise with ICT Compliance and Risk Team in relation to CyberEssential Plus external accreditation for larger supply chains.

i) The Director of Strategy and Policy, Mr David Whittle confirmed that Local Government Reform (LGR) risk was live and currently being debated and whilst it had not yet been codified, there would be a form of an LGR risk added to the Corporate Risk Register at the appropriate time. By way of a timetable, Mr Whittle explained that a paper would be brought to the relevant Cabinet Committee in the first instance and progressed from there.

j) Mr Betts confirmed the reason the risk level for savings and income had reduced was due to the additional governance and monitoring steps put in place for the current financial year to get savings delivered and mitigating actions could be put in place to reduce the level of overspend.

k) Mr Betts confirmed that the Authority had been working with the Commissioners in Adult Social Care and the providers to understand the pressures connected with the increase in Employers National Insurance, however it was explained to Members that the Authority could only increase the total amount of income available by the referendum thresholds for Council Tax.

5. RESOLVED the Committee noted the report for assurance.

313. Update on the preparation of the Annual Governance Statement 2024/25

(Item 9)

1. The General Counsel, Mr Ben Watts, provided a PowerPoint Presentation to the Committee. There were no questions or requests for clarification.

2. RESOLVED the Committee noted the update on the Annual Governance Statement 2024/2025.

314. Roles and Responsibilities of External Audit

(Item 10)

1. Mr Paul Dossett and Ms Lucy Nutley from Grant Thornton presented the item to the Committee via PowerPoint presentation.

2. In answer to questions from Members, the following was said:

    a) Mr Betts, confirmed that the local audit market changed around 10 years ago when the Audit Commission was disbanded by Central Government. Prior to this, local Authorities were unable to choose their audit firms. It was confirmed that since, the process was run an independent third party, the Public Sector Audit Appointments (PSAA), who undertook all the market engagement on behalf of the whole of local Government, to prevent a situation whereby some local authorities may not be able to appoint an external auditor. Mr Betts confirmed that the local Authority were not permitted to choose their own auditor.

    b) Mr Betts agreed that having an independent third party appoint an external auditor provided another level of scrutiny to ensure no conflicts of interest arose and it also ensured that the auditing process worked for the whole country.

3. There was no recommendation, the item was for Members information.

314. 2024/2025 External Audit Plan for Kent County Council
(Item 10)

1. The item was presented by Mr Paul Dossett. The paper was taken as read and the key points were highlighted for Members' attention.

2. In answer to Member questions, the following was said:

    a) The amount of money Kent County Council lent to the local authority owned companies was immaterial in total and related more to working capital. Kent County Council companies provided a range of services and were relatively small in scale. Mr Dossett confirmed that the external auditors examined the accounts and confirmed they did not present a concern, due to their size. It was confirmed that the companies owned by the local authority had their own independent auditors who would highlight any growing concerns.

    b) Mr Watts commented that a briefing on Governance Structure, as part of the new Member medium-term induction plan could be arranged. It was clarified that the shareholder board, a sub-committee of the Council's Cabinet Committee, was due to meet before the end of the year and calendar invites would be circulated. Mr Watts also explained to Members that information about the performance of outside companies came to the Committee on an annual basis.

c) Mr Watts confirmed that the performance and asset value of the outside companies was such that they generated a net contribution to the Council on an annual basis. It was explained that the Authority had a single holding company and the majority of the wholly owned companies were arranged under this.

d) It was explained to Members that they would have the opportunity to participate in a site visit of the wholly owned companies and receive a detailed briefing which set out how the companies operated and their structure.

e) Mr Dossett confirmed that a commentary would be contained in their external auditor's findings report covering the implementation of the Oracle Cloud Programme and assured the Committee that ongoing work was being performed by Grant Thornton's IT Team, who focused on the quality of the control environment and whether they had been appropriately developed.

f) It was explained that the external auditors would not focus on operating effectiveness because their audit approach was a substantive one and did not focus or rely on controls, instead the focus was on year- end substantive testing.

g) Mr Dossett explained that the external auditors had regular dialogue with officers and if concerns were raised, then follow up visits from IT specialists would be arranged to investigate the issues. It was pointed out that internal audit would have a role if any operational effectiveness concerns were identified.

h) It was confirmed that Kent County Council was not under the Exceptional Financial Support Programme (EFS) and did not have general permission to sell assets and charge them to revenue. The Section 151 Officer oversaw the disposal of all assets, and the Authority needed to demonstrate best value in the disposal. Mr Dossett confirmed that assets disposal was examined as part of the audit process and if anything looked irregular after scrutiny, it would prompt a formal audit question. It was confirmed that the Authority was not in a position whereby there was a need to sell assets for revenue purposes.

i) Mr Betts clarified that in some limited circumstances the local Authority could use capital receipts to fund some elements of revenue, where that revenue funding is designed to produce a saving later, as the Authority had done when setting this year's budget.

j) Mr Betts explained that the Authority was working with external auditors in respect of IFRS 16 and on Grant Thornton's advice, all assets had been reviewed whereby IFRS 16 could be on lease, including issues around peppercorn rents and how PFI was managed. These would be effectively reflected in the accounts.

k) Mr Dossett confirmed that the external auditor's assessment of the financial sustainability of the Authority would be provided by 30 November 2025. In addition, he confirmed that if Members wanted to deep dive into any areas, it would be a judgement for the Committee and they should speak to the relevant officers.

3. RESOLVED the Members noted the external audit plan for Kent County Council for 2024-2025.

315. Commercial and Procurement Oversight Board Update Report
(Item 11)

1. The report was presented by the Chief Procurement Officer and Head of Commercial Services Procurement Division.

2. The report was taken as read and some of the key points were highlighted for Members

3. In answer to Member's questions, the following was said:

a) The Contract Management Review Group was historically co-chaired by Ms Maynard and a Member of the administration. Mr Chamberlain had agreed to be the Co-Chair and meetings were due to recommence in September 2025.

b) The terms of reference for the Contract Management Review Group were clear and examined the gold and silver contracts midpoint and prior to extension, to ensure the contracts were fit for purpose. In additional KPI (key performance indicators) had been measured and providers were delivering in terms of the contract let.

c) It was confirmed that contracts were not automatically extended; market testing was carried to ensure each specific contract was fir for purpose moving forward.

d) Ms Maynard was content to bring information regarding contract to the Committee's agenda, if Member felt this would be useful.

e) The terms of reference for the Contract Management Review Group provided that the group retain a mix of political makeup; Ms Maynard confirmed that she and Mr Chamberlain would consider who the Members of the group should be but would welcome offers of attendance.

4. RESOLVED the Committee considered and noted the report.

316. Counter Fraud Annual Report 2024-25

(Item 12)

1. The report was present by the Counter Fraud Manager, Mr James Flannery.

2. Mr Flannery explained that the report provided a summary of activity which occurred during the 2024-2025 financial year. The key points were highlighted for specific Member interest.

3. In answer to Member questions, the following was said:

   a) The Counter Fraud Team supported management in the full recovery of any losses identified. Improvement had been seen in obtaining evidence that showed where invoices had been raised and that recovery was occurring. Whilst actual repayments were not tracked (as this lay within the debt recovery side of the process) Counter Fraud officers had started tracking some of the irregularities which occurred in the previous year, due to a Freedom of Information request. The results of this could be shared with the Committee.

   b) Management and the Debt Recovery Team were ultimately responsible for recovery and tracking of specific debt sums. Items not discussed in open session, would be covered in the exempt section of meeting.

   c) Spikes in referrals from staff in year 2023 -2024 were likely a direct correlation of the training sessions delivered by Mr Kevin Holyoake. Events such as International Fraud Awareness week which took place each November and awareness days which the team had conducted in the past, all increased awareness and consequently impacted on the level of referrals.

   d) Mr Flannery explained that when issues and problematic areas had been identified, the Counter Fraud Team identify the root cause and could indicate whether further resources for enforcement action were needed.

   e) Moving forward, Mr Flannery explained to Members that it was hoped that a specific threshold could be applied and irregularities above a specific amount would be tracked, although there was a risk that this is action could detract from the awareness sessions and the proactive and reactive side of the process. It was confirmed that analytics could be used to track debt repayment.

   f) A Member commented that it would be helpful to understand more about the operations of the Counter Fraud Team to see whether additional funding or resources were needed. Mr Flannery confirmed that the Counter Fraud Team worked closely with Management, who were responsible for reporting the results to Internal Audit. The

Counter Fraud Team provided support to recover funds and focused on establishing the root cause.

g) Mr Flannery confirmed the figures relating to the withdrawal of £3,500 bus passes derived from the Cabinet Office, as laid out in the National Fraud Initiative. When those figures were utilised in the National Fraud System, it provided the estimated future loss provision.

4. RESOLVED the Committee noted:

- The Counter Fraud Annual Report including quarter 4 progress for 2024/25 and reported irregularities from 01 January 2025 to 31st March 2025;

- The progress of the Counter Fraud Action Plan for 2024/25

And;

- Commented on, and approved, the Counter Fraud Action Plan for 2025/2026

317. Internal Audit Progress Report
(Item 13)

1. The item was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman. Mr Smith confirmed that the report captured all the work undertaken by Internal Audit and Counter Fraud colleagues. Mr Smith provided a brief overview of the audit detailed in the report and highlighted key points for Members' attention.

2. By way of an update since publication of the report; in section 3 of the report – Resources for the Internal Audit Service – in relation to the two recruitment exercises which had taken place, Mr Smith confirmed that the position of Trainee Auditor was successfully recruited as was the position for a new Audit Manager, who would be joining the service in September 2025.

3. Ms Chisman provided an overview of the audits undertaken. The report was taken as read and Ms Chisman highlighted the key points for Members' attention.

4. Ms Chisman confirmed that 55% of the Internal Audit Plan had been delivered and 20 Audits (45%) were in progress. Outstanding level audits had commenced with progress being made. It was expected that a further update would be provided to the Committee at the next meeting in September 2025.

5. Internal Audit had conducted 4 Advisory items of work, 2 of which would be discussed in the exempt section of the meeting. These were: CyberSecurity

Assurance Map and the KCC Website Review. Other Advisory items included the Oracle Cloud Programme and the business readiness.

6. Ms Chisman drew Members' attention specific audits which included:

   a) Education and Alternative Provision Pupil Referral Units. This audit was assigned adequate assurance; several strengths had been raised in relation to policies, procures, guidance and training, 4 medium issues were raised.

   b) The Basic Needs and High Needs Allocation Capital Program was assigned Adequate. Ms Chisman confirmed that the audit evaluated the governance framework, the funding allocation process and the monitoring and reporting mechanisms.

   c) Public Health Transformation Programme was an adequate insurance piece of work. Areas of strength included alignment of strategic statements, the approval process, robust governance arrangements and benefits had been defined at service level and aligned with the programme aims

7. It was confirmed that no audits within the reporting period of January 2025 to June 2025 had been assigned limited or no assurance and three full follow up reviews had been completed. These included:

   - The Sundry Debt - recovery and the cancellation of invoices
   - Procurement
   - Loans to Schools

8. Ms Chisman confirmed that the Team had audited and certified 11 Government grants with a value £60.2 million. Members were referred to the report which contained a list of the grants.

9. In answer to Member questions, the following was said:

   a) The Corporate Director for Children, Young People and Education, Ms Sarah Hammond clarified that pupil referral units had KPIs (Key Performance Indicators) and confirmed they were overseen by OFSTEAD in the same way as all schools were. It was explained that the KPIs were reported to the Cabinet Committee and that the audit focused on the management of the Committees around the pupil referral units.

   b) Ms Hammond confirmed that there was plan in place for specific area improvement, following the audit however some of the pupil referral units were independent bodies of the Council and were not all KCC provisions. For those which were maintained and run by management committees, it was confirmed that there was a plan for the committee members (Governors) to be more robust in taking up the training.

c) Mr Watts explained that when the new Oracle Programme was implemented, the workflow would direct involvement from all relevant professionals, from an early informative stage. This would be inclusive of finance.

d) Mr Smith explained that there would be no impact on the progress against the plan affecting 2025 / 2026. He acknowledged there had been longstanding issues with the audit relating to Imprest accounts but this was due to complications with one particular action. Mr Betts confirmed the existence of an operational issue which also caused complications however due to the financial nature of the matter, it was more appropriate to discuss in a private session.

e) In relation to a question on the audit for Pupil Referral Units, Ms Hammond confirmed that the focus of this was the take up of non-mandatory training offered by The Education People by the Committees and how to encourage engagement. Ms Chisman confirmed that it had been included in a Management Action Plan with an implementation date of September (start of a new term) the training would be included as mandatory in service level agreements.

10. RESOLVED the Committed noted the Internal Audit Progress Report the period January to June 2025.

318. Internal Audit Plan 2025-26
(Item 14)

1. The item was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman. Mr Smith explained that the global internal audit standards and the UK application note required the internal audit service to produce a risk based audit plan. It was confirmed that the report proposed a 2025 – 2026 rolling internal audit plan which included a summary of the available resources.

2. Mr Smith highlighted the key points and details of the audit plan and appendices for Members' consideration.

3. In answer to Member questions, the following was said:

a) The number of audits to be completed within the 2025 – 2026 timeframe was accounted for in the resource projections section of the report and it was confirmed that no slippage of any audits should occur. Mr Smith stated that he would be content provide detailed workings of the viability of delivery, outside of the meeting.

b) Mr Smith explained that prior to an audit commencing, a planning meeting would take place to establish the big risk areas.

4. RESOLVED the Committee agreed the proposed Rolling Internal Audit Plan for 2025/26 subject to emerging issues and assurance requirements.

319. **Treasury Update Report**
(Item 16)

1. The report was presented by the Interim Corporate Director of Finance, Mr John Betts.

2. The key points were highlighted as follows:

   a) Mr Betts explained to Members that the report focused on Treasury Management activity for the financial year 2024 – 2025, being the financial year which has just concluded. At that point the Authority had external borrowings of £733 million by the end of the year, being 31 March 2025. This reduced by £39 million during the course of the year, inclusive of an early repayment of £10 million.

   b) It was confirmed that the Authority made no new borrowing during the last financial year.

   c) The Authority continued to manage interest rate costs by borrowing from internal resources, as well as earning interest in cash balances. The investments position for the previous financial year was based on £475 million at year end. This equated to an increase of £22 million, which was mainly due to improved valuations on strategic pooled funds.

   d) Mr Betts confirmed that the Council met a saving of around £1.9 million against interest costs that was predominantly due to the early repayment of the previously mentioned debt, as well as improved earnings.

   e) The Council met all prudential indicators around liquidity, security and interest risk.

3. In answer to a Member's question, Mr Betts confirmed that he would be content to bring to Committee a review of the strategy for Money Market Funds and Investment Funds.

4. RESOLVED the Committee endorsed the report and recommended that it was submitted to County Council.

Mr Watts explained the reasons why item 17 and item 18 were exempt and to be considered in closed session.

320. Counter Fraud Progress Report 2024-25 - Exempt
(Item 17)

1. The report was presented by the Head of Counter Fraud, Mr James Flannery.

2. Mr Flannery highlighted the key points of the annual report to Members.

3. RESOLVED the Committee noted the Counter Fraud Annual Report including quarter 4 progress for 2024/25 and reported irregularities from 1 January 2025 to 31st March

321. Internal Audit Progress Report - Exempt
(Item 18)

1. The report was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman.

2. The key points of the report were drawn to Members' attention.

3. RESOLVED the Committed noted the Internal Audit Progress Report the period January to June 2025.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Governance and Audit Committee Action Tracker

G&A Reference Number	Meeting Date	Minute No.	Agenda Item/Subject	Action	Responsible Officer/Area	Status
GA001	23 July 2024	222.6.a	Internal Audit Annual Report 2023-24	A progress report from management on the implementation of the agreed management actions would be presented at the next meeting.	Ben Watts	This report was considered by Members at the 9 October 2024 meeting of the Governance and Audit Committee.
GA002	23 July 2024	223.4	Risk Management Verbal Update	Committee's tracking of the risk relating to the Council's financial position would be considered as part of the agenda setting process.	Mark Scrivener John Betts	Completed: This was discussed at the agenda setting meeting for 12 November 2024. It was agreed that further discussions were required to determine what information could be shared and the most appropriate way to share the information to Members. This was subsequently resolved through the Section 25 statement

						that was considered by all Members as part of budget setting, as that set out the key financial risks, how they were being mitigated and the resultant cover from general and earmarked reserves.
GA003	23 July 2024	225.2.b	External Audit Progress Report and Sector Update	Members would receive an update on the Council's progress towards addressing the recommendations outlined in the previous year's VFM findings.	Ben Watts John Betts	Completed. This report was considered by Members at the 9 October 2024 meeting of the Governance and Audit Committee.
GA004	23 July 2024	225.2.c	External Audit Progress Report and Sector Update	The Committee's role in relation to the Council's productivity plans would be considered as part of a review of the Committee's Terms of Reference.	Ben Watts Katy Reynolds	Completed: This was reviewed as part of the Review of Effectiveness and Proposed Updated Terms of Reference, due for consideration at Governance and Audit Committee on 23 January 2025.
GA005	23 July 2024	222.6.b	Internal Audit	Following a request for	Ben Watts	Completed: This was

			Annual Report 2023-24	clarification regarding contract management (and the Council's governance in relation to wholly owned companies), it was agreed that a paper providing further information would be considered as part of the agenda setting process.		added to the Governance and Audit Committee agenda for 12 December 2024. A visit to the companies would be arranged for Members in early 2025.
GA006	23 July 2024	222.6.c	Internal Audit Annual Report 2023-24	Further clarification regarding the Internal Audit process in relation to advisory and follow-up audits would be provided to the Committee.	Jonathan Idle	Completed: Further information provided to the Governance and Audit Committee via email on 13 August 2024.
GA007	9 October 2024	230.7.c	Internal Audit Management Actions Update	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts Amanda Beer	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda. A further report would be brought to the March 2025 meeting.
GA008	9 October 2024	230.7.b	Internal Audit Management Actions Update	The latest compliance figures will be uploaded to the Teams site before the Governance and Audit	Ben Watts Amanda Beer	Completed: Compliance figures uploaded to Teams site on 8 November

				Committee meeting on 12 November 2024.		2024. An updated position will be added to the Teams site once available and reported to GAC in January.
GA009	9 October 2024	230.4	Internal Audit Management Actions Update	Training on the audit process and how audits are built will be developed for Committee Members as part of the revised induction programme to be launched in 2025.	Jonathan Idle Katy Reynolds	This has been built into the new Member induction programme, launched in May 2025.
GA010	9 October 2024	230.7.b	Internal Audit Management Actions Update	A detailed version of Appendix 1 would be circulated to the Committee via the Teams site ahead of the Governance and Audit Committee on 12 November 2024.	Ben Watts Amanda Beer	Completed: Detailed version of Appendix 1 circulated to the Governance and Audit Committee via email on 8 November 2024
GA011	9 October 2024	234	Progress Update on the Grant Thornton Value For Money Recommendations	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts John Betts	An update will be presented to the Committee in September 2025 as part of draft AGS for 2024/25.

GA012	9 October 2024	231.2.m	Annual Customer Feedback Report 2023/24	The Committee would be provided with further details regarding the legal costs of complaints for 2023/24	Ben Watts	Completed: This was discussed with the Committee during the Legal Update Item on 12 November 2024.
GA013	9 October 2024	237.1.b	Audit Backstop and Revised Date	Ahead of the Committee's consideration of the accounts, training would be provided to the Committee on how to effectively read the accounts.	John Betts Cath Head	Ongoing: training on the accounts is provided as part of the 'just-in-time' training offer. In 2024 this was provided in July.
GA014	12 November 2024	244.2.h	Verbal Update on Corporate Risk Register	The Chair suggested that Members receive a briefing on two of the risk areas highlighted during the item. The Chair would discuss this further with the Head of Risk and Delivery Assurance	Mark Scrivener/ Chair	This was discussed as part of the agenda setting process. One of the two items was Oracle Cloud Programme, for which a specific Member briefing has taken place.
GA015	12 November 2024	251.2.e	Internal Audit Progress Report – Exempt Report	School Loans Information: A comprehensive suite of documents referred to by Internal Audit in the key strengths section, and further information on current loans would be provided to Members	David Adams	Completed: This information was provided to Members via Teams on 19 November 2024.

				outside of the meeting.		
GA016	12 November 2024	251.2.c	Internal Audit Progress Report – Exempt Report	RB18-2024 – Loans to Schools: The Corporate Director for Children, Young People and Education, confirmed that policy had been updated and amended. The areas for development which had been identified were historic cases but will be revisited and an update to the Committee would be provided.	The Corporate Director for Children, Young People and Education	Schools Financial Services will be reviewing the other loans and then Internal Audit will review a sample of these as part of our Follow Up and report back to Committee accordingly.
GA017	12 December 2024	258.2.d	Annual Governance Statement	The Selection and Member Services and Sub Committees had been working on Member induction and information would be provided via the Governance and Audit Internal Teams site. How the induction takes place will be included.	Ben Watts	This was provided to Members.
GA018	12 December 2024	258.2.c	Annual Governance Statement	The Annual Governance Statement had 3 key areas for improvement and actions for the year ahead. All actions would be	Katy Reynolds	Completed: The actions have been integrated into the Governance Recommendations

				moved into the individual task tracker on the internal Teams site, so the Committee could monitor the progress.		Improvement Plan.
GA019	12 December 2024	264.1.b	Verbal Update on Committee Business	A report on the effectiveness of the Governance and Audit Committee would be provided in the new year.	Katy Reynolds	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda.
GA020	12 December 2024	266.4	Kent County Council Statement of Accounts	In relation to the Draft Statement of Accounts 2023/24, the Acting Chief Accountant confirmed that further information could be provided to the Committee regarding the payment of £1.5m to Tunbridge Wells Borough Council.	Joe McKay	Completed: This information was provided to Members via the Teams site on 24 December 2024.
GA021	23 January 2025	277.6.I	Corporate Risk Register	Mr Scrivener confirmed that he would ascertain the date in which the Kent Design Guide would be submitted to a Cabinet Committee and inform Members accordingly.	Mark Scrivener	Completed: this information was provided to the Committee via the Teams site on 10 March 2025.
GA022	23 January	278.2.g	External Auditor's	It was confirmed that the	John Betts	Completed: A

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	2025		Audit Progress Report and Sector Updates	questions set out on page 9 of the report would be responded to in writing and then provided to Members.		comprehensive update on the impact of leases (and other issues relating to the 2023/24 Statement of Accounts and planning for 2024/25) is contained in a report on March 2025's agenda.
GA023	23 January 2025	281.4	Internal Audit Progress Report	Mr Jones confirmed that if Members created a list of questions concerning the Oracle Cloud Programme he would be content to respond to them.	Simon Jones	Completed: This was resolved via an in-person briefing for Members on 6 March 2025.
GA024	20 March 2025	293.3.c	Verbal Update on Management Actions	The Learning Organisation Panel Terms of Reference would be shared with the Committee when complete.	Pascale Blackburn-Clarke	This is in progress. The first meeting of the Learning Organisation Panel is in December 2025.
GA025	20 March 2025	296.7.c	2023 - 2024 Accounts Update, Accounting Policies Update including IFRS 16 Implementation	In response to a Member's question regarding Peppercorn Leases and specific reserve amounts, Mr McKay confirmed he would note the questions	Joe McKay	Completed: This information is appended to the Committee Update provided at the 24 September 2025

			and External Audit Timetable	and provide the responses to the enquiries in a future Committee.		meeting.
GA026	20 March 2025	301.2.c	Counter Fraud Update	Further information would be sought from colleagues in the District Council and raised at the Kent Intelligence Network, in order to address a Member's question regarding an automated completion process between building enforcement and Council tax Revenue officers.	James Flannery	The Kent Intelligence Network Board meeting took place in August 2025 and this was raised for discussion.
GA027	3 July 2025	312.4.b	Corporate Risk Register	It was discussed and confirmed that interim updates on the progress of the Oracle Cloud implementation could be delivered to the Committee ahead of the next scheduled meeting in September, by way of an informal briefing.	Simon Jones	Completed: An informal briefing has been arranged for Committee Members on Friday 12 September 2025.
GA028	3 July 2025	314.2.b	2024/2025 External Audit Plan for Kent County Council	Mr Watts commented that a briefing on Governance Structure, as part of the new Member medium-term	Ben Watts	In progress: A briefing from the Chief Executive of the Commercial

				induction plan could be arranged		Services Group has been arranged for the Committee Members on 30 October 2025.
GA029	3 July 2025	319.3	Treasury Update Report	In answer to a Member's question, Mr Betts confirmed that he would be content to bring to Committee a review of the strategy for Money Market Funds and Investment Funds.	John Betts	
GA030	3 July 2025	312.4.h	Corporate Risk Register	Mr Scrivener confirmed he would liaise with ICT Compliance and Risk Team in relation to CyberEssential Plus external accreditation for larger supply chains.	Mark Scrivener	Completed: This information was circulated to Committee Members via email on 18 August 2025.
GA031	3 July 2025	318.3.a	Internal Audit Plan 2025-26	The number of audits to be completed within the 2025 – 2026 timeframe was accounted for in the resource projections section of the report and it was confirmed that no slippage of any audits	Russell Smith	Completed: This information was circulated to Committee Members via email on 18 August 2025.

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				should occur. Mr Smith stated that he would be content provide detailed workings of the viability of delivery, outside of the meeting.		

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Appendix 1: Note on Earmarked Reserves and Peppercorn Leases

Note on Earmarked Reserves

Earmarked reserves are an essential part of local authority financial strategy and are funds that have been set aside for specific purposes. Unlike the General Fund, which provides a buffer against unforeseen financial pressures, earmarked reserves balances are held to support planned projects, manage known risks and meet future liabilities.

Their use ensures that resources are available when needed and that the authority can deliver its strategic objectives.

KCC holds reserves balances under a number of categories which are detailed below. Significant balances held within each category are detailed for additional context. The reserve balances as at 31 March 2025 as per the draft Statement of Accounts is also provided. This is part of Note 24 of the accounts on page 93.

Vehicles, plant, and equipment (VPE)

These are reserves for the replacement and acquisition of vehicles, plant, and equipment. They are supported by an asset management plan showing the projected replacement timeline and cost. These reserves help to reduce fluctuations in spend. Most of these reserves have an Asset Management Plan (AMP) and annual reserve contributions.

Within the VPE reserve is £16.1m balance for Commuted Sums, which is an earmarked balance held to cover future maintenance costs of infrastructure assets. There is £1.8m held for Highways Renewals.

Smoothing Reserves

These are reserves which are used to manage large fluctuations in spend or income across years, for example Private Finance Initiative (PFI) equalisation reserves. These reserves recognise the differences over time between the unitary charge and PFI credits received. Other smoothing reserves cover emergency conditions, unfunded social care issues and funds to cover additional costs in leap years.

Major Projects

These reserves are for future spending on projects. Major projects include transformational programmes in adults and children's social care and ICT projects such as the implementation of Oracle Cloud.

Partnerships

These are reserves resulting from our partnerships and are ringfenced for the benefit of the partnership or are held for investing in strategic priorities. A key example of this is the investment in East Kent Opportunities LLP, a joint venture in which Kent County Council holds a 50% stake alongside Thanet District Council.

Due to a statutory override accounting rule introduced when the Safety Valve programme was launched, within Partnerships is £36.2m in a Safety Valve Reserve. This will ultimately offset against the DSG Adjustment Account (which is an unusable reserve).

Grants and External Funds

These reserves are for unspent grants which we are not required to repay, but which have restrictions on what they may be used for, and time limited projects funded from ringfenced external sources.

Departmental Under/Overspends

This reserve relates to the re-phasing of projects/initiatives and bids to use underspends at the year-end which are approved as roll forwards into the following year. These are subject to approval by Cabinet.

Insurance Reserve

This is a reserve for the potential cost of insurance claims in excess of the amount provided for in the insurance fund provision (for potential or contingent liabilities).

Public Health reserve

As set out in the Local Authority Circular issued for the Public Health grant, any unused funds at the end of the financial year have been placed into a reserve and are to be used to meet eligible public health spend in future years.

Special funds

These are reserves held primarily to facilitate the implementation of economic development and tourism initiatives and policy and regeneration expenditure. The balance in this reserve includes an amount for annual upkeep of the Old Rectory office space in Northfleet, which is a Grade II listed building.

Earmarked Reserve category	**Balance at 31 March 2025**
VPE	23.1m
Smoothing	111.8m
Major Projects	34.5m
Partnerships	44.5m
Grant & External Funds	7.7m
Departmental Over/Underspends	0.6m
Insurance	12.2m
Public Health	16.7m
Special Funds	0.8m
Total	**252.0m**

Note on Peppercorn Leases where KCC is the Tenant

Peppercorn leases are lease agreements where the rent is set at a nominal amount - typically a symbolic sum such as £1 per year.

These arrangements are often used in the public sector to facilitate the use of land and buildings without imposing a financial burden on the authority. As lessee, KCC benefits from peppercorn leases in several ways, particularly in enabling service delivery and strategic asset use at minimal cost.

During our implementation process for IFRS 16 Leases, 27 leases were identified at peppercorn rates. Under the accounting guidance, these assets were valued at 01/04/24 and recorded as right of use assets on our balance sheet. The table below summarises the information we hold on peppercorn leases:

Number of leases	27
Total ROU asset value on transition	£4.3m
Average value	£0.16m

Infrastructure colleagues manage these lease agreements, however in a broad sense the cost efficiency of peppercorn leases allow KCC to occupy land and buildings without incurring significant rental costs. Some of our peppercorn leases are long term, and securing long-term access to sites that are critical for service delivery allows a focus on service provision rather than property costs.

Peppercorn leases where KCC is the Landlord

KCC has 179 (excluding Academies) peppercorn lease arrangements, 36 of these leases are for land value is over £1m (Net Book Value NBV) . Some of these relate to leases that are historical and can be in place for the following reasons:

- Supporting service delivery where KCC are commissioning services or delivery services
- To support regeneration policy objectives
- Historical arrangements
- Temporary use
- Statutory directions e.g school leases where KCC is required by statue to transfer the land (194 leases with Academies)
- Control e.g KCC has sold the asset under a long lease but retained the freehold

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From: Ben Watts, General Counsel

To: Governance and Audit Committee, 24 September 2025

Subject: Draft Annual Governance Statement 2024/25

Status: Unrestricted

Summary: The Annual Governance Statement (AGS) is a key document which provides Members and Officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and output within the Council.

---

1) Introduction

a) The AGS provides an overview of the state of the authority's governance and the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, the detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council is statutorily required to produce an Annual Governance Statement.

b) The statement relies on the contribution of Members and Officers and a commitment to the continuous improvement of the way in which things are done by the Council in governance terms. Our statements have been very clear about where improvements can and should be made but this is done solely in the interests of identifying issues and making improvements. It is vital that the process is not weaponised as the Council has used the AGS process to identify and confront a number of issues that have remained out of sight in other organisations.

c) The statement comes to the Committee in draft to update Members on progress of the development of the statement and to provide an opportunity for the Committee to understand and influence the strategic direction of the statement ahead of finalisation.

d) After the 24 September 2025 meeting, the General Counsel will address the further changes that need to be made before finalising the Annual Governance Statement in consultation with the Chair. Work will also take place with Corporate Management Team members on finalising the actions that will be undertaken and delivered in the period ahead and these will also be included in the final statement and added to the Governance Recommendations Implementation Planner (GRIP) and the G&A Committee Teams site for Members to track throughout the year ahead.

e) The final draft of the AGS is then sent to all Cabinet Members, Corporate Directors and Directors. It is also recommended that a copy of the approved Annual Governance Statement is then sent to all Members.

2) Governance and Audit Committee's Responsibility

a) This report and the draft statement are brought to the Committee to provide an opportunity for Members to consider and raise any issues ahead of the finalisation of the statement.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) This report is brought to the Governance and Audit Committee for their consideration as the Committee is responsible for:
   i. monitoring the development and operation of the Council's corporate governance, financial, risk, and assurance frameworks and arrangements to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,
   ii. review and approval of the Statement of Accounts, with related reports, and the Annual Governance Statement, and
   iii. reporting to full Council for assurance on the Accounts and Annual Governance Statement approval.

Recommendations The Governance and Audit Committee is asked to: a) COMMENT on the Draft Annual Governance Statement;

3) Appendices

Appendix: Draft Annual Governance Statement for 2024/25

4) Background Documents

None.

5) Relevant Director and Report Author

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Kent County Council

Annual Governance Statement

2024/25

Kent County Council
Annual Governance Statement 2024/25

Contents

DRAFT

Executive Summary

The Annual Governance Statement (AGS) is a mandatory report by local authorities detailing how they have complied with the principles of good governance over the past year, providing assurance on the effectiveness of their internal controls and governance arrangements to the public and stakeholders. Guided by the CIPFA and Solace framework, the AGS includes a review of internal control effectiveness, identifies any significant governance issues, outlines actions taken, and describes future plans for improvement.

This year's statement continues to detail a very challenging operating position for the Council. There has been continued improvement within the organisation on strengthening internal controls and governance arrangements but the relentless focus placed on continuous improvement in recent years must persist to keep pace with the challenges faced.

There has been a much improved position in relation to the completion of a range of recommendations within year and timescale including Internal Audit, External Audit and AGS recommendations but this improvement must be maintained and strengthened further in the year ahead.

A number of long running pieces of work to improve governance within the Council completed successfully within the financial year notwithstanding the major additional resource implications of a change in national Government and the bringing forward of proposals around devolution and local government reorganisation within the timeframe of this statement.

Financial and spending controls were tightened within year and budget planning arrangements strengthened. Financial pressures and risks around the delivery of savings and the budget persist and will remain a dominant feature of the coming years.

The Council continues to experience significant pressure in a number of statutory services with increasing demand and cost. The Council also continues to deliver a range of innovative, efficient services and savings programmes to assuage and offset some of these pressures.

Considerable work was put into the induction programme by past Members and Officers for the benefit of the new membership of the Council which has served the Council well. Further training is being developed and delivered and must be a priority for all Members as they learn and deliver their role in the Council's governance system.

It is important that the grip on improvement is maintained and strengthened in the year ahead to maintain the direction of travel and provide continued assurance in accordance with the relevant frameworks.

Purpose of Statement

The Annual Governance Statement (AGS) is a key document which provides Members and Officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and output within the Council.

This document is to support the continuous improvement of governance within the Council and requires an open and honest assessment of, and by those working within, the system. To maintain that improvement, it is vital that there remains an open culture regarding the AGS and that it is not weaponised to undermine its core purpose. It is a whole Council document and should reflect its different aspects, positive and negative.

It is vital that the statement itself, the process to develop it, and review and discussions of the statement are taken within the operating context of the organisation and the emerging opportunities, risks, and threats that the Council faces.

The AGS provides an overview of the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, the detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council has a statutory requirement to produce an Annual Governance Statement.

It is hoped that the reader will find this statement a thorough and honest account of the operation of Kent County Council's governance arrangements which highlights both strengths and the areas requiring further improvement. It is important to acknowledge that the authority's governance journey is a continual one, and this statement recognises the Council's position at a point in time. The statement relates to the financial year ending 31 March 2025 and whilst it refers to matters subsequent and prior, the primary focus of the statement is on that period of time.

In the spirit of seeking improvement, the statement naturally concentrates on areas for further improvement and development. Accordingly, by its very nature it reflects on things that can and should be done differently and contemplates the planned activity necessary to address the issues that have arisen. Importantly, the statement is about continuous improvement and provides challenge. It relies on transparent assessment and it remains important that all those playing a role in the Council's governance continue to openly discuss issues and challenges as they arise and that the Council maintains an environment where those discussions are encouraged.

The approach taken to the Annual Governance Statement by Kent County Council in recent years has involved greater and broader testing across the Council through a survey of those playing a role in supporting governance at all levels of the organisation.

The collection of information over these years now allows us to provide comparative analysis on a range of questions to provide a picture over an extended period.

As with previous years, the final version of the Annual Governance Statement will be informed by the Annual Internal Audit Opinion and the outcome of audit and review activity from within the financial year in question. The Governance and Audit Committee continues to play an important role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses.

Scope of Responsibility

Kent County Council is responsible for ensuring that services and operations are conducted in accordance with the law and proper standards. The authority has a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. There is also a duty to continuously review and improve the way we work whilst offering services that are efficient and provide value for money.

Kent County Council operates an Executive scheme of governance with major decisions taken by a Leader and nine Cabinet Members within the budget and policy framework supported by a majority of Members. Where there are powers and functions reserved to the Council, these are taken by or on behalf of the full Council. The County Council sets an annual budget which determines the resource available to deliver these decisions, strategies, and functions.

What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises systems and processes, cultures, and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

Good governance is an essential part of local democracy and through the continued adoption of transparent processes Kent County Council will strive to ensure that strategies, policies, and operational matters are understood by Kent residents.

The Code of Corporate Governance

Kent County Council's Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this.

The Code follows the seven principles identified in 'Delivering Good Governance in Local Government (2016)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), as a best practice framework for local authorities.

- Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2 - Ensuring openness and comprehensive stakeholder engagement.
- Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5 - Developing the local authority's capacity, including the capability of its leadership and the individuals within it.
- Principle 6 - Managing risks and performance through robust internal control and strong public financial management.
- Principle 7 - Implementing good practices in transparency, reporting and audit to effective accountability.

All elected Members have an important role to play in acting on behalf of the Council and their residents. Officers serve the Council as a corporate body rather than any political group, combination of groups, or any individual Member. Members and Officers have distinct codes of conduct, reflecting the legal differences between the two groups.

For Members there is the Kent Code of Member Conduct that is adopted under Section 27(2) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution and all Members have signed up to compliance.

All employees are required to abide by the Code of Officers Conduct, declare personal interests which may conflict with KCC's own interests, and treat all colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice at all stages. KCC's Scheme of Delegation sets out the framework for how specific delegations are allocated to Officers.

Kent Council Council's Cabinet Committees are constituted of elected Members and are established as advisory Committees of the Executive. Cabinet Committees review most key decisions prior to their being taken, together with related matters affecting Kent or its residents, in the subject area covered by the Committee. The Council also has a Scrutiny Committee whose role is to scrutinise the actions and decisions of the Executive and a suite of other Committees which undertake specific functions on behalf of the Council. The remit and membership of each Committee is set out on the County Council's website.

The County Council has designated Officers to act as each of the following: Head of Paid Service (Chief Executive), the Monitoring Officer (General Counsel), the Section 151 Officer (Corporate Director Finance), Director of Adult Social Services, Director of Children's Services, and Director of Public Health. Their functions are explained in Section 11 of KCC's Constitution and responsibilities are placed on these individuals by a combination of legislation and the Council's own governance.

The responsibilities of the Monitoring Officer were expressly discussed by Members due to the presentation of a number of reports made under Section 5 of the Local Government and Housing Act 1989 relating to a breach of statutory duties by Kent County Council during the financial year: Kent County Council has been involved in three separate Judicial Review claims in relation to the care of unaccompanied asylum-seeking children (UAS children) and their accommodation in hotels by the Home Secretary. Section 5 reports have been issued in previous years in connection with this and the outcome of the judicial review continues to impact decision-making within the Council.

A Section 5/5A framework is currently in development and will set out guidance as to how the Monitoring Officer of the Council will approach their statutory duties under sections 5 and 5A (s5/5A) of the Local Government and Housing Act 1989.

The Head of Paid Service was changed to a Chief Executive role within the 2022/23 municipal year and changes to the Council's governance were made to recognise this shift. The Chief Executive remains responsible for the statutory duties of the Head of Paid Service and for ensuring that the appropriate resources and arrangements are lined up against these. The current Chief Executive's impact on the Council's governance is expanded on in the 'Operating Environment' section below.

The Corporate Director Finance acts as the Council's Section 151 Officer and Chief Finance Officer responsible for making the necessary arrangements for local financial and management controls, under section 151 of the Local Government Act 1972. The Section 151 Officer has reflected the increasingly challenging financial position of the Council in both a section 25 assurance statement to the budget in February 2025 and in reports/comments to Committees throughout the year.

Operating Environment

At the outset of this statement, it is important to record the operating environment and context in which services were delivered and this AGS was drafted. Whilst it has been less than a year since the approval of the Annual Governance Statement for 2023/24 in December 2024, it is important to reiterate some of what has been stated previously and provide further information regarding the Council's current operating environment.

Firstly, it is important to note the continuing financial and operating position of the Council, which continues to operate within a context of unprecedented challenges and where there are significant ongoing risks which the Council continues to address. The delivery of savings and compliance with the budget remains an absolute priority to ensure the financial sustainability of the Council. Securing Kent's Future resulted in the introduction of a range of spending controls to address and significantly reduce an overspend in 2023/24 that was initially reported at the end of quarter 1 as £43.7m before management action. By the end of the financial year, the revenue overspend had been brought down to £12.4m.

The challenges persisted in 2024/25 and the overspend remained material and unsustainable in the longer term, primarily within Adult Social Care, as reported to Cabinet and elsewhere through the Council's governance.

This statement looks at the governance steps that are being taken to strengthen budget savings delivery and identifies further actions, placing an important emphasis on budget and savings delivery.

It is important to note the post-general election political context within which services are being delivered. Whilst KCC had been prepared for the occurrence of a general election in 2024, the termination point of the previous government's policy agenda was unknown. With a new Government, some work had to be put on hold or curtailed to align with new and developing policy positions.

KCC's challenges are heightened by its geographical position as the 'gateway' to Europe. The high levels of demand in relation to accommodation and support for UAS children, is due to Kent's proximity to mainland Europe. Having a major seaport and the nearest coastline to the European mainland means UAS children regularly arrive in large numbers in the county and are referred to KCC's children's services before being moved to other social services departments through the National Transfer Scheme. Within the period of this AGS, the Council secured outcomes through litigation which was reported to Members and publicly to mitigate the financial and operational impacts. These outcomes provided financial support for the Council from the Government and ensured improvements and changes to the National Transfer Scheme operated by the Home Office.

Another example of a geographically related challenge that KCC is currently facing is the European Union's plan to introduce a new digital border check called the

Entry/Exit system (EES). KCC is working closely with partners in the Kent and Medway Resilience Forum to identify the risks of significant events on our communities and plan to minimise their effects. This includes the potential impact of EES on Kent's roads.

A significant development and impact on the Council's operating position within the relevant period was the new Government's policy around devolution and local government reorganisation which began to be substantively discussed and proposed shortly before the end of 2024. The requirements and expectations of Government alongside the impact of the policy developments are having and will continue to have a significant impact on the operating position and capacity of the Council and sit on top of the issues and challenges previously reported.

On 5th February 2025, Kent County Council was notified that it had not been selected to be part of the Government's Devolution Priority Programme (DPP). Nevertheless, the Government continues to seek reform of the sector with future implications for residents of Kent, Members and Officers with Local Government Reorganisation (LGR) slated to precede any devolution deal for Kent. On 5 February 2025 wrote to Councils in Kent asking for interim proposals on LGR. On 21 March 2025, Kent County Council submitted its response to this request with feedback received from the Government on 15 May 2025. Work is continuing ahead of making any full business case submission by the 28 November 2025 deadline.

One consequence of not being selected for the DPP is that, after some uncertainty, the Council held elections in May 2025. Significant work was undertaken to prepare for all possible outcomes and for the induction of those Members returning and those elected for the first time. In this regard, particular thanks must be paid to those Members from the last administrative cycle who worked so hard and supported officers in the development of the induction that was ultimately delivered.

Given the operating position of the Council, it remains important that the Council manages the transition carefully and that all 81 Members continue to adhere to their fiduciary duties and role within the organisation's governance and a range of detailed training has been and will continue to be provided to support this. To this end, it is essential that Members not previously elected take time to understand and continue to undertake training regarding the framework that governs their role and that of the County Council.

The majority of Members elected in May 2025 are new to the role of County Councillor. The Council has also seen the first change to the majority Political Group since 1997. The resource put into planning and preparing for the induction of the new Council has mitigated the impact of this change, but the coming financial year will see a resetting of the policy and priorities of the Council to reflect the new administration.

The Chief Executive is continuing to embed her approach to the management of the organisation which is reflected in the implementation of the newly reframed operating standards. A greater emphasis on providing world class business basics underpins a priority on compliance with the clarified and codified rules that Officers should work under. Spending the Council's Money was entirely rewritten within the relevant period and followed a restructure of the way in which the Council advises on procurement issues.

The Chief Executive has strengthened the culture of professional accountability and responsibility with oversight of strategic management. In line with prior audit comments, she has progressed the Officer element of a "one council" approach to ensure joined-up planning and delivery by the whole organisation.

Internal Audit – Annual Opinion

For addition in final version of the statement.

Review of effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the General Counsel and the Governance, Law, and Democracy division and has involved a range of different activities.

Over recent years the way in which this review has been conducted has materially changed as a result of conversations between the statutory Officers and the Head of Internal Audit. This aligns with the earlier comments in the statement about the need to transform to meet the changing realities of the Council and the pressure facing its services. Accordingly, the static pro forma documents which sought narratives were replaced with questionnaires that sought direct answers and came from reviewing other arrangements in other authorities and the experience of the statutory Officers along with the input and advice from the Head of Internal Audit and his team.

In 2021, the concept of "Stay in Lane" was introduced as part of the governance reset triggered by the Annual Governance Statement. It remained the case throughout 2024/25, that there are examples of Members straying into operational areas wishing to make decisions and Members complain of Officers occupying the political space on occasion. However, the clear separation of functions between Member and Officer remains a core and vital part of the Council's governance and has shown clear improvement since 2021.

Local Government Reorganisation (LGR) and Devolution present both opportunities and challenges. The new administration will take over the responsibility for developing a response to the Government's request for proposals on LGR, due 28 November. This will build on, but may go in a different direction, from the interim response submitted in March. The Council cannot block, but can influence, the process and there is a lot of preparatory work required for any response. This must be done alongside establishing priorities for the new Council and maintaining statutory services in a difficult fiscal environment.

Timely engagement with governance processes has improved since 2022/23. However, a high proportion of Officers still find that following the governance processes impacts on the timeliness of decisions or projects. Governance considerations being left too late is one of the main reasons why information presented to informal or formal decision-making bodies has not been presented in a timely way. There remains a need to embed governance processes into project timelines across all directorates.

The elections in 2025 were successfully delivered and were held in 'normal' conditions, unlike those in 2021 which took place during the Covid-19 pandemic. A new, robust induction programme had already been developed and was deployed with considerable success and extended to recognise the significantly higher number of new Members than in recent elections. It is important that all 81 Members are able to understand and deploy their role in the Council's governance and this will be an area of focus and support for 2025/26.

The Council has made changes to the Scrutiny Committee which strengthen the accountability and respond to the prior comments from the external auditor. As the new arrangements settle in the role of the role of the Scrutiny Committee in relation to the key areas of organisational challenge will need to remain under focus.

[The final version will include AGS outcomes from the Council's wholly owned companies as part of the Group position]

Review of Prior Year Actions

An important place to start is in reviewing the actions that have previously been identified to improve the Council's governance.

There has been a comparatively short period of time since the publication of the prior year's Annual Governance Statement. This is intentional and in pursuance of bringing the Annual Governance Statement reporting timescales in line with the Statement of Accounts. However, given activity around devolution, local government reorganisation and, subsequently, the elections, those actions that have not been completed have been added to the actions for 2025/26.

The actions from the prior year AGS are set out in the following table. In the final version of the AGS this table will be completed, actions are anticipated to be green status at that time and the further information section will be completed.

Action	Status	Further Information
Living Within Budgetary Means		
Provide financial training through directorate arrangements.		
Corporate Directors to liaise with Internal Audit and Counter Fraud to arrange Fraud Risk Assessment training for areas to allow them to provide full assurance for 2024/25.		
Review of savings plans with monitoring of key activity through Strategic Reset Programme, Corporate Board and Cabinet (through Budget Monitoring).		

Enhanced corporate support offer for the development of savings and early professional advice.		
Lessons learned activity around budget savings/overspend.		
Member Governance and Behaviour		
Report to Standards Committee		
New Member Induction Plan		
New Member Training Plan		
Refresh of the Convention on Member: Officer Relations (Section 22 of the Constitution)		
Complaints Report		
Increased meetings of the Standards Committee		
Improved completion by services of agreed actions with Internal Audit at the conclusion of audit activity		
Governance development and improvement plan for each directorate to increase assurance.		
Increased reporting to all Cabinet Committees on Directorate Performance on FOI and Subject Access Requests.		
Working with outstanding authorities – how do other authorities deal with Subject Access Requests.		

Review of report option appraisals to improve consistency of reports to include all options considered and not just the preferred ones		
All Corporate Directors to ensure refreshed and current data mapping is completed within their area.		
An effectiveness review of the Governance and Audit Committee be completed ahead of the May elections.		
Review of the Regulation Committee to be completed ahead of the May elections		

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Key Findings and Conclusions from the Review of Effectiveness

1. The vast majority of the Council's activity is delivered in accordance with the governance arrangements. The written governance of the Council (as amended throughout the period) has been tested and found to be fit for purpose. Activity in the main is delivered in compliance with the letter and spirit of the Council's agreed practices and procedures
2. There remains evidence of considerable commitment on the part of Officers and Members to deliver for the people of Kent but there needs to be reflection on the realities of the available resources and prioritisation of the same to concentrate on what is actually achievable in order to remain sustainable.
3. The financial and operating position of the Council and the sector generally continue to be extremely challenging. Significant improvements were made in the level of detail for budget plans but further work and a relentless focus on the delivery of savings will be required in future years.
4. The Council has continued to strengthen internal controls and governance arrangements within year and there are a number of significant improvements which increase resilience and support assurance.
5. The Council has significantly improved compliance and completion rates across a range of recommendations.
6. The Council has improved compliance rates for Freedom of Information Act requests which are some 10% higher than the equivalent point last year.
7. There are material capacity challenges for the Council as it seeks to balance statutory duties, budget obligations and external pressures including LGR.
8. The introduction of the Governance Recommendations Improvement Plan has helped improve oversight and tracking of key activity. Importantly, this has improved Member scrutiny and challenge around progress.
9. The improvements of recent years are not a sign that everything is concluded, there is still much to do. The Council continues to need to maintain a relentless approach to continuous improvement.
10. Training and implementation of improved governance documents (Spending the Council's Money, Financial Regulations, Operating Standards) has improved the control environment and technology is increasingly supporting the availability of information and compliance with systems.
11. It remains important that all Officers and Members continue to use the appropriate governance notwithstanding the pressures and operating environment.
12. New Members must ensure they are appropriately trained and get advice and support to be able to deliver their role.
13. The actions for the 2023/24 AGS were arranged under three key priority areas and these persist going forward:
    a. Living Within Budgetary Means

b. Member Governance and Behaviour
c. Compliance with Governance rules/framework

AGS Identified Actions for 2025/26

The draft identified actions for 2025/26 are set out in the following table. The final version of the AGS will develop these further alongside further key activities.

Actions specific to the Monitoring Officer	
Action	**Contact**
Ongoing monitoring of new governments legislative pipeline and the governance implications of proposals.	Tristan Godfrey
Development of an annual schedule of governance training for Officers.	Joel Cook
Adopting best practice governance around the Council's response to Government's requests regarding Local Government Reorganisation proposals.	Tristan Godfrey
Monitor and evaluate the impact of the changes to the Scrutiny Terms of Reference, introduced in March 2025.	Joel Cook
Develop Scrutiny Work Programme	Joel Cook
Section 5 framework	Tristan Godfrey
Review of the County Council Meeting Procedure Rules	Tristan Godfrey
Implementation of the Decision Making App	Lizzy Adam
Review of Governance Processes following the election	Tristan Godfrey

Actions specific to the Section 151 Officer	
Action	**Contact**
Improve Corporate Director access to key assurance data.	

Actions for other officers

Action	Responsible Person	Contact
Review of the Code of Practice for Local Government Publicity	CMT	TBC
Review of Information provided on the Council's Website to reduce need for FOI requests	CMT	TBC

Report of the Monitoring Officer

To be finalised in final version of Annual Governance Statement

Section 5 of the Local Government and Housing Act 1989 designates the Monitoring Officer as having a range of responsibilities regarding the lawful conduct of the County Council. These responsibilities include a duty to provide a report to all Members in circumstances where a contemplated decision, act, or omission by or on behalf of the Executive leads (in their view) to maladministration or a contravention of the rule of law.

In any given year, there is always the possibility that circumstances lead to situations where the Council may be said or may be found to have acted contrary to its statutory duties without this having been done deliberately or with full awareness of this being the case. Where there are such decisions, there is always an impact on individuals or groups of individuals.

This report identifies the operating environment and the challenges faced by the Council and has referred to the key themes throughout. The issuing of a Section 5 report is intended to be used only as a last resort. To mitigate the risk of needing to do so in the future, there are a number of matters that the Monitoring Officer wishes to record here in the AGS, and which inform the findings.

The expansion of the Governance Team enables a clearer framework to be put around the statutory duties of the Monitoring Officer and ensure that there is a clearer route of escalation for serious and existential governance issues.

Challenges around compliance with legal duties around vulnerable children arriving in the UK and the impact on the Director of Children's Services ability to meet all statutory duties in all circumstances persist. Notwithstanding all of the improvements and activity by the Council, KCC is still reliant on the effective operation of the National Transfer Scheme in order to meet our statutory duties. There have been improvements but that consistency and compliance is outwith the Council's immediate control and Members will continue to receive updates.

There continue to be at any given time, a number of people who are not receiving the services to which they are entitled. This is, in part an inevitability of the challenges faced or on occasion because of mistakes made. It is important to note that this not because of a deliberate decision to avoid providing the services although it is recognised that the genesis of this does not alter the effect felt. It is also important to note that whilst in some circumstances improvements have been made, the statutory duties are an absolute and not relative concept, which is why they continue to be reported here.

Notwithstanding the efforts made within the resources available, in relation to the following areas the Council continues to face challenges in meeting duties in all circumstances:

a. Deprivation of Liberty Safeguards
b. Children presenting as in need within our area
c. Services to Children and Young People with SEND
d. Compliance with timescales for Education, Health and Care Plans
e. Freedom of Information and Subject Access Requests
f. Use of unregistered placements for children
g. Adult Social Care statutory services

Annual Governance Statement 2024/25 Conclusion

Signatory Section

To be completed in final statement after final assurances received.

Signatories (signed in the order set out below)

Lessons from 2023/24 auditors' annual reports

2025

Contents

Key findings from 2023/24

This report is based on 100 auditors' annual reports (AARs) we produced for our local government audited bodies. These AARs covered the year 2023/24.

Our work included AARs for eight of the nine unitary councils which have been through local government reorganisation since 2019; and AARs for 92 other local authorities. In total, our work covered approximately one third of all local government bodies in England and therefore provides good insight into the state of the sector. One year ago (July 2024), we published a similar review of 92 AARs covering the year 2022/23, allowing us to highlight emerging sector trends.

Lessons from recent auditors' annual reports

For 2023/24, as for 2022/23, the AARs made a selection of statutory, key and improvement recommendations, around financial sustainability, governance and improving economy, efficiency and effectiveness.

A note on recommendations

Statutory recommendations are recommendations about significant weaknesses in relation to Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. They require a published written response.

Key recommendations are recommendations made about significant weaknesses and identified under the National Audit Office (NAO) Code of audit practice. They set out actions the council should take but do not require a published written response.

Improvement recommendations are recommendations which, if implemented, should improve the arrangements in place at the council, but are not a result of identifying significant weaknesses in the council's arrangements. Unaddressed weaknesses may become significant if left unchecked over time.

Financial sustainability

Arrangements for ensuring the council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (three-five years).

Governance

Arrangements for ensuring that the council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

For 2023/24, we found that statutory recommendations remain relatively rare. However, on average there were more statutory recommendations per AAR in 2023/24 than 2022/23:

Rate of statutory recommendations 2023/24 compared to 2022/23

	Statutory recommendations	
	2023/24	2022/23
Number of statutory recommendations in our sample	11	6
Number of AARs tested	100	92
Average % of AARs with statutory recommendation	11	6.5

On average, there were also more key and improvement recommendations per AAR in 2023/24 than 2022/23:

Rate of key recommendations 2023/24 compared to 2022/23

	Key recommendations	
	2023/24	2022/23
Number of key recommendations in our sample	190	118
Number of AARs tested	100	92
Average number of key recommendations per AAR	1.9	1.3

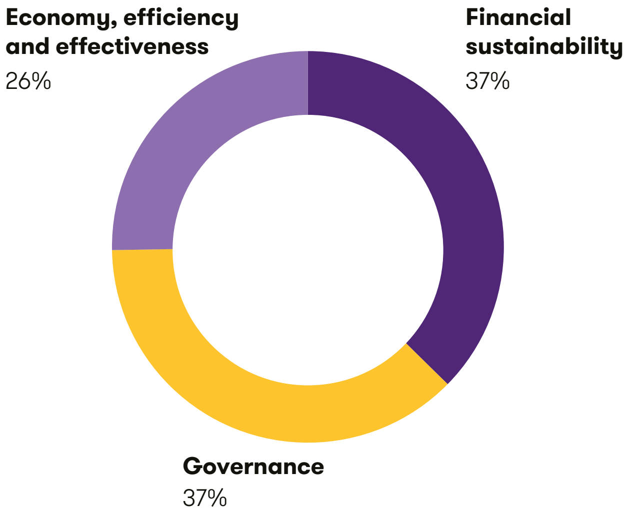
Rate of improvement recommendations 2023/24 compared to 2022/23

	Improvement recommendations	
	2023/24	2022/23
Number of improvement recommendations in our sample	747	600
Number of AARs tested	100	92
Average number of improvement recommendations per AAR	7.47	6.52

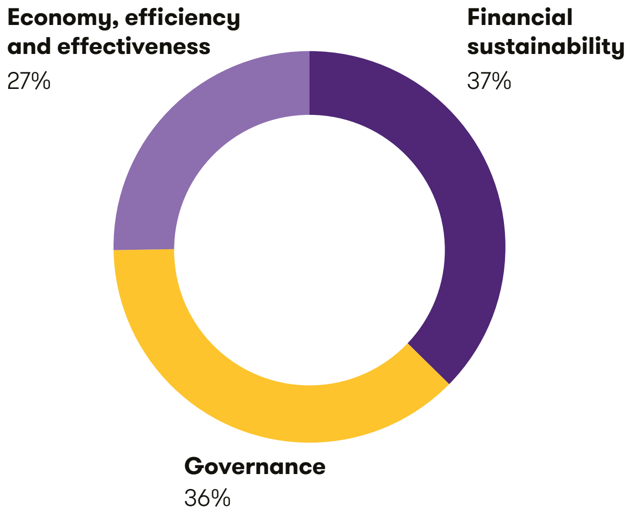
With demand for services rising year-on-year, the challenge is clear in some of the AARs for 2023/24. For one city council, we reported that the council would need a 70% uplift in grant funding or a 46% increase in council tax to carry on "as it is". At a county council, we noted that savings-wise, there was almost nowhere left to turn: "The council has a limited savings programme due to having exhausted its options for service cuts in prior years".

For all 100 of the 2023/24 AARs, around three quarters of all key recommendations related to financial sustainability and governance, with an even split between the two. This was also the case in 2022/23 – governance issues broadly featured just as highly as financial sustainability issues. Some 30 councils were recently given exceptional financial support (EFS). This is intended to be a form of temporary support from central government to help manage short-term budget pressure. However, the fact that there are roughly as many governance significant weaknesses as financial significant weaknesses suggests that a new cultural approach to local government is needed just as much as more money.

Key recommendations 2023/24



Key recommendations 2022/23:



Despite the fact that the number of all types of recommendations are increasing, we did see evidence of prior-year recommendations having been addressed during 2023/24 across all three of the criteria we looked at (financial sustainability; governance; and economy, efficiency and effectiveness). This highlights that many councils are responding positively to external auditor recommendations and the improvements these lead to.

This report draws out the key themes from 2023/24 recommendations that the local government sector needs to address. This report also highlights some examples of recommendations that have been successfully addressed.

Financial sustainability

Financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing. Government policy has been to introduce the Exceptional Financial Support (EFS) system which includes permitting borrowing to fund revenue shortfalls. Coupled with the SEND deficits statutory override, this has the impact of pushing in-year revenue costs onto a future generation of taxpayers and in some cases loading yet more debt onto councils who are already highly leveraged.

Examples of challenges documented in the AARs for 2023/24 included:

- One city council opened a Strategic Contingency Reserve of £19.9 million at the start of 2023/24 but had only £5.8 million left in it by the end of the year after using the reserve to fund budget gaps and overspends. The rate at which the reserve was used up prompted us to report that "there is a significant risk of dropping below its minimum level of reserves by 2025/26 and exhausting all of its available reserves by 2026/27"
- One unitary council had a general fund balance that stood at just £65,000 above its assessed minimum prudent amount, and no earmarked reserves, at the end of 2023/24. This council had debt of £100 million about to fall due for re-financing. The likely increases in interest rate costs hadn't been reflected in the budget going forward
- For one borough council, we identified that reserves were projected to fall below their minimum level in 2024/25, while debt was projected at the same time to rise to 177% of budgeted net revenue expenditure.

One council recently estimated that its annual net cost of borrowing will increase from £81 million to £119 million between 2025/26 and 2028/29, as the value of capitalisation directions for this council is expected to increase from £136 million to £203 million over the same period. For the council in this example, forecast savings between 2025/26 and 2028/29 are valued at some £30 million – and are therefore on course to be wiped out by the cost of financing increased debt expected for the period. Diminishing reserves and unsustainable debt create an unsustainable position which we will explore further in our 24/25 audits.

Many councils are planning to rely on asset sales to reduce debt and to rely on transformation to reduce gaps and overspends needed from reserves. Key lessons from the 2023/24 AARs for people planning this approach are that:

- the asset management strategy should be kept up to date so that assets for sale can be identified
- a pipeline of assets sales needs to be identified, prioritised and monitored
- transformation plans need to be detailed. Specific and monitored skilled staff resources are needed in finance, estates and project teams.

> "Using capital receipts has risks associated as it forces the council to be reliant on asset sales to fund transformation. The council has already shown that it struggled to sell the assets it needed to sell to meet the expenditure goals it has for 2023/24. While a legitimate means of funding tansformation, dependence on asset sales to ultimately deliver savings is a strategy that is not without a high degree of risk."
>
> **A unitary council**

One city council planned to sell £500 million of assets in 2023/24 but didn't identify in advance which assets those would be. By June 2025, assets of just £68 million had been sold. One London borough planned to rely on capital receipts of £90 million to reduce its net borrowing. However, it hadn't conclusively established whether the assets it was hoping to sell were worth their book value.

We did see some examples of transformation being implemented effectively, for example councils building their own children's homes; changing their commissioning for front door services; establishing their own local lettings agencies; redesigning SEND transport routes; and introducing new fees and charges. Reduced costs and clearer financial planning formed part of the benefit, but some of our examples also pointed to better working with central government and better customer experience as a direct result of transformation as well.

Councils do need to be careful not to under-estimate the timescales needed to deliver significant transformation. One city council and one unitary council both had to wait years for children's home construction and Ofsted registration to complete. Similarly, the legal and regulatory cost of transformation, such as around employment and procurement, needs to be anticipated. One county council had to share a full 'lessons learnt' report with its audit committee after the re-procurement of school transport had resulted in a gap in service provision.

CASE STUDY

Good practice from one council in 2023/24

Issues from 2022/23

The council received a key recommendation in 2022/23 around control and oversight over the transformation plan.

Findings from 2023/24

The transformation investment programme was rebased to include only clearly identifiable savings. Quarterly budget monitoring reports to cabinet were enhanced to include a savings tracker. A specific pipeline of asset disposals was identified to provide a financial framework for the transformation programme.

Impact going forward

This council still has significant weaknesses in its arrangements for financial sustainability, with reserves at their lowest level for six years. However, the transformation plans reflected in the medium-term financial strategy (MTFS) are realistic, making it easier to anticipate and prepare for when difficulties will strike.

Dedicated schools grant (DSG)

2023/24 saw many councils continuing to manage their DSG deficits through the government's Delivering Better Value programme or through safety valve agreements. For some councils, the number of key and improvement recommendations did fall in 2023/24 compared to 2022/23 as a result. However, nationally the total value of deficits continued to rise, while at many councils we found the overall quality of service was declining at the same time. In many respects, this was linked to the continued growth in the number of young people on educational and health care plans (EHCPs):

Nationally, the number of young people on EHCPs

2015
240,183

2025
575,973

Source: County Councils Network

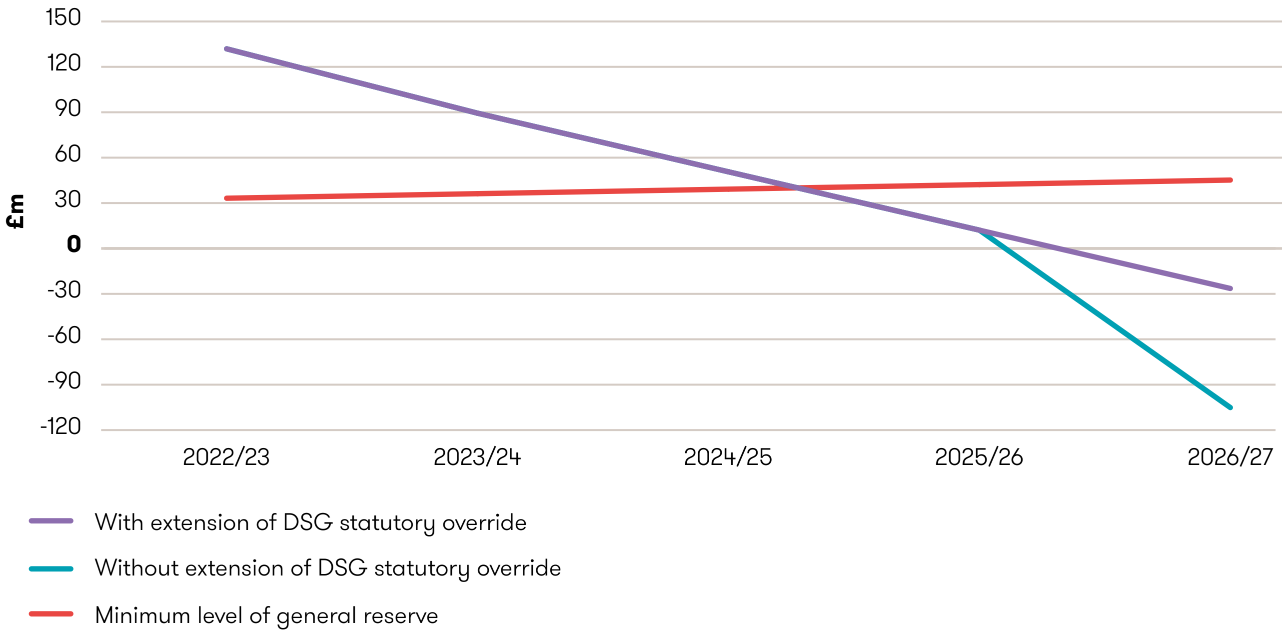
Nationally, local government in England's cumulative high needs block deficit now stands at £3.15 billion. One fifth of children in England now require special needs assistance in schools, and over one twentieth have EHCPs.

Source: UK Parliament, The Funding and Sustainability of Local Government Finance 23 July 2025.

Outcomes do not necessarily improve for children. In 2021/22, 69% of those with SEN at key stage 4 were in sustained education, apprenticeship or employment after leaving 16 to 18 study, compared to 85% for those without.

Source: The National Audit Office, Support for children and young people with special educational needs, 24 October 2024.

One AAR, for a city council, showed on a graph how reserves were already declining before changes in the DSG deficit were factored in, but declining even more sharply after the changes were factored in. The direction of travel could have applied to any one of a number of councils we covered.



We saw evidence that some councils are starting to consider asset sales to cover their DSG deficits. Councils will need to be mindful that they would need to go through the EFS process for this. The same rigour would need to be applied to disposals planning as is needed where EFS is intended to fund any other form of transformation – a pipeline of specific assets and specific timelines will need to be identified.

CASE STUDY

Investment in family hubs and preventative measures

Issues from 2022/23

The council received a key recommendation in 2022/23 around the way its DSG deficit was spiralling upwards while the quality of SEND services has been subject to an improvement notice.

Findings from 2023/24

Investment in family hubs and preventative measures. Spend on the high needs blocks continued to grow but at a lower rate than previous year (5% growth in 2023/24, compared to 13% in 2021/22). The SEND improvement notice was lifted in August 2024, after the council successfully implemented its improvement plan. This followed close working with partners to address required improvements.

Impact going forward

Prior-year key recommendations closed. Although the council still has a DSG deficit, it's meeting the terms of its safety valve agreement with the Department for Education and has included expected future contributions to the deficit in its medium-term financial plan. Children are now receiving the quality of service to support their needs.

Governance

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Risk management and internal audit need to be strengthened.

Key recommendations from 2023/24 on governance highlighted that risk management and maintaining an effective internal audit service were the most significant areas of challenge for many councils.

For risk management, challenges tended to break down in three ways:

Good risk management arrangements at service level not filtered up to cabinet

For example, we identified that one borough council that had very comprehensive arrangements for risk management at service level – including risk, assumptions, issues and dependencies (RAID) logs and a smartsheet online tool for logging strategic risks. However, although the strategic risks were shared with the executive senior leadership team, they weren't shared with Cabinet. This left members without a comprehensive view of what the council thought its strategic risks were; and left officers without the benefit of insight and oversight that members could have offered.

Incomplete capturing of risk on the strategic risk register shared with cabinet

For example, one city council left a new airport project off its strategic risk register and another city council left uninsured buildings off its strategic risk register. Although in both cases members did receive and review the strategic risk register, their information was still not comprehensive; and there was no way of them telling how uniform the approach to managing strategic risks was across the organisation.

Good processes at member level, but little awareness of risk at service level

For example, two district councils had strategic risk registers that were shared with members, but the departmental risk registers feeding into them weren't being kept up to date. One of the councils didn't have a lead officer in place responsible for managing risk.

We raised key recommendations in all these cases. Risk identification, mitigation and management must be embedded across all aspects of service delivery and oversight, from officers up to members and down again, so that potential issues can be proactively addressed before they escalate. Risk needs to be embedded into decision making and a culture of risk awareness needs to be fostered at every level.

> The council needs to ensure that the new risk management arrangements are fully embedded through the different tiers of management within each service, with a particular focus on the early reporting of emerging risks. This may require spot checking, mandatory training, the appointment of risk champions and access to coaching.
>
> An open and transparent culture should be developed where officers and memebers are encouraged to report 'bad' news and action is taken in response to the concerns raised.
>
> **Risk management - a city council**

For maintaining an effective internal audit service, challenges tended to relate to:

Filling vacant posts

For example, one internal audit team that served both a borough council and a neighbouring district council had a 50% vacancy rate and was only able to deliver one ninth of its planned programme for the borough council.

Another internal audit team that supported a large city council had an establishment figure of 11.05 FTE posts but had been functioning with just 6.29 full time equivalents since 2021. The 2023/24 programme of work wasn't completed until the end of October 2024 and by the end of December 2024, there was still no overall head of internal audit opinion for 2023/24.

Finding the right commercial expertise

For example, one borough council which has debt of £1.5 billion and relies on £10 million of commercial income from property per annum, questioned where it could find public sector internal audit resource with a sufficient understanding of commercial risk to give the council the assurance it needed.

Support from management, for example by taking recommended actions seriously

For example, at one unitary council, internal audit raised 149 recommendations in 2023/24, but only seven recommendations were completed within the target date. The average length of time a Priority 1 recommendation was overdue before completion at this council was 305 days. Limited assurance opinions had been provided by internal audit for 68% of the areas they looked at.

We've seen examples of conscious efforts to invest more in the internal audit function. For example, one unitary council brought in enough days from an external provider to cover 13 out of a planned 17 internal audit reviews because capacity was so stretched within their own team. This comes at a cost, but does mean that weaknesses have more chance of being identified and mitigated promptly, before they lead to serious issues and perhaps much bigger costs. Where internal audit service is being bought-in though, the importance of taking recommendations seriously and following up on them promptly is even more serious if value for money is to be obtained from the service.

CASE STUDY

Example of improved approach to internal audit

Issues from 2022/23

Significant weakness in capacity of internal audit and rate of implementing internal audit recommendations.

Findings from 2023/24

More than half of the internal audit programme was covered by external provider so that the council could catch up. Open recommendations reduced from 42 to 29. Content and level of detail in internal audit reports improved.

Impact going forward

Potential for quicker and clearer risk identification and more prompt mitigation.

> Lack of internal audit capacity meant only two of the 18 audits for 2023/24 were delivered.
>
> **Internal audit - a borough council**

Improving economy, efficiency and effectiveness

Key recommendations from 2023/24 on arrangements for improving economy, efficiency and effectiveness highlighted issues around contract management and project management. There were, in addition, eighty separate improvement recommendations on arrangements for key performance indicator reporting (KPIs).

Weaknesses in contract management tended to relate to missed targets for service standards not being identified by the council promptly because contractors were certifying delivery themselves (rather than council staff checking); or because there were incomplete data sets to report against.

Two examples here highlight how contract management training and support for council staff might have helped secure a better service from contractors:

- One borough council contracted out the operation and services of a hostel it owned for homeless men. When service standards slipped, the council wasn't made aware because it was the contractor rather than the council that was completing contract KPI data returns; and the contractor was in some cases anyway using the wrong information. It was only through complaints from residents that the council became aware that service standards had slipped
- A district council contracted out grounds management covering a large geographic area. The council held regular meetings with the contractor but minutes from the meetings were taken by the contractor's staff rather than by the council's staff and didn't track agreed actions, levels of service delivery and service performance. Furthermore, the contractor didn't provide all the management and monitoring information required of them under the terms of the contract. Council review of contract performance ran so late that the council ended up having to extend the contract because there was insufficient time factored in to look for another supplier

Weaknesses in project management included: business cases for high profile projects not being shared with Cabinet; slippage in timelines not being anticipated and recorded; and increases in cost not being captured accurately in forecasting. In some cases, poor relationships between members also meant that decisions once made needed to be continually revisited, leaving staff unsure about what they were and weren't authorised to proceed with on projects.

For one district council, disagreements between members resulted in an externally funded new cinema project being abandoned after it had started, at a cost of £522,000. Some members had disagreed with the project and then used every means available to disrupt it. We saw similar behaviours at a borough council, where projects that had been started had their planning permission contested by members who disagreed with them.

> Financial loss and delayed project progress can result when decisions are undermined from outside the main constiitutional process.

> There have been weaknesses in the support for the cinema decision. At one stage, delegated authorities for the project have been removed, which made project progress difficult.
>
> **Project management - a district council**

For key performance indicator reporting systems, the 80 improvement recommendations we made tended to surround the need for:

- stronger data-quality arrangements
- timelier gathering and reporting of data
- clearer targets to be shown in the data
- increased use of benchmarking against regional and national data for better understanding of how the council performs compared to others
- integrating financial performance data into performance reports, or including financial data alongside them.

The AARs highlighted some examples of councils where project management and key performance indicator reporting had improved during 2023/24. Furthermore, the AARs showed that a number of councils are moving away from using quarterly written reports to members and towards live dashboard systems that members, and in some cases the public, can access at any time. One council referred to this as "democratising and providing open data wherever possible".

Where dashboards are being introduced, training on the new systems – for staff and members – will be important if councils are going to make full use of the timelier insights these systems can offer. It will also be important to remember that data quality will be just as essential for the new live systems as it was for the quarterly-reporting-based systems.

Six steps by one district council to improve project management

1. Earmarked resources to bring expertise and capacity to the project management team
2. Appointed a project portfolio manager and dedicated project managers
3. Developed and rolled out a project management framework
4. Used a project app
5. Project delivery board set up
6. Project post implementation reporting framework adopted

Six steps by one unitary council to improve KPI reporting

1. Removed from the reports those indicators that could not be measured
2. Formalised a data quality policy
3. Introduced eight new data quality principles underpinning the data feeding into indicator reporting systems
4. Added near neighbours and statistical neighbours benchmarking
5. Stratified the regularity of indicators shared with the Board – with some going monthly, others quarterly and some annually
6. Used the KPI data on workforce performance to feed into changes to the recruitment strategy

Housing

Around two thirds of all key recommendations for improving economy, efficiency and effectiveness in 2023/24 related to housing standards. For example, we identified:

- one borough council hadn't carried out a stock condition survey for 12 years. There were core compliance issues with gas, electricity, asbestos, and lifts; and follow-up actions on fire risk assessment not always having been followed up
- a city council had 1900 open case reviews for damp and mould; and more than 85% of the council's homes didn't meet the legal requirements for smoke detectors
- another city council had 3600 homes with no electrical condition report; 600 communal areas with no current electrical safety certificate; more than 600 properties in need of a water risk assessment; and over 1700 homes where medium and low-risk fire remedial actions were more than two years overdue
- one unitary council estimated that its recovery plan for bringing gas, fire, electrical and asbestos safety up to standard would cost more than £10 million.

The cost of backlog repairs and maintenance work needs to be factored into budget planning for every council affected by issues around stock condition. However, our key recommendations for 2023/24 show that there are often weaknesses in data, preventing the costs from being identified accurately. Data weaknesses we reported on included:

- out-of-date stock condition surveys
- out-of-date asset management strategies
- absence of a 30-year business plan
- different areas of housing being accounted for in separate housing revenue accounts, making it harder to assess the overall position
- poor maintenance of records around complaints.

The effect of data weaknesses is that councils aren't always correctly estimating the costs they will incur on repairs and maintenance. In the case of one London borough, we reported that unrealistically low estimates of the level of demand for repairs led to lower repairs targets being set as KPIs for measuring housing services contractor performance. Without stronger targets having been reflected in the contract, it then became very hard for the council to raise the volume of repairs and maintenance activity to the level that was actually needed.

At another council, actual spend on repairs and maintenance was much higher in 2024/25 than had been forecast from the data available in 2023/24, and the council had to formulate a new Housing Revenue Account (HRA) budget three months after the end of 2023/24. The council was trying to rebuild HRA reserves at the time. The HRA reserves instead fell to an all-time low.

There were many more housing related key recommendations in 2023/24 than there were in 2022/23. However, new regulatory requirements did come into effect on 1 April 2024, meaning that councils have been forced to be more transparent around the condition of their stock. Open and honest data about condition may be the first step towards fundamental improvement. Careful budgeting to reflect the quantum of work needed will be essential; as will good project management. In the long term, for some councils, the approach to debt may need to be re-considered.

Workforce

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Recommendations relating to staff wellbeing and the need to develop a workforce strategy featured heavily in the 2023/24 AARs for the eight unitary councils which have been through local government reorganisation since 2019. This is perhaps to be expected. Transferring staff from one organisation to another is a significant task, but it will be people that are critical to the success of the reorganisation.

Thinking of the other AARS, lack of a workforce strategy was one of the most common improvement recommendations made in 2022/23. However, adoption of workforce strategies was something that improved during 2023/24 (fewer recommendations made). Councils should continue to focus on the wellbeing of their staff and elected members. As we reported to one unitary council, although a four-year people plan was adopted in 2023/24, and although it focused on attraction and retention, "investment in employee engagement may... (still)… need to be added" for success. Budget-wise, we noted that the cost of effective staff engagement does need to be provided for.

Taking finance teams as an example, there have been various pressures on staff morale in 2023/24:

- Most finance teams have now caught up with their backlogs in accounts, but often ended up, after all the hard work, with disclaimed opinions by the deadline of 28 February 2025
- Many finance teams are working hard to set up effective project management and monitoring systems for transformation programmes and initiatives that will be overtaken by local government reorganisation before they reach fruition
- With local government reorganisation likely to impact many councils in England there will be recruitment and retention challenges

There was still a heavy dependency on agency staff and interims at a number of councils in 2023/24. This included at senior level such as interim Section 151 officers. At one city council, 2023/24 saw three interim Section 151 officers; a change of another senior finance team postholder; an interim head of internal audit; and an interim monitoring officer in one year.

There were also significant skills gaps in 2023/24, both within core finance teams and within business partnering functions. At one council, lack of knowledge about housing duties led to staff significantly over-contracting, and incurring significant overspends. At one London borough, lack of knowledge about DSG accounting led to a breakdown in the relationship between the finance team and the education service. The DSG deficit at this council rose in one year (2023/24) from £15.24 million to £17.89 million. While demand-led factors would have contributed to the increase, there were also technical disagreements about whether £3 million charged to the account was correct.

> We have been informed by the council these inconsistencies have arisen both from recruitment challenges within the finance team leading to inconsistent support to the education service and due to inputting errors by the education service. We have established that the finance team responsible for supporting the people service area (Adult's Social Care, Public Health, Children's Social Care, Education and Schools) has been impacted by vaccines, absence, and workload backlogs during 2023/24.
>
> **Technical disagreements - a London borough**

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For at least two councils who reported general fund revenue account overspends for 2023/24, poor forecasting carried out by staff with little experience of management accounting was blamed for the overspending being identified so late in the year. In both cases, the councils concluded that earlier identification might have helped with managing and mitigating the overspends.

Despite the pressure the labour market is under for local government finance roles, we've seen some examples of strong investment in getting the workforce balance right. One of the unitary councils had been heavily dependent on agency staff but filled 20 roles from internal promotions and new capacity in April 2024, with new members of the team joining substantively over the following months.

We've also seen examples of new permanent recruitment being very targeted at resolving specific problems within the council with, for example, specific housing, DSG or budgeting skills being brought in. In some cases we've been informed that full finance team restructuring will follow the targeted recruitment going on now. Where this is the case, alignment of terms and conditions is going to be important.

CASE STUDY

Rightsizing the workforce to target specific challenges

Issues from 2022/23

Vacancies in the finance team caused statutory accounts to be produced late. Frequent fluctuations in budget forecasts also made it difficult to plan.

Findings from 2023/24

Three new range 6 accountants and four new range 4 accountants were recruited and a £1 million initiative was introduced to rightsize the workforce across human resources, finance, and transformation. The new range 4 accountants were specifically directed to the budget process.

Impact going forward

The backlog in statutory accounts closed and new budget support was recruited and in place before the start of the 2025/26 budget-setting process.

Local government reorganisation

The UK Government has set an ambition to create strategic authorities and unitary councils for all geographies in England by the end of this parliament. Geographies that don't currently have unitary local government have been invited to make local government reorganisation (LGR) proposals, including some smaller existing unitaries within or neighbouring these geographies. This brings uncertainty about the future and new, complex challenges for the sector to navigate.

In September 2024, we published a report on learning from eight new unitary councils that had been formed during or since 2019. The report highlighted how complex reorganisation can be.

The 2023/24 AARs written for the eight unitary councils covered in our September 2024 report continue to bear witness to how challenging reorganisation can be. Of the eight, only one AAR had no recommendations – and this was a unitary council formed in 2019, which had by then had five years to establish itself. For the other seven, there were three statutory recommendations in 2023/24; and multiple key and improvement recommendations.

Statutory recommendations surrounded the need to make savings plans; use transformation business cases; and strengthen finance team capacity. The rate of statutory recommendations for the new unitary councils (3/8) compared to the rest of our sample for 2023/24 (8/92) underlines the difficulties that reorganisation can bring.

1

Savings plans

The council should develop detailed savings plans at pace to deliver the savings targets set out in the Medium Term Financial Strategy (MTFS) in order to reduce reliance on one-off resources.

2

Transformation business cases

The council should develop the overarching transformation business case and detailed business cases for individual workstreams that will deliver service transformation.

3

Finance team capacity

The council must address the capacity challenges of the finance team, along with developing the capability of the team.

Statutory recommendations

	Number of councils sampled	% of our sample	Number of recommendations
New unitary councils formed during or since 2019	8	8	3
Other councils	92	92	8
Total	**100**	**100**	**11**

Key recommendations highlighted that the councils still need to:

- develop a new culture of collective financial management
- ensure adequate staff wellbeing mechanisms are in place before and after the move
- embed sound new systems for internal control and make managers responsible for them
- validate data input to new systems
- update the contracts register and identify significant contracts for the new entity
- embed new contract management frameworks to ensure consistency of approach across the new entity.

Improvement recommendations for the new unitary councils included the need to focus on workforce strategy; retain staff during transitional periods; and harmonise legacy systems.

LGR brings enormous opportunities with it, but also very high risk. It seems possible that the risk of weaknesses in arrangements across the sector will increase before it starts to decrease as reorganisation gets underway.

Good practice questions and reminders

Although many councils in England currently face the prospect of reorganisation, the timelines for this reorganisation, and the shape that reorganisation will take, are still unclear. In the coming years, it will be important that councils impacted by LGR continue to provide value for money from their existing operations and activities, while at the same time preparing for change.

The key and improvement recommendations in AARS for 2023/24 show areas to focus on to maintain best value during this transitional period. Members can help by asking challenging questions.

Questions to ask

1

Are we making realistic budget assumptions? Do our financial plans reflect:

- The costs of capital for complex projects we're involved in
- Tesources needed to deliver planned transformation
- Resources needed to maintain our assets, including for housing
- Realistic expectations about future commercial income streams

2

Are we managing risk effectively. How do we know that:

- all our staff understand risk, not just those at the top
- there's proper communication upwards and downwards
- risk management coverage is equally comprehensive in all services
- we have a full understanding of strategic risk on complex projects we're involved with

3

Do we have appropriate assurance on internal control?

- Who decided which areas internal audit would cover
- Does this include commercial projects
- How seriously do we take the internal audit function

4

Are we managing performance effectively, at every level of the business?

- How uniform is the approach to performance management on contracts across the different service lines
- How often do we receive information on major contracts' performance
- How uniform is the approach to managing risk on major projects
- How regularly is performance on major projects shared with us

5

Are we receiving high quality data?

- Is our performance data timely; verified; and benchmarked
- What's the quality of our data on assets, including those held for commercial purposes
- Are our commercial data and forecasts granular; up to date; and in line with market expectations

6

Are we keeping appropriate control over assets in the run-up to reorganisation?

- Is our asset management strategy up to date
- If there are disposals planned, how are we prioritising

7

Are we fostering a culture of ownership in the run-up to reorganisation? How do we:

- keep control over DSG deficits
- keep control over legacy systems
- take ownership over internal controls

8

Are we looking after our staff? How do we:

- thank staff
- communicate and engage with staff
- keep training up to date and well-targeted
- budget for effective staff engagement

9

How confident are we in our forecasts for the future? Have we got:

- the right skills and resources in place to produce realistic forecasts through the year
- strong arrangements for adjusting forecasts as 2025/26 progresses
- up to date information now about best expectations for the end of 2025/26 and the start of 2026/27?

10

If and when we reorganise, how will we get ready to:

- develop a new culture of collective financial management?
- embed sound systems of internal control and make managers responsible for them?
- harmonise systems and validate data input to them?
- identify significant contracts and create a joined-up contracts register?
- ensure a consistent approach to partnerships, procurement and contract management across the newly-merged organisation?
- develop a targeted workforce strategy?
- ensure adequate staff wellbeing mechanisms are in place?
- align terms and conditions?
- retain the valuable skills of key people that we need?

What good looks like

In 2023, Grant Thornton worked with Lawyers in Local Government, the Association of Local Authority Treasurers Societies, SOLACE and CIPFA to produce a paper on preventing failure in local government. The paper set out, for all the main officer and member roles in local government, the powers and duties and opportunities each has to prevent failure. While the paper focused on how the sector responded to reductions in funding, the principles of what good looks like for councils still apply as the sector now prepares for reorganisation.

There are key messages on what good looks like for financial sustainability, governance, and improving economy, efficiency and effectiveness in the report's analysis of structures, systems and behaviours. There are also key messages on what good looks like for councils as a whole in the list of opportunities councils have to prevent failure. As we move to reorganisation, members and officers alike can help by revisiting the key messages. What good looks like: structures, systems and behaviours:

Financial sustainability

The Section 151 officer should be a member of the senior leadership team, and should have appropriate access to continuing professional development.

A strong treasury management function should be maintained.

Financial information should be presented in a comprehensible format, and members should be willing to ask critical questions.

Governance

The monitoring officer should be a member of the senior leadership team, and should be supported by strong risk management and internal audit functions.

Relationships should be co-operative and professional; and decision making should not be behind closed doors.

Where there are commercial companies and joint ventures, robust arrangements for risk, transparency and conflicts of interest should be introduced.

Improving economy, efficiency and effectiveness

Appropriate commercial expertise should be engaged.

Members and officers should be willing and able to seek external, independent advice and undertake appropriate due diligence.

Strong performance management arrangements should be maintained.

Opportunities to prevent failure

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well.

- They should demonstrate courtesy and respect towards each other and officers
- Ensure all members are well informed and undertake all the necessary regular training and development
- Ensure auditors' annual reports are presented to full council
- Avoid making important key decisions as 'urgent'. Allow enough time for in-depth discussion and for members to understand complex information and consider all the possible consequences of their decisions, including the risk of unintended consequences.
- Ensure that commercial confidentiality does not prevent members being fully informed about financial decisions.

Services and support

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The local government sector faces a complex landscape. Rising demand, constrained budgets, digital disruption, and the urgent need to build resilient, future-ready services. At Grant Thornton, we understand these pressures and partner with you to deliver bold, practical solutions that drive meaningful change.

Value for money and governance - the support we provide

Governance

We can support:

financial management

- Revenue and capital financial management and governance reviews
- Alternative delivery models governance reviews

internal assurance

- Internal audit effectiveness reviews
- Audit committee / scrutiny effectiveness reviews
- Risk management effectiveness reviews
- Review of whistleblowing policy and procedures

Infrastructure

We can support:

finance team capability

- Finance team skills and capacity reviews
- Finance team capacity building and support

enterprise resource planning review

- Ledger systems diagnostic and controls reviews
- ERP implementation support and reviews

partnerships and procurement

- Review of alternative delivery model effectiveness and key contract performance
- Procurement and contract management effectiveness reviews

Planning

We can support:

- 'Financial Foresight' financial strategy challenge workshops
- MTFP robustness and financial sustainability review
- Savings/transformation plan reviews
- Savings and income identification, critical friend challenge, advice and support
- Savings implementation and validation reviews
- Programme and project management effectiveness reviews
- Service optimisation reviews

We can offer a high-level diagnostic assessment across key aspects of financial governance ('5 Pillars', CIPFA Financial Management or shadow VfM reviews)

Information

We can support:

Financial monitoring

- Effectiveness of financial monitoring reports to members

Information for decision making

- Options appraisal and business case development
- Business case reviews
- Performance management framework effectiveness reviews

Benchmarking

- CFO Insights financial benchmarking and other analytical insights

Culture

We can support:

Independent focused reviews

- Focused investigations into specific governance and compliance matters

Implementing finance culture

- Implementing a financed focused culture – workshops and strategy development
- Member training and development, leadership support
- Financial management and budget training for officers and budget holders

Our public sector financial reporting and accounting team

As the increasing demands and complexities have placed further demands on the capacity and technical knowledge of finance teams, our FRAS team is supporting local authorities in a range of areas:

Accounting

Providing technical accounting support on a range of areas from one-off accounting issues or group issues, through to the implementation of new accounting standards.

Financial reporting

Supporting organisations with:

- accounts production and audit readiness
- implications of the backstop dates and external auditor's disclaimed opinions
- review of accounts, and tools to increase the efficiency of the accounts production process.

Finance function support

Providing support to finance functions across a range of areas from finance function effectiveness through to improving the processes and controls that sit around the finance function.

Delivering a successful local authority IFRS 16 implementation

We have developed a service that we can tailor for your specific requirements, selecting the elements that you require across three key areas:

Prepare

Readiness/ Impact; data collation; and project management

Implement

Accounting (e.g., technical accounting and key judgements); Financial reporting; Modelling and systems; and training.

Operationalise

Controls and governance; monitoring and compliance; and communication

How we can help: Implementing IFRS 16: local authorities | Grant Thornton

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Kent County Council

Audit progress report and sector updates

September 2025

Agenda

Audit Progress Report

Grant Thornton

Introduction

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

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Governance and 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:

https://www.grantthornton.co.uk/industries/public-sector/local-government/

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.

Progress in September 2025

Financial Statements Audit

The Council published their draft Statement of Accounts on 30 June 2025, meeting the statutory deadline for publication. The draft Annual Governance Statement was published shortly thereafter, meeting publication requirements as set out in the Local Audit and Accountability Act.

Audit fieldwork began in earnest on 1 July 2025, following receipt of the draft financial statements. Audit work at this point is ongoing and approaching completion, but with audit work on areas of significant risk of material misstatement not yet fully complete, we are issuing a progress report to this Committee and will bring our Audit Findings Report to the Governance and Audit Committee in October 2025.

Upon receipt of the draft financial statements, the audit team reassessed the materiality levels applied to the audit. Materiality assessed at planning was £55.5m, based on 1.8% of prior year gross expenditure. Applying the same benchmark to the current gross expenditure did not significantly increase the materiality level, and as such, it is unchanged from the levels set out in our audit plan.

The draft financial statements have been fully reviewed and compared to Code requirements. There were no notable omissions from this review and small changes requested by the audit team have been accepted and made by management.

We have reviewed the significant estimates and judgements in the financial statements, engaging with a valuation expert on assumptions used for the valuation of the Council's land, buildings and investment properties. We have also engaged with an actuarial expert, PwC, who have reviewed the work of all actuaries providing valuation services to local government. No issues have arisen from the experts' work that we require to bring to the attention of those charged with governance.

Audit work to date has not identified material misstatements that we would require management to adjust the financial statements for.

The following tables set out the substantive testing that we have completed to date and progress against the significant risks of material misstatement identified at the planning stage. We have identified no further significant risks of material misstatement.

Progress in September 2025 – significant risks

Risk identified	Audit progress to date	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have completed our work on journal entries, including evaluating the design and implementation of management controls over journals and selecting and testing high risk, unusual journal entries. We have gained an understanding of the accounting estimates and critical judgements that have been applied by management in the production of the financial statements. As work is not yet complete on all significant estimates and judgment, we are unable to conclude on the significant risk.	Audit work to date has not identified any issues in respect of management override of controls.
Valuation of land and buildings (including investment property) The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	We have completed our evaluation of managements processes and assumptions for the calculation of the value of land and buildings. We have engaged with management's expert, Wilks, Head and Eve, who have valued the assets at 31 March 2025. We have also engaged an auditor's expert to confirm the reasonableness of assumptions used by management's expert. Detailed testing and reperformance of the valuation calculations is ongoing and we are unable to conclude on the significant risk at this point.	Audit work to date has not identified any issues in respect of the valuation of land and buildings, including investment property.

Progress in September 2025 – significant risks

Risk identified	Audit progress to date	Key observations
Valuation of net pension liability/asset The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net liability arising from defined benefit obligation, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£29m in the Authority's Balance Sheet at 31 March 2025, falling from £38m at 31 March 2024 and £62m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.	We have updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. We have assessed the competence, capabilities and objectivity of the Council's actuary and the reasonableness of the assumptions applied by the actuary, using an auditor's expert, PwC. We have not yet obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	Audit work to date has not identified any issues in respect of the valuation of the net pension liability/asset
Valuation of leased assets and rebasing of PFI liabilities The implementation of IFRS 16 – Leases, which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated. The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. The draft financial statements recorded a right of use asset of £36.7m, which is not material to the financial statements	We have documented our understanding of the processes and controls put in place by management to ensure that the Council's lease assets and liabilities are not materially misstated. We have performed work on the completeness of the Council's lease register, ensuring that all leases have been included. We are in the process of reviewing and re-performing calculations on the future lease liabilities using present value calculations. We are in the process of reviewing and re-performing calculations on the Council's PFI liabilities to ensure they meet requirements of IFRS 16 and the Code	Audit work to date has not identified any issues in respect of the valuation of the implementation of IFRS 16

Progress in September 2025 – audit testing

Balance Sheet

Area	Sample selected	Sample completed
PPE additions	15	15
PPE disposals	5	5
PPE AUC	9	9
PPE revaluations	20	20
Investment property	5	5
Debtors	19	15
Receipts in advance	7	0
Creditors	104	82
Right of use assets	8	0
Capital grants received in advance	9	7

Comprehensive Income and Expenditure Statement

Area	Sample selected	Sample completed
Fees and charges income	17	11
Grant income	23	14
Employee benefit expenditure	36	9
Agency staff costs	5	0
Operating expenditure	70	37
Support service recharges	5	5
Schools income and expenditure	45	42
Commercial services income and expenditure	10	5
Journal entries	29	29

Progress in September 2025 (continued)

Pension Fund audit

Our audit of the Kent Pension Fund is now complete. Our Audit Findings Report for the audit of the pension fund is presented alongside this report to the September 2025 Governance and Audit Committee.

Value for Money

Our value for money work is now complete. Our detailed commentary on the Council's arrangements are set out in our Auditor's Annual Report, which is presented alongside this report to the September 2025 Governance and Audit Committee.

Other areas

Work continues to progress on the Teachers Pensions certifications for all years since 2020/21.

Events

On 4th June 2025 we hosted a webinar on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits. The recording can be accessed here: Audit committee webinar.

The next event taking place shortly will be:

- 27 January 2026 – webinar providing updates on managing local authority debt; and on preparing for local government reorganisation.

Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Audit Fees

PSAA have published their scale fees for 2024/25 2024/25 audit fee scale – PSAA

For Kent County Council these fees are £462,551 for the Council audit and £116,779 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Local Audit Reform

On 9 April 2025, the government published [Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK]

Recognising that a backlog in local audit sign off of nearly 1,000 audits had impacted on local accountability and transparency, the purpose of the consultation was to rebuild a system of local audit, ensuring that audited accounts are published on time and that trust and confidence in how councils are spending their money is restored. Grant Thornton welcomes the reforms which we believe are much needed.

The key outcome of the consultation is the decision to proceed with the establishment of a new Local Audit Office (LAO) with effect from 1 April 2026. Further details are set out below.

Local Audit Office – Core Principles

Value for Money: providing confidence for stakeholders that proper arrangements are in place

Transparency of the sector's financial health and VfM arrangements

Capacity and capability: A sustainable and resilient audit market with access to the right expertise

External scrutiny which challenges and drives improvement

Professionalism: building a sector attractive to auditors

Proportionality: local audit that is proportionate and relevant, from regulations to governance

Stronger accountability: high standards of financial reporting to promote public accountability

Timely: High quality accounts which are produced on a timely basis.

Impacts for local authorities

- A mandatory requirement for at least one independent Audit Committee member at each authority
- Mandatory reporting of the Auditor's Annual Report to full Council
- The introduction of a Local Public Accounts Committee, following the central government model
- The strengthening of Internal Audit capacity.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	July 2025	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	October 2025	Not yet due
Auditors Report This includes the opinion on your financial statements.	October 2025	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	September 2025	Completed

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Audit related deliverables	Planned Date*	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	2020/21 – 30/09/2025 2021/2022 – 30/09/2025 2022/23 – 30/09/2025 2023/24 – TBC 2024/25 - TBC	In progress In progress In progress Yet to start Yet to start

Sector Updates

Grant Thornton

Lessons from 2023/24 auditors' annual reports

Recommended reading for Audit Committees:

In August 2025, we published a review of 100 Auditors' Annual Reports (AARs) produced by Grant Thornton for our local government audited bodies across England. This represents about a third of all councils in the country. The AARs offer a wealth of insights on what works, and what doesn't, when it comes to value for money and governance.

The reports in our sample showed that financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing, which current government policies around exceptional financial support and statutory override for dedicated schools grant deficits are not helping.

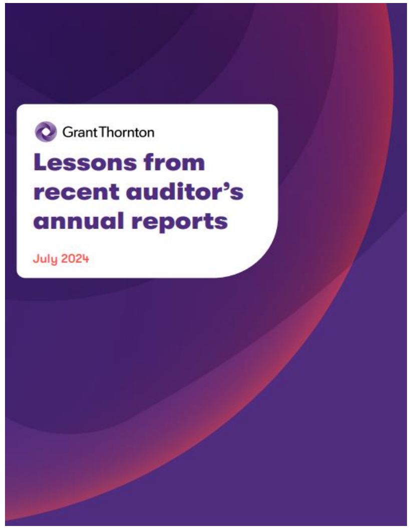
Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant challenges with identifying, costing and managing high volumes of backlog repairs and maintenance work needed to meet regulatory standards.

However, with this being the second year of reporting on lessons from AARs, we also charted notable examples of cases where arrangements have been strengthened since 2022/23, yielding benefits. As well as good practice questions and reminders, the report includes case studies showing better: Control over transformation planning; approach to internal audit; project management; key performance indicator reporting; and rightsized workforce.

AAR findings in August 2025 can be compared to those from one year earlier by accessing the two years of full reporting here:

[Lessons from 2023/24 auditors' annual reports]

[Lessons from recent auditor's annual reports]



Financial Instruments in Local Government Accounts (1)

Recommended reading for Audit Committees:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how a council's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that Audit Committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton]

Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Audit Committees to ask:

Area of Focus	Description	Challenge Questions
Identification	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	• How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? • Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	• What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics? • Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	• What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? • Do changes in assumptions or market conditions require remeasurement?
Disclosure	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	• How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks? • Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	• Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves? • Are expected credit losses / impairments reflected in the financial strategy?

Reorganisation update

Key reorganisation dates for Audit Committees to be aware of:

Key dates that Audit Committees need to be aware of for Councils other than Surrey (whose deadline was 9th May 2025) are listed below. :

26th September 2025: Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

28th November 2025: Deadline for all other areas to submit final proposals for reorganisation.

Comments from Unison for Audit Committees be aware of, June 2025:

Reorganisation "poses a risk for thousands of local government jobs. Crucial services on which some of society's most vulnerable people rely could also be disrupted". The union called for workers to be protected and for the support of residents and staff to be engaged.

August 2025: [Lessons from 202324 auditors annual reports]

Among the 100 AARs we reviewed in August 2025, were eight AARs for relatively new unitary authorities formed during or since the local government reorganisation of 2019. Our report analyses recommendations made to these councils in 2023/24 for insights that will be useful to others as they embark on their reorganisation journey.

Other recommended materials to support Audit Committees:

September 2024: [Learning from the new unitary councils]

March 2025: [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton]

June 2025: [Audit committee webinar]

May 2025: We also directly shared a technical briefing on reorganisation with statutory officers in May 2025. Audit Committees can obtain a copy of the briefing note now from their Section 151 officer, or from their Audit Engagement Lead or Audit Manager.

Other structural changes

Key information for Audit Committees to be aware of:

Multi-year allocations – 11th June 2025

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The Spending Review on 11th June 2025 committed to multi-year allocations through the upcoming 2026/27 Local Government Finance Settlement. An assessment of each council's needs and resources was also committed to.

[Spending Review 2025 (HTML) - GOV.UK]

Additional information on the Spending Review and Fair Funding Review can be seen on pages 20 and 21 of this update.

Simplified local structures – 24th June 2025

The Minister of State for Housing, Communities and Local Government announced on 24th June 2025 that Councils with a committee system will be required to transition to a leader and cabinet model. He also announced a ban on creating new directly elected council mayors.

[Written statements - Written questions, answers and statements - UK Parliament]

Pensions pooling – 11th August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11th August 2025. The government has committed to allow some "limited flexibility" to other administering authorities looking for new asset pools (moving away from Access and Brunel) but does expect all to conform as closely as possible to the 31 March 2026 deadline for meeting new minimum standards set for asset pooling.

[Pension Investment Review Final Report]

English Devolution and Community Empowerment

The English Devolution and Community Empowerment Bill was presented to the House of Commons and given its first reading on 10th July 2025; and its second reading on 2nd September 2025. With ayes of 365 and noes of 164 on 2nd September, the Bill now moves to Committee stage.

[English Devolution and Community Empowerment Bill]

Local government financial sustainability

Key information for Audit Committees to be aware of:

On 18th June 2025, the Committee of Public Accounts reported that "MHCLG has implemented short-term and unsustainable approaches to keep local government afloat".

As evidence, the Committee reported that :

- ❖ Forty-two local authorities had to receive exceptional financial support;
- ❖ Spending on special educational needs and disabilities has outstripped the money available from the Department for Education to pay for it.

Adding to concern, the Committee also reported:

- ❖ MHCLG does not know if the billions spent delivering services locally results in better outcomes for people;
- ❖ Neither MHCLG nor HM Treasury have assessed the impact that increases in national insurance contributions will have; and
- ❖ There is significant uncertainty around how the proposed local government finance reforms and reorganisation will be implemented.

Two days later, on 20th June 2025, the government announced that the statutory override for dedicated schools grant deficits will be extended by another two years, until 31 March 2028. There is no clarity yet about how the debt associated with the grant will be managed once this new period of statutory override ends.

For wider debt burdens, the LocalGov daily bulletin 19th August 2025 , reported that Freedom of Information request responses from 254 councils found that:

- ❖ There has been a 60% increase in Council debt over the last sixty years; and
- ❖ Roughly a fifth of council tax revenue is being spent on payments for debt interest.

For a full copy of the Committee of Public Accounts report see Local Government Financial Sustainability.

The Spending Review

Key questions for Audit Committees to ask officers:

- ❖ Have we calculated what impact the Spending Review will have on the assumptions in our medium-term financial plan?
- ❖ If the impact is negative, what mitigation is planned?

Background:

The Spending Review on 12th February 2025 did not directly address local government debt (other than that in some cases exceptional financial support increases the debt). However, the Spending Review did provide an additional £3.3 billion of grant funding in real terms for local authorities in 2028/29 compared with 2023/24. This included:

- ❖ Over £4 billion of funding available for adult social care in 2028-29 compared to 2025/26.
- ❖ £555 million to help more children stay with their families; and £560 million, between 2026/27 and 2029/30, to refurbish and expand children's homes and foster care placements.
- ❖ £39 billion for a successor to the Affordable Homes Programme over 10 years from 2026/27 to 2035/36.
- ❖ £100 million for a new community partnership approach to spending on adults with complex needs.

The Spending Review also announced a new £3.25 billion Transformation Fund to support the reform of public services so that they are focused on prevention, including for special educational needs and disability and homelessness.

The intention is that investment in digital technology and artificial intelligence transformation programmes will drive productivity improvements and help to deliver the government's missions.

[Spending Review 2025 (HTML) - GOV.UK]

Fair Funding Review 2.0

Key questions for Audit Committee to ask officers:

- ❖ What impact do we expect the Fair Funding Review to have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we don't receive transitional support?

Background:

Between June and August 2025, the government ran a public Fair Funding Review consultation on how it should implement Fair Funding Review 2, including on how the local government grant system should be made fairer and how transitional arrangements should work.

Under the Fair Funding Review, significant changes to the grant funding system for English local government are now expected to take effect on 1st April 2026, for the 2026/27 financial year. It is expected that grant funding will be allocated to English local authorities using a three-part system, consisting of an assessment of relative need, based on socio-economic indicators; an area costs adjustment; and a resource assessment, measuring the capacity of each council to raise council tax.

It is expected that:

- ❖ There will be no further retained business rates revenue;
- ❖ Recent spending on social care and deprivation will influence the formula; and
- ❖ There will be reduced funding for Councils with higher capacity to raise council tax.

The new methodology will apply to the Revenue Support Grant, which will also swallow up several other smaller grants that Councils currently receive.

Because the existing system has been untouched for many years, and because no new money will accompany the review, there are likely to be some very large changes to some councils' funding allocations.

The Local Government Information Unit recently argued that "in many ways (the changes) will start to put England back onto its pre-2013 footing"; and a three-year transitional period has been proposed.

Nevertheless, the changes are going to be difficult for some Councils to absorb, especially those that already have other issues with their financial sustainability.

Public procurement

Key questions for Audit Committee to ask officers:

- ❖ How much do we currently spend per annum on contracts with small and medium-sized enterprises and voluntary, community and social enterprises?
- ❖ Do we test whether our suppliers pay their creditors within appropriate timescales?
- ❖ Which outsourced services, if any, have we assessed to test whether outsourcing is still the best solution?

Background:

Between June and September 2025, the government consulted on public procurement. With an estimated £385 billion spent through public procurement every year, the consultation is intended to support implementation of the new National Procurement Policy Statement.

Cabinet Office

Proposals that are being consulted on include:

- ❖ Mandating large contracting authorities with procurement spend over £100 million per annum to publish their own 3-year target for direct spend with small and medium-sized enterprises and voluntary, community and social enterprises; and report against it annually;
- ❖ excluding suppliers from bidding for major contracts (over £5 million per annum) if they cannot demonstrate they pay their invoices within an average of 60 days;
- ❖ requiring contracting authorities to make a standard assessment before procuring a major contract to test whether service delivery should be inhouse or outsourced;
- ❖ mandating contracting authorities to carry out a public interest test prior to making a sourcing decision on major service contracts; and
- ❖ requiring contracting authorities to publish the results of the public interest test in the tender notice.

The government states that the proposals will "open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy".

For a full understanding of the proposals that were put forward, follow this link: Public Procurement: Growing British industry, jobs and skills

Keeping fit for the future

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Key question for Audit Committees to ask officers:

- ❖ What changes to governance structures do we expect the new ten-year health plan to have on us?
- ❖ How are we preparing?

Background:

On 3rd July 2025, the government outlined the new ten-year NHS plan Fit for the future . The plan points to a closer working partnership between local government and Integrated Care Board (I(CBs), stating that:

- ❖ The number of ICBs will be reduced from 42 and the remaining ICBs will then be encouraged to adjust their boundaries to match those of new combined authorities;
- ❖ the government's aim over ten years is that ICBs will be coterminous with strategic authorities wherever feasibly possible;
- ❖ Integrated Care Partnerships will be abolished but in future, a neighbourhood health plan will be drawn up by local government, the NHS and its partners at single or upper tier authority level under the leadership of the Health and Wellbeing Board, incorporating public health, social care, and the Better Care Fund;
- ❖ mayors are going to replace local government representatives on ICB Boards;
- ❖ local authorities are going to take up Local HealthWatch social care functions; and
- ❖ from 2026, every single or upper tier local authority will be required to participate in an external public health peer review exercise, on a 5-year cycle, with the results directly informing local plans.

Keeping the leisure estate fit for the future

Key question for Audit Committees to ask officers:

- ❖ How are repairs and maintenance and replacement costs for our leisure estate reflected in our medium-term financial plan?
- ❖ Are we on track to cover replacement costs for the leisure estate?

Background:

Some £400 million was announced in Fit for the future for grassroots sports facilities, but it is not yet clear how much of that will be directed to local authorities. On 2nd August 2025, the Local Government Association reported that:

- ❖ Since 2010, 500 swimming pools have closed, representing a loss of over 34,000 square metres of water space. Nearly half of the closures occurred in the last five years.
- ❖ 63 per cent of main sports halls and 60 per cent of swimming pools are beyond their expected lifespans or in need of refurbishment.
- ❖ 24 per cent of council areas face the risk of reducing or closing leisure services due to rising energy and operational costs.

An early understanding of the condition of the estate will help to maximise the effectiveness of any funding that does become available to Councils.

Asylum seekers update

Key questions for Audit Committees to ask their officers:

- How do we capture and report accommodation costs?
- Have we calculated whether costs are matched by grant income received? How are we managing any difference?
- What are our safeguarding responsibilities? What assurance do we have that we are meeting them?
- What assurance do we have that we are meeting our duty of care to children and vulnerable adults?

Background:

On 29th August 2025, the Court of Appeal ruled that The Bell Hotel in Epping Forest can continue to house asylum seekers, overturning an interim injunction that Epping Forest District Council had secured ten days previously to restrain the use of the hotel for such a purpose unless planning permission was granted. The Council was then denied the opportunity to appeal to the Supreme Court.

Home Office data published on 21st August 2025 shows that 115 other Councils currently have hotels within their areas that are housing asylum seekers. Those Councils may have been watching the outcome of The Bell Hotel case closely.

The National Audit Office recently estimated that it costs £15.3 billion per annum to house asylum seekers in hotels; and that hotel accommodation accounts for 76% of the annual cost of asylum contracts but houses only 35% of people in asylum accommodation system.

The Spending Review 2025 committed to ending government use of asylum hotels during the current Parliament. The expectation is that these will be replaced by central government owned accommodation, probably delivered by purchasing tower blocks and former student accommodation. However, no timeline has been set for this initiative yet. Without a timeline, hotel costs are likely to be incurred and need managing for some time yet.

Future Webinars for Audit Committee members

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We plan to hold a webinar for members of Audit Committees on 27th January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

Understanding the true level of debt across all sources;

Assessing the viability of plans for debt repayment;

Understanding and assessing current and future exposure to risk; and

Best practice for Councils managing debt.

Local government reorganisation:

Understanding and anticipating outcomes from the latest submissions;

Managing change whilst waiting for decision announcements; and

Preparing for next steps after decision announcements.

Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards
https://www.gov.uk/government/publications/public-sector-internal-audit-standards

Code of Audit Practice for local auditors (NAO):
https://www.nao.org.uk/code-audit-practice/

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):
https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

Delivering Good Governance in Local Government

https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Financial Management Code

https://www.cipfa.org/fmcode

Prudential Code

https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition

Treasury Management Code

https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition

By: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 24 September 2025

Subject: External Auditor's Annual Report on Kent County Council for 2024/25

Status: Unrestricted

Summary: The appended report provides a summary of the work undertaken by Grant Thornton for Kent County Council during 2024/25. The core element of the report is the commentary on the value for money (VFM) arrangements.

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1) Introduction

a) The Appointed Auditor, Grant Thornton UK LLP have issued their Annual Report which is appended. The report enables Grant Thornton to discharge their responsibilities as External Auditor in accordance with the Local Audit and Accountability Act 2014 (the Act) and the National Audit Office Code of Practice, this includes reporting on:

- Financial sustainability
- Governance; and
- Improving economy, efficiency, and effectiveness.

b) The Act also requires the External Auditor to issue an opinion each year as to whether the Council's Financial Statements give a fair view of the financial position of the Council and have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;

ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and

iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Annual Report on Kent County Council 2024/25 for assurance.

Appendices

Appendix: Auditor's Annual Report on Kent County Council 2024/25

Background Documents

CIPFA's Position Statement 2022

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Grant Thornton

Kent County Council

Interim Auditor's Annual Report
Year ending 31 March 2025

September 2025

Contents

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Kent County Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past

Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.

Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Kent County Council has a population of approximately 1.61m residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by two overview committees and two scrutiny committees. The Council has 81 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when Reform UK secured a majority with 57 elected councillors.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

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02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	R	Significant weaknesses in arrangements to manage overspends in Adult Social Care and DSG. Two Key Recommendations raised.	Significant weaknesses identified in 2023/24 present risk of significant weaknesses in 2024/25.	R	Significant weakness in arrangements for control of Adult Social Care spend and Dedicated School Grant (relating to the High Needs Block element of SEND). Two revised key recommendations continue in place as the Council continues to address these challenges. We raise one new improvement recommendation.
Governance	R	Significant weaknesses identified in relation to Internal Audit recommendations. One Key Recommendation raised.	Significant weakness identified in 2023/24 presents risk of a significant weakness in 2024/25.	A	No significant weaknesses in arrangements identified for 2024/25, as the Council has now improved its performance in regard to the implementation of Internal Audit Recommendations. We have raised four new improvement recommendations.
Improving economy, efficiency and effectiveness	G	No significant weaknesses identified; no improvement recommendations made.	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified and no improvement recommendations made.

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G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council continues to face significant financial pressures. The Council overspent its 2024/25 revenue budget by a net £20.2m, primarily driven by pressures in Adult's services. Early indications in 2025/26 show overspending continues, despite significant work to transform services. In Children's services, special educational needs provision overspent by £30.3m in 2024/25, moving further away from the deficit 'safety valve' plan (2023). The Council is reliant on a temporary statutory exemption to avoid depleting general reserves. These remain critical issues and continue to reflect significant weaknesses in arrangements (recognising that some aspects of these challenges are beyond the Council's control). It remains vital that transformation continues to progress. While reserves are currently at reasonable levels, these will quickly erode unless the Council can improve its ability to develop and deliver sufficient savings, particularly in social care.

Governance

The Council has worked hard to establish improved governance, including arrangements to support effective decision making and internal assurance. Significant progress has been made in addressing internal audit findings and is no longer a significant weakness in the Council's arrangements. Further work is needed to complete this improvement journey. The Council has a prominent role in Local Government Re-organisation (LGR) in Kent and it is important that this is sustained as the Council enters the critical phase of working with partners to develop proposals. It is vital that the Council makes financial and other decisions that are compatible with creating sustainable successor authorities. Following the May 2025 election, a large number of new members have been inducted. The Council is now focusing on developing training plans. The new administration's 'DOLGE' initiative continues, but at this stage the Council has been able to integrate this with the ongoing transformation effort.

Improving economy, efficiency and effectiveness

The Council has well-developed performance management arrangements, with key performance indicators reported quarterly, along with extensive narrative. It is involved in a number of partnerships with the health and police service, along with other local authorities that improve the quality of services to its residents. It is also working effectively in partnership with local district Councils in relation to the proposed Local Government Reorganisation. Procurement arrangements appear to be operating as expected. The Council implemented its upgraded Oracle Cloud System in August 2025. Arrangements were in place to monitor and report on the Programme and Internal audits and business readiness reviews have been performed ahead of 'Go live'. We note that services have delivered significant savings and transformation over the period. Overall, the Council has demonstrated appropriate arrangements in this area.

Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to Adult Social Care and Health cost pressures

Key Finding: The Council continues to experience significant cost pressures with regard to Adult Social Care and Health (ASCH), a situation that has deteriorated in the last year.

Evidence: The budget for ASCH was overspent by £46.4m in 2024/25, an increase from the overspend in 2023/24 (£32m). Part of the overspend related to undelivered savings of £32.8m in the year. Moreover, at the time of setting the budget for 2025/26 the forecast 2024/25 overspend for ASCH was £10m lower than the actual outturn, imposing an immediate strain on the budget. Pressures on the service arise from a variety of factors, including demand and unit cost of older people residential care services (demand being driven by demographics and hospital discharge arrangements), the requirements of the criminal justice system and mental health services.

The Council has a number of initiatives in place to mitigate the overspend, including the development of social care hubs, intended to identify problems and solutions more quickly, and promotion of enablement. Moreover, there is an opportunity for a "reset" in the near future, with the renewal of significant contracts for elderly accommodation, assisted living and domiciliary care, but these will not produce savings in 2025/26.

Initial information for the first quarter of 2025/26 shows that the cost pressures are continuing and savings are still taking longer than hoped to achieve.

Impact: If the Council cannot effectively manage demand to reduce costs, and deliver all planned savings, reserve levels will reduce, potentially putting the medium-term financial sustainability of the Council at risk. We will be monitoring this issue closely and will consider exercising statutory powers if the situation deteriorates further.

Key recommendation 1 (Revised)

KR1: The Council should explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.

Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: With regard to the Dedicated Schools Grant (DSG) the Council is party to a 'Safety Valve' agreement with the Department for Education (DFE). Under this agreement, the Council is expected to contribute £80m and keep to an agreed profile of deficit reduction, and DfE will provide additional funding until March 2027/28. At March 2025 the Council had fallen behind its forecast DSG deficit profile, having been slightly ahead of it in March 2024. A temporary 'statutory override' on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset the DSG deficit against general fund reserve. This is due to expire in March 2028 and the Council is forecasting a residual DSG deficit at that point of over £30m.

Evidence: High Needs Block deficits are recognised as a critical issue for councils nationally and the government are expected to make further announcements on how this will be tackled. We note that DFE has continued to provide the agreed levels of additional funding, despite the Council being behind plan. While Kent's deficit position may not yet be as acute as that faced by some other councils, it remains a significant financial challenge. In March 2024, the Council's DSG reserve was showing a deficit of £67.2m. In 2024-25 the DSG budget had an in year overspend of £54.5m (compared to £53.5m forecast at Q2). This variance comprised £57.6m overspend on the High Needs Block and a £3.1m underspend on the Early Years Block. The cumulative deficit at 31 March 2025 is £97.5m. Initial information for the first quarter of 2025/26 indicates that a further overspend of £28.6m is expected. Of the projected £30m residual deficit at the expiry of the Safety Valve Agreement, £23m is attributed to the delay in the building of two special schools by the DFE. Further cost pressures arise from the fact that many children in the care system are from out of the County and while their care costs are covered by the placing council, education costs are not, and these children are more likely to be high needs. There is limited capacity in mainstream schools to take pupils with an Education, Health and Care Plan (EHCP), which is the lowest cost solution. We note that Kent operates a selective secondary school system which contributes to a distinct set of challenges in the County in this service area. The Council has a number of initiatives (Early Years Revised Models, Synergy Review, Communities of Schools, Promoting the Inclusion of Neurodiversity in Schools) to mitigate the overspends and these have been taken into account in the £30m forecast residual deficit.

Impact: Without further intervention from government the Council will have to cover the DSG deficit from general reserves when the current statutory exemption expires in 2028. This would significantly reduce the options available to the Council, or any successor bodies under LGR, to mitigate financial risks in future.

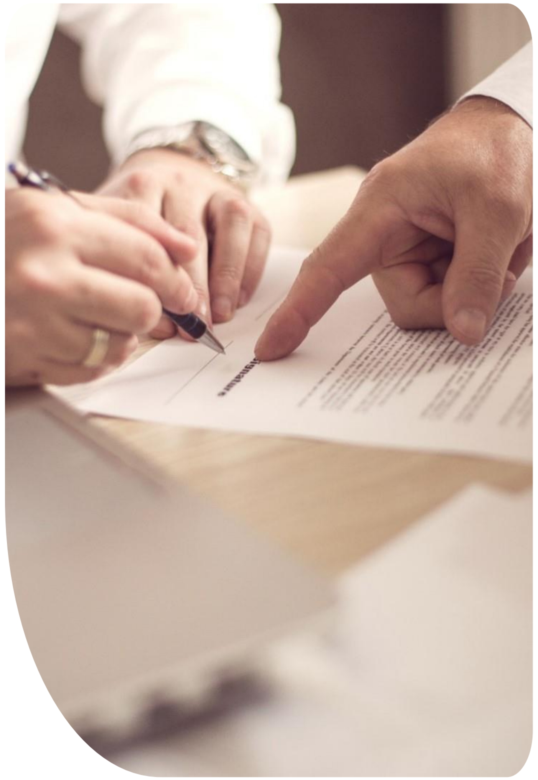
Key recommendation 2 (Revised)

KR2: The Council should ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	Our financial statement audit work is not yet complete. Our Audit Findings Report will be issued to the 30 October Governance and Audit Committee.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

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On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

Local perspectives - LGR in the Kent region

In February 2025 the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.

Grant Thornton insight

What the Council is already doing

- Active participation of officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Consideration of our detailed Technical Briefing.
- Modelling potential outcomes to discuss with members and establish political priorities.

The Council should consider

- Considering the potential cost of transition for the council and how this will be funded.
- Making advance preparations for member and public engagement within a tight timeframe.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.
- Ensuring that all key decisions are made based on future sustainability and not the short term interests of the County Council.

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03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work on the financial statements audit is not yet complete. At this point we anticipate issuing an unqualified opinion on the Council's financial statements shortly after the Governance and Audit Committee on 30 October 2025. The full opinion will then be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts for Kent County Council and its group in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers. Our work remains in progress at this point.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is due to be presented to the Council's Governance and Audit Committee on 30 October 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Kent Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We intend to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report in November 2025.

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Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

This opinion cannot be issued until the audit opinion of the administering authority (Kent County Council) is issued.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

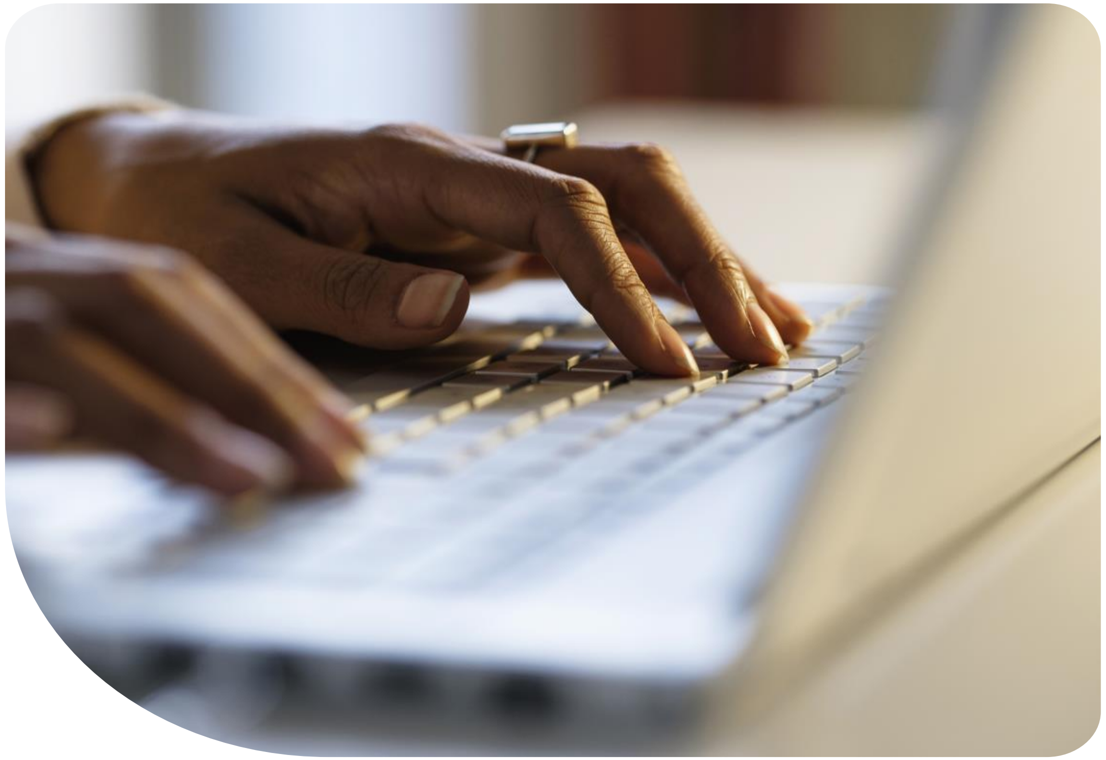
The Pension Fund provided draft accounts in line with the national deadline of 30 June 2025. As in previous years, the draft financial statements were of a good standard and supported by a full suite of working papers. Your pension fund team have engaged well with the audit process and provided complete and timely responses to our queries throughout.

Our audit is nearing completion and as at the date of drafting this report, we have not identified any issues that we wish to bring to your attention.

Opinion on the pension fund statements (continued)

Audit Findings Report

We will report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Governance and Audit Committee on 24 September.



Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We do not anticipate having anything to report in this regard.

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04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
Identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council's three-year medium term financial strategy includes assumptions regarding future demand and cost pressures, and scenarios relating to funding levels. It projects an increase in reserves over the course of the three years, but this is dependent on over £120m of savings over that period and does not include the risk that the deficit on the Dedicated Schools Grant (DSG) might have to be offset by the Council's general fund reserves if the government statutory override on DSG accounting is not extended past 2025/26. Risks to the plan are highlighted in the Section 25 Assurance Statement and include non-delivery of savings plans, cost pressures, the DSG deficit and the national funding position and Local Government Funding Reform. The outturn for 2024/25 showed a revenue overspend of £20.2m (excluding the DSG) compared to the budget. The Council continues to experience significant cost pressures in Adult Social Care and Health (ASCH), which was overspent by £46.4m, offset by underspends in other areas. Of the spending increases of £151.2m included in the 2025/26 budget, £88.3m relates to ASCH. Preliminary information for the first quarter of 2025/26 indicates that the cost pressures in ASCH are continuing, with a forecast overspend in that Directorate of £31m, partially offset by small underspends in other Directorates resulting in a net overspend for the Council of £27.9m. The Council has a programme of savings in ASCH, however, in-year savings are proving difficult to achieve, as short term demands and unit costs increase. We have therefore reiterated our key recommendation from last year and more detail is on page 9. In addition, the DSG was overspent by £30.3m in 2024/25 after net of contributions of £15.1m from the Council and £9.0m from the Department For Education (DFE). This overspend is forecast to continue with an initial forecast of a further £28.6m overspend in 2027/28. We note that the DFE are continuing to make payments under the Safety Valve Agreement, but in light of the significance of the DSG deficit we repeat our key recommendation from last year. Further details are set out on page 10.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	In 2024/25 the Council achieved £73.3m of savings out of a target of £111.2m (66%). The majority of the £37.9m unachieved savings was in Adult Social Care and Health (£32.8m). Of the total savings not achieved in 2024/25, £22.4m is expected to be achieved in future years (£18.7m for ASCH). This demonstrates the longer-term nature of savings in ASCH. Including the carried forward savings, the ASCH savings target for 2025/26 is £63.2m and preliminary information indicates that some £24.3m of these are assessed as dark amber or red, with delays to commissioning savings being a common theme. This will have an impact on the level of reserves available to the Council to deal with unplanned pressures. It is important that the Council is realistic with regard to the timing of savings that can be achieved, and we have therefore raised an improvement recommendation (IR1).	A
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's overarching plan is Framing Kent's Future which was adopted in 2022. This was supplemented in October 2023 by Securing Kent's Future (SKF), which concentrated more on responding to financial constraints. The budget is closely aligned to SKF. Progress against savings to achieve the objectives of SKF is monitored by the Strategic Reset Board. As part of the budget setting process members were given information on the Council's budget, with amounts spent on policy choices identified. In the context of LGR it is crucial that financial planning supports the financial sustainability of the successor unitary councils in Kent following reorganisation in 2028. The disaggregation of social care services will be a major factor in this. We note that the Council has continued to support the LGR process and had done preliminary modelling to better understand the impact of the main options.	G

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G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's budget planning aligns with other areas of activity such as capital expenditure and treasury management. We note that the Council has published an updated Asset Management Strategy in accordance with a recommendation we made in our report for last year. The capital programme continues to be significantly underspent, albeit in 2024/25 at a slightly lower rate (43%) to that in 2023/24 (47%). In our report for 2023/24 we commented that some of the slippage to expenditure related to repairs and maintenance works and recommended that the Council analyse reasons for slippage. We note that slippage on the Urgent Safety Critical Works programme has reduced and the reasons for slippage remain the same as in previous years, being contractor delays, and delays obtaining third party consents, such as English Heritage, Environment Agency or Network Rail approval which are not directly under the control of the Council's arrangements. We have raised an insight related to that (see page 24).	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council has reserves to protect against future cost fluctuations. In 2024/25 it transferred £39m from earmarked reserves to the General Reserve, with the result that the latter now stands at 5.3% of net expenditure, slightly higher than the amount required in the Council's Reserves Strategy. There is no formal documentation of the review of reserves that led to the transfer from earmarked reserves to the General Reserve and we have raised an insight related to that (see page 23). In our report for 2023/24 we raised an improvement recommendation that spending cuts in areas such as staff training and revenue account repairs should not be applied indiscriminately, with distinction being made as to what costs can be cut in the short term and which need to be continued to protect future services. We note that spending on these areas continues albeit with careful monitoring.	G

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G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: realism of savings plans

Key Finding: Due to financial pressures, predominantly in Adult Social Care and Health, the Council has set challenging targets for savings in order to balance its budget. However, in 2024/25 the Council fell well short of its target. Future savings targets will continue to be challenging.

Evidence: In 2024/25, the Council achieved £73.3m of savings compared to a target of £111.2m. Around half of the shortfall was deemed to be undeliverable with the remainder deferred to the future. The Medium Term Financial Strategy includes the requirement for over £120m of new savings in the three years to March 2028. Given the need for the Council to make savings in order to balance its budget and to maintain its reserves at an acceptable level it is critical that savings plans are realistic both in terms of achievability and timing.

Impact: Failure to achieve savings plans targets will jeopardise the financial stability of the Council in the medium term.

Improvement Recommendation 1

IR1: The Council should: ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.

Grant Thornton insight

Strengthening narrative on the use of reserves

At 31 March 2025 the General Reserve was £78.5m, which is 5.3% of the net revenue budget. However, this was achieved by the transfer of £39.3m from earmarked reserves. While there is no evidence that the transfer from earmarked reserves was inappropriate, given that such a transfer might limit the Council's ability to allocate reserves to specific projects in the future, we would expect there to be a written justification for the reduction or deletion of specific earmarked reserves:

- Consider making sure that transfers of earmarked reserves are fully documented and reported to Cabinet.

Grant Thornton insights – learning from others

The Council has included in its Medium Term Financial Strategy scenarios regarding funding levels, but we believe there is value in including other scenarios related to spending levels

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What the Council is already doing

- In the Medium Term Financial Strategy there are scenarios, on a most likely / best case / worst case basis, for funding levels (council tax base and rate of increase, retained business rates, government Settlement Funding Allocation and social care grants).
- The impact of each of these is shown as a narrative, along with a single value, where appropriate, of the value to the Council over the term of the MTFS.

What others do well

- Other organisations that we have seen include sensitivity analysis that extends to spending levels. This would include inflationary pressures and demand levels. This enables members to better understand the financial impact of changes to assumptions and the margin for error that is included in the MTFS, in other words, how wrong the assumptions can be before a serious financial situation arises.

The Council could consider

- Including sensitivity analysis related to demand levels and inflation, as well as for example the percentage achievement of savings. It can then report for each sensitivity the impact year on year on the general reserve.
- The Council should also consider how to improve its forecasting when setting the Capital budget. The value of the information presented to members and the utility of using the budget as a means of challenging slippage is significantly undermined if budgets are habitually underspent by a large margin.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Kent County Council manages strategic risks via its Corporate Risk Register, which is regularly reviewed, updated, and reported quarterly to Cabinet. The Risk and Delivery Assurance Team advises on strategic risk and supports directorates with training and best practice. The Governance and Audit Committee (GAC) met eight times in 2024/25, receiving updates on audits and approving the creation of an Organisational Learning Panel to address recurring themes from audits and feedback. The Council's Counter Fraud Function takes a proactive stance, delivering awareness campaigns, targeted training, and using the Kent Intelligence Network to help identify £1.8 million in fraudulent activity. The 2024/25 Internal Audit Plan was approved and reviewed quarterly to ensure relevance. The 2023/24 Annual Audit Report made a key recommendation highlighting the need for better implementation of high-priority recommendations. We note that this has improved as at July 2025 demonstrating the impact of stronger oversight but there is further work to be done. Our Key Recommendation has been closed and a revised Improvement Recommendation made to reflect this improvement (see page 28). Following the departure of the Head of Internal Audit, it is vital the Council recruits a suitably experienced successor to help maintain the standard of assurance provided by the service.	A
approaches and carries out its annual budget setting process	The 2025/26 Budget and MTFS detail financial plans by directorate, updated after national announcements and consultation. The process included Cabinet and Committee scrutiny, with amendments before approval in February 2025. The Council considered various funding scenarios. Public and internal input shaped the budget, with responsibilities and priorities clearly documented. Quarterly reports showed consistent overspending, suggesting budget assumptions may need review. No significant weaknesses were found.	G

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Cabinet and the full Council received financial and non-financial information throughout the year. Quarterly Revenue and Capital Budget Monitoring Reports were presented to Cabinet providing detailed analysis of financial revenue performance, variances, savings delivery, and capital forecasts across directorates. These reports also include updates on treasury management, reserves, and financial indicators. The Treasury Management Outturn Report, Mid-Year Update, and Quarterly Treasury Group updates offer further assurance. These summarise borrowing and investment activity, compliance with the CIPFA Code, and benchmarking against other authorities. The GAC is responsible for scrutinising these reports and ensuring oversight of financial management arrangements, including value for money and compliance with statutory codes. No significant weaknesses were found.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The GAC and Scrutiny Committee monitor performance and key decisions, with Cabinet members updating on their areas. Notable steps include a new Decision-Making App, a Governance Working Group, structured training and constitutional changes (e.g. the Scrutiny Chair from the opposition and a second independent GAC member). In 2023/24 we recommended full implementation of actions by January 2025. We recognise the progress and have revised the recommendation to ensure that the improvement journey is completed and embedded (see page 28). A December 2024 review found that only 4 of 13 members attended all GAC meetings in the year. The updated Terms of Reference set clearer expectations and we have raised an Improvement Recommendation to encourage better attendance (see page 30). Following the May 2025 elections, 30 training sessions and an induction program were launched for members. While no major weaknesses were found, limited experience and inconsistent training attendance could hinder effective challenge. Ongoing member training and engagement must remain a high priority.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has defined roles for key officers, the Executive and committees, with Codes of Conduct for members and officers. The Monitoring Officer ensures legal and regulatory compliance as part of the Corporate Management Team. The Commercial and Procurement Division oversees procurement and provides commercial support, with rules in place to ensure compliance. Contract management sits within directorates to reflect local needs. The Council is currently identifying relevant staff to perform this role. Oversight is provided by the Commercial and Procurement Oversight Board (pre-tender) and the Contract Management Review Group (during the contract lifecycle). In 2024/25, internal audit raised two high priority contract management actions, with one from 2023/24 still outstanding regarding the management and maintenance of the Councils contracts register. We have made an Improvement Recommendation (see page 30) that contract management responsibilities should be clearly defined and supported by training and guidance.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: Internal Audit Recommendations

Key Finding:

During 2023/24 only 38% internal audit recommendations were implemented, up until January 2025 implementation rates remained low, with implementation rates less than 35%.

Evidence:

Implementation of high priority audit recommendations has been ongoing and regularly reported to the Governance and Audit Committee throughout the year :

- July 2024 – 34%
- January 2025– 31%
- July 2025 – 62%.

At the July 2025 meeting, it was noted that the implementation rate for management actions had improved significantly from 31% in January 2025 to 62% by July 2025.

Impact:

Although there have been improvements, 38% of high-priority actions remain outstanding, which continues to present a risk to the Council. While the Council has made demonstrable progress, it is essential that momentum is maintained.

Improvement Recommendation 2

IR2: The Council should maintain progress in the implementation of high priority recommendations from Internal Audit.

Grant Thornton insight

Strengthening the tracking of audit recommendations

The Council introduced a new Power BI tracker for monitoring progress with all external and internal audit recommendations as well as recommendations from the CIPFA governance review and its own Annual Governance Statement. Regular updates have been provided throughout the year in October 2024, November 2024, January 2025 and March 2025. It is clear the Council are monitoring the implementation of recommendations. The Power BI tracker is a key tool and should be regularly updated to reflect recent developments and recommendations.

- The Council should continue to report on and maintain momentum in addressing both key and improvement recommendations.

Governance (continued)

Area for Improvement identified: Implementation and roll out of decision making app

Key Finding: In previous years, significant weaknesses were identified in governance and compliance regarding key decision-making processes. To address this, the Council developed a decision-making app to strengthen its arrangements.

Evidence: The Council has made progress in strengthening its arrangements and is rolling out a bespoke decision management system. The app has completed testing and is being implemented on a phased basis, with a paper presented to CMT in August 2025. Although the initial rollout was planned for May 2025, it was delayed due to post-election support needs. Full implementation is expected by March 2026. Dashboards showing planned and completed decisions will be available to the Chief Executive, Leader, Monitoring Officer, and Section 151 Officer to support oversight and challenge.

Impact: If the rollout is not fully completed and embedded, it could lead to the relapse of significant weaknesses in governance and decision-making. A lack of training may also affect the app's effectiveness, it is therefore important that training needs are supported.

Improvement Recommendation 3

IR3: Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.

Governance (continued)

Area for Improvement identified: Governance and Audit Committee

Key Finding: Member attendance at Audit Committee has been inconsistent in 2024/25.

Evidence: There were nine Governance and Audit meetings held during 2024/25 however one was postponed which means eight meetings were held. The Committees page on Kent County Council's website records and publishes attendance of members. Four out of thirteen members attended all meetings, while only 46% attended more than half.

Impact: The lack of attendance limits the Committees ability to scrutinise and make effective decisions.

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Area for Improvement identified: Contract management

Key Finding: Internal audit have identified high priority actions in relation to contract variations and the contract register. We are also aware the CPO is in the process of identifying individuals responsible for contract management within the directorates.

Evidence: Internal audit work in 2024/25 identified 2 high priority actions, including the need for specific training and better monitoring of contract variations and novations. One high priority action from 23/24 remains outstanding relating to incomplete contract register. The Council should aim to resolve the actions within the agreed timeframe.

Impact: An incomplete contract register could add complexity to managing contracts effectively. If the Council is not fully aware of all contract managers, it could lead to inconsistent approaches and processes. As training may not be targeted towards the appropriate individuals.

Improvement Recommendation 4

IR4: To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.

Improvement Recommendation 5

IR5: The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of Governance, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing

- The Council's Organisational Learning Panel aims to bring together representatives from Internal Audit, Analytics, Risk Management, and Complaints teams to address themes arising from audits, complaints, and performance feedback. Working collaboratively with service directorates, the panel identifies key issues and develops targeted action plans. This is a good demonstration of cross departmental collaboration as it promotes open communication and enables shared learning and insights across the Council.

What others do well

- The most effective financial planning arrangements we see include development of best case, worst case and likely case scenarios, alongside effective sensitivity analysis on key cost, demand and income assumptions.

The Council could consider

- While the Council has produced comprehensive and detailed treasury management reports, the mid-year update was presented to the Council in March 2025, six months after the mid-year point. To support more effective oversight and timely decision-making, the Council should aim to bring forward the timing of mid-year reporting in future years.
- Implementing arrangements to improve new members attendance of training and engagement at meetings. For example, incorporating feedback into future training sessions, monitoring and reporting attendance, input from members when scheduling meetings.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Council produces a Performance report which is presented quarterly to Cabinet. It includes 38 Key Performance Indicators with progress assessed against targets set at the start of the financial year. Assessment is on a Red / Amber / Green (RAG) basis. We note that in the performance report for the fourth quarter of 2024/25 although ten measures remain rated as red (the same number, and the same measures as for 2023/24), two measures that were rated as amber in 2023/24 are now rated as green. The most recent internal audit report (in July 2024) was positive about the robustness and relevance of the data provided in Performance Reports. The Council carries out benchmarking regularly, for example on Adult Social Care, Children's Services, Waste Disposal and recycling, and Highways and Transport.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Adult Social Care and Health Service was the subject of a Care Quality Commission (CQC) inspection in 2024/25. All areas scored 2 (some shortfalls) except two (Equity in Experience and Outcomes, and Learning, Improvement and Innovation) which both scored 3 (good). The most recent feedback form Ofsted, arising from a focused visit in January 2024 was generally positive but identified two areas for improvement around the quality and impact of management oversight and the need to work better with health partners regarding safeguarding. The Council is a party to a Safety Valve Agreement with the Department for Education, relating to the costs of the High Needs Block (pupils with Special Educational Needs). Please refer to the financial sustainability section for more details.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has various strategic partnerships, most notably with the Kent and Medway Integrated Care System ("ICS"). Following publication of the ICS delivery plan on June 2024, the Council has developed its own delivery plan that includes specific actions for each Directorate the contribute to the achievement of the ICS's six shared goals. Cabinet members for the various services receive regular updates on the performance of key partnerships. As a result of the proposed Local Government Reorganisation the Council is working with Districts to develop options for a business case to be submitted in November. The Council has played a leading role in helping to co-ordinate the new region, including liaison with a single advisor on LGR (KPMG). It is important that the Council continues to engage constructively with the LGR process as the more difficult discussions occur in Autumn 2025 as the regions discusses the options for reform and the chosen business case to present to government in November 2025. No significant weaknesses identified and no improvement recommendations made.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has updated its policy on procurement to reflect the requirements of the Procurement Act 2023. This includes setting out as part of any procurement process KPIs which are reported on by the contract manager. It has a number of PFI projects, in particular for schools. The manager dedicated to managing these contracts has a good understanding of them and the contracts operate in the way they were intended for the Council. It is involved in collaborative partnerships with other public sector bodies which produce procurement efficiencies. We note the Internal Audit report on contract management and have discussed this under the Governance theme (see page 27). The Council implemented a new Oracle Cloud system in August 20205, with the budget revised from £15m to £24m. Governance and reporting structures are in place, including the Oracle Cloud Programme Board, which reports to the Governance and Audit Committee and Cabinet Members. Internal audits and business readiness reviews were completed ahead of 'Go live'. Three high-risk areas were identified and will be followed up on in the 2025/26 audit plan. The original go-live date was postponed to allow the Council to resolve issues identified during testing. We have not identified any weaknesses in arrangements and have made no improvement recommendations.	G

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of contract management, but could challenge itself to go further, based on the best arrangements we see across the sector

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What the Council is already doing

- The Council has a Procurement and Contracting tool (PACT) which informs staff of where each contract is within its cycle. This also has data on procurement outcomes.
- Contracts are managed within individual directorates. The Contract Management Review Group (CMRG) periodically selects contracts to review, usually at the mid-point of their term. A template is completed by contract managers and this is subject to challenge at the relevant CMRG meeting.

What others do well

- We are aware in some organisations that for significant contracts a Post-Implementation Review is carried out around the first anniversary of their signing. This compares the contract performance (financial and non-financial) against benefits that were set out in the business case.

The Council could consider

- Requiring the setting out in business cases the benefits expected from significant contracts, along with any measures and anticipated timescales.
- Implementing a system, possibly linked to PACT whereby for those contracts the contract manager prepares a report comparing the performance of the contract with the expected benefits, along with any learning points and actions arising.

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05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council should: explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.	Financial Sustainability	**Actions:** Continue to build on revised governance regarding monitoring and strengthened savings plans and as part of 2026/27 budget build. **Responsible Officer:** Corporate Director - ASCH **Due Date:** Ongoing
KR2	The Council should: ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.	Financial Sustainability	**Actions:** Much depends on the Government's proposed changes to SEND (due to be announced in the Autumn) and corresponding financial changes. Will continue to review options for managing in-year pressures. **Responsible Officer:** Corporate Director - CYPE **Due Date:** Ongoing

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.	Financial sustainability (page 23)	**Actions:** Agreed. **Responsible Officer:** Corporate Director - Finance **Due Date:** December 2025 (to feed into 2026/27 savings proposals)
IR2	The Council should maintain progress in the implementation of high priority recommendations from Internal Audit	Governance (pages 28)	**Actions:** Continue to monitor progress and take any remedial action necessary. **Responsible Officer:** Corporate Management Team **Due Date:** Ongoing
IR3	Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.	Governance (pages 29)	**Actions:** Agreed **Responsible Officer:** General Counsel **Due Date:** December 2025
IR4	To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.	Governance (pages 30)	**Actions:** This relates to Members largely no longer on the committee. G & A committee training for new Members has emphasised the importance of attendance. **Responsible Officer:** General Counsel **Due Date:** Ongoing
IR5	The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.	Governance (pages 30)	**Actions:** Agreed **Responsible Officer:** Chief Procurement Officer **Due Date:** March 2026

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06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should explore options for increased efficiency in the adult social care and health directorate in 2025/26 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Although the forecast adult social care and health overspend for 2024/25 is lower (£16.5 million) than it was for 2023/24 (£32 million), options for further cost reduction need to be identified. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored.	2023/24	In fact the 2024/25 outturn for ASC was an overspend of £46.4m, which was higher than for 2023/24. There were overspends in most areas, the most significant of which was in older people residential care services (£39.0m). Total gross overspends of £78.5m were offset by £32m from centrally held budgets. Common themes were increases in activity, complexity and costs and slippage in savings delivery. With the assistance of PwC the council has instigated a Rapid Savings Review. However, we understand that ASCH expenditure budgets are still proving to be inadequate, with a "considerable" overspend forecast for 2025/26.	Significant weakness remains in place	**Yes** Key Recommendation KR1 revised and carried forward in 2024/25

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council should work holistically to reduce spend on the high needs block. The Council has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million.	2023/24	While work is ongoing to reduce costs in this area, the overspend for 2024/25 was £30.3m, net of a £9m contribution from DFE and £15.1m from the Council. As a result the Council has now fallen behind the projected cumulative deficit in the Safety Valve Agreement. The latest Safety Valve Agreement Monitoring report states that the Council is predicting a residual balance of at least £30m by March 2028, £23m of which is attributed to the delayed opening of two special schools and the rejection of a bid for a third.	Significant weakness remains in place	Yes Key Recommendation KR2 revised and carried forward in 2024/25
KR3	Remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.	2023/24	Implementation rate for management actions had improved significantly from 31% in January 2025 to 62% July 2025. Sufficient progress has been made to remove significant weakness	Sufficient progress made to remove significant weakness	Yes New Improvement Recommendation raised to complete the improvement journey.

Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
1	The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board	2022/23	Superseded by new IR and removal of sig weakness under KR3.	Closed	No
2	Steps need to be taken by the Council to control expenditure. We will consider the robustness of the Council's proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.	2022/23	Superseded by revised KR1 as the focus on spending control is now on ASC. Other areas have been brought under control, including Children's services (other than DSG/ HNB).	Closed	No
3	The Council should take a holistic approach towards managing Special Educational Needs and Disability (SEND) demand and SEND financial management, and focus on EHCP demand and approval processes if it is to have a lasting impact on returning SEND services to a sustainable footing	2022/23	Superseded by revised KR2. We established from meeting with CYP Director that EHCP arrangements have been reviewed and improved, but demand continues to outstrip funding and there are societal pressures that EHCP arrangements alone cannot counter. The solution is wider, as is covered by KR2.	Closed	No

Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
4	Compliance with the Council's decision-making arrangements needs to be strengthened. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted. The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace	2022/23	Progress was considerable within year, with priority being given to reviewing the relevant governance and training, assisted by Member decisions at the end of the financial year which committed support. The app has now completed its test phase and is being rolled out with a paper going to CMT in August 2025 to ensure full implementation by March 2026 on a rolling directorate and service basis. This was slightly delayed by the support required following election but is still on track for implementation by year end with dashboards of planned and taken decisions available for Chief Executive, Leader, Monitoring Officer and s151 to provide oversight and challenge. A full refresh of Member training was conducted and the Member Development Sub Committee worked with officers to develop a new induction plan which resulted in over 30 separate training opportunities. All 81 Members were met by the Chief Exec and MO to explain importance and value of governance and appropriate decision making. Three training sessions and an information session for the Cabinet have been run alongside surgery style support.	Closed	**Yes** New Improvement Recommendation raised to complete the improvement journey.

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Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
5	The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace.	2022/23	Superseded by new IR and removal of significant weakness under KR3.	Closed	No

07 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council's Asset Management Strategy should be updated.	2023/24	This was approved by the Policy and Resources Cabinet Committee in September 2024. Asset Management Strategy is now in place.	Closed	No
IR2	The Council should analyse the reasons for re-phasing of capital repairs and maintenance work. Left unchecked, there is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties.	2023/24	The rephased capital budget at the end of 2024/25, at 43% of the budget for that year, was slightly lower as a percentage than for 2023/24 (47%). At the end of 2023/24 there was a rephasing of £8.5m on roads maintenance for "Urgent Safety Critical works". The equivalent figure for 2024/25 was £5.0m. Work required on assets is regularly reviewed and revised to take account of backlog maintenance and risks.	Closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should agree a sustainable approach towards applying revenue account spending controls. Spending controls look likely to last for some time, but the approach for some areas, such as staff training and revenue account repairs and maintenance needs to be considered carefully.	2023/24	Given ongoing financial pressures, spending controls have continued. In 2024/25 the total outturn was an overspend of £20.2m, although that for Adult Social Care and Health (ASCH) was £46.4m. Clearly savings were made elsewhere in the Council to mitigate the impact of the overspend in ASCH. Spending controls continue. Maintenance spending remains, as does mandatory training, but these are monitored carefully.	Closed	No
IR4	There are aims to implement all recommendations on the Council's new BI tracker by early January 2025. As the pace of improvement was initially slow during 2023-24 it will be important that progress towards this target is monitored. The Council should consider whether more regular meetings of the Standards Committee is another area where the pace of addressing issues could be improved.	2023/24	This recommendation is superseded following the closure of KR3.	Closed	No

Appendix C: Follow up of 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
8	Sensitivity analysis should be adopted for the budget for 2024/25, and the Council should also explore this for in-year financial monitoring	2022/23	The Authority included a sensitivity analysis in its Budget Setting Report for 2025/26, considered by County Council in February 2025 (see Section 8 of that report). At this point in time it does not see any major advantages in expanding this to include in-year financial monitoring (as the forecasts themselves reflect a degree of sensitivity analysis).	Closed	No
10	Delays on capital projects should be reviewed for common factors. Project management (including through schools and contract partners) and specialist skills should be reviewed	2022/23	There are many reasons for re-phasing. The introduction of the 10 year programme and the potential projects pages aim to alleviate the optimism bias by encouraging a more realistic view on timescales. It is acknowledged that the re-phasing has not improved substantially in 2024/25.	Closed	No

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Grant Thornton

From: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 24 September 2025

Subject: Draft Audit Findings Report for Kent Pension Fund 2024/25

Status: Unrestricted

Summary: The Draft Audit Findings Report for the Kent Pension Fund sets out the opinion of the External Auditor on the Fund's financial statements. The Governance and Audit Committee has the responsibility of receiving and reviewing this report. A final version of this report and the letter of representation will be brought to the Committee for approval at the October meeting.

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1) Introduction

a) Under the International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Appointed Auditor, Grant Thornton UK LLP, are required to issue as opinion as to whether:

- The Kent Pension Fund's financial statements give a true and fair view of both the financial position of the Fund and the Kent Pension Fund's income and expenditure for the year; and
- Have been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

b) The External Auditor is also required to report whether other information published together with the audited financial statements is materially inconsistent with the financial statements and/or whether information obtained in the audit or otherwise appears to be materially misstated.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;
ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and
iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Draft Findings Report for the Kent Pension Fund for assurance.

4) Appendices

Appendix: Grant Thornton's Draft Audit Findings Report for Kent Pension Fund 2024/25

5) Background Documents

CIPFA's Position Statement 2022
International Standard on Auditing (UK) 260
National Audit Office (NAO) Code of Audit Practice

6) Contact Details

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Grant Thornton

Audit Findings (ISA 260) Report for Kent Pension Fund

Year ended 31 March 2025

September 2025

Kent Pension Fund
Sessions House
County Hall
Maidstone, Kent
ME14 1XQ

Grant Thornton UK LLP
8 Finsbury Circus, London EC2M 7EA
www.grantthornton.co.uk

Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 31 March 2025

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Governance and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parris Williams

Director
For Grant Thornton UK LLP

Contents

Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of Kent Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work commenced as planned on the 16th June. Your Pension Fund team produced a good set of financial statement accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was 2 weeks before statutory deadline of the end of June.

The aimed completion of the work as per the audit plan is the end of the September 2025 and we are currently on track for this. Similar to our experience in prior years, both the quality of information provided and the communication from pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

As at the date of drafting this report, we have identified two adjustments to the draft financial statement, both of which were identified and proposed by management. The first relates to updated investment valuation received after the draft accounts were published resulting in a £19m adjustment. The second relates to the reclassification of a distribution originally recorded as investment income which has since been correctly reflected as distribution sale. This reclassification has no impact on the overall net assets.

We have reviewed and tested both adjustment and are satisfied that they are supported by appropriate evidence. These adjustments are set out in further detail on page 38 to 42 of this report

We have also made three recommendations for management based on our audit work. These are detailed on pages 43 to 45.

Continued overleaf . . .

Headlines

Financial statements

Audit Work - continued

Our work is currently in progress, however to date there are no matter of which we are aware that would require modification of our audit opinion or material changes to the financial statement, subject to the following outstanding matters

Items in progress with audit team:

- Audit procedures for disclosure notes including related party transaction;
- Completion of our IAS 19 work, including sending assurance letter to relevant bodies;
- Processing evidence related to Level 3 investment (excluding directly held properties);
- Processing evidence related to Cash;
- Processing evidence related to benefit payable;
- Review of the draft Annual Report, including completion of consistency checks against the financial statements.

Items relating to the conclusion of the audit:

- Senior engagement quality review;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Items awaiting responses from external parties:

- We are currently awaiting the audited financial statements from DTZ Investors in relation to a Level 3 investment valued at £32 million, which is not individually material. As these statements are not yet available, we have requested additional information from the fund manager to enable completion of our audit procedures on this Level 3 investment.

Headlines

Financial statements

Audit Opinions

We plan to present the letter of Representation and our audit opinion to the October 2025 Governance and Audit Committee. Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We are therefore not yet in a position to give this separate 'consistency' option at this time. We anticipate being able to issue our 'consistency' opinion in the forthcoming weeks and ahead of the 1 December Annual Report deadline.

Headlines

Local & National Context

National Context – Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In executing our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Headlines

Local & National Context

National Context – Investment and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the Future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS administering authorities (AAs) and LGPS pools. The consultation closed in January 2025 and the outcome was published on 29 May 2025. Kent Pension fund's response to 'Fit for future' is set out on the next page.

In executing our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Headlines

Local & National Context

Local Context

The net assets of the Kent Pension Fund as at the end of March 2025 amounted to £8,432.55m (31 March 2024: £8,142.55m).

In relation to the local context, several key matters for 2024/25 are as follows.

- During 2025, the Local Government Pension Scheme (LGPS) underwent significant changes to its pooling framework under the UK Government "Fit for the Future" reforms. The Government confirmed that ACCESS Pool would not be permitted to continue in its current form and required the LGPS funds within the pool transition into the one of six FCA-regulated investment companies by 31 March 2026. As the Kent Pension Fund holds a material proportion of its assets within the ACCESS pool, this development has direct local implications for the way in which investments are managed. In response, on 11 August 2025, the Fund announced that it will join the Border to Coast Pension Partnership, ensuring compliance with the revised framework.
- For Kent Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham, and showed that the Fund had sufficient assets to cover 102% of the accrued liabilities as at 31 March 2022, which had increased from 98% at the 2019 valuation.
- We have received requests from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process.

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our audit work on the Pension Fund is substantially complete; however, we are unable to issue our opinion until the audit of the Administering Authority is finalised. This audit is expected to conclude by the end of October 2025, well in advance of the disclaimer deadline.

Financial statements

Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and the Governance and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Kent Pension Fund, the Governance and Audit Committee fulfil the role of those charged with governance.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

Our audit of the financial statement is substantially complete, with only resolution of the outstanding matters set out on page no 7. However, we are currently unable to issue our final audit opinion on the Pension Fund financial statements until the audit of Kent County Council is concluded.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

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Materiality

Our approach to materiality

As communicated in our Audit Plan dated 3rd July 2025, we determined materiality at the planning stage as £122.1m based on 1.5% of Gross Investment Assets as at 31 March 2024. At year-end, Upon receipt of the draft 2024/25 financial statements, we have reassessed and revised our materiality threshold by applying the same 1.5% benchmark to the updated Gross Investment Asset figures reported in the current year draft accounts. This update was necessary to ensure that materiality is aligned to the most up-to-date balances reported in the draft accounts, rather than the prior year figures used at the planning stage.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined fieldwork materiality based on professional judgement in the context of our knowledge of the Fund. This includes consideration of factors such as user expectations, industry developments, financial stability, and the financial reporting requirements applicable to the Fund.

We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines.

Based on this analysis, we have established materiality for the Fund's financial statements at £126.4m (PY £122.6m), representing 1.5% of Gross Investment Assets as reported in the draft 2024/25 financial statements.

This benchmark is consistent with the prior year, and we have not identified any factors that would warrant a reduction in the percentage applied.

Performance materiality

Performance materiality has been set at £94.8m (PY £91.9m), representing 75% of overall materiality, in line with the approach taken in the prior year. This benchmark was determined following a review of the previous year's audit, which did not identify any significant misstatements or weaknesses in the control environment. Additionally, we have not observed any indicators of increased fraud risk.

While the percentage benchmark remains unchanged, the performance materiality figure has been updated to reflect the revised overall materiality, which was recalculated using the Gross Investment Asset figures reported in the draft 2024/25 financial statements. This ensures that our audit approach remains aligned with the most current financial data available.

Specific materiality for the Fund Account

A lower, specific materiality of £38.8m (PY £35.3m) has been determined for the Fund Account, based on 10% of gross expenditure as at 31 March 2025. This lower materiality will be applied to the audit of all Fund Account transactions, excluding investment transactions, for which the headline materiality will continue to apply.

While the benchmark of 10% remains consistent with the prior year, the materiality figure has been updated to reflect the revised gross expenditure reported in the draft 2024/25 financial statements.

This approach ensures that our audit procedures remain proportionate and responsive to the most current financial data.

Reporting threshold

We will report to you all misstatements identified in excess of £6.3m (PY £6.1m), in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Headline Materiality for the Fund's financial statements	£126.4m	In determining headline materiality for the audit, we considered user expectations and the level of audit risk associated with the engagement. Given the size and public profile of the Kent Pension Fund, we applied a benchmark of 1.5% of Gross Investment Assets, which we consider appropriate for this audit. To support this assessment, we conducted a comparative analysis of materiality levels applied to Grant Thornton-admitted bodies, taking into account their respective share of assets. This analysis, which is required under our firm's methodology to ensure appropriate IAS 19 assurance, further supports the use of the 1.5% benchmark. This benchmark is consistent with the prior year, and based on our current evaluation, we have not identified any factors that would justify a reduction.
Performance Materiality for the Fund's financial statements	£94.8m	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year's audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	£6.3m	Triviality is based on the percentage 5% of the overall materiality.
Specific Materiality for the Fund Account	£38.8m	The benchmark for Fund Account materiality has been set at 10% of gross expenditure as at 31 March 2025. This percentage was selected based on our assessment of the Fund's operational characteristics, including the absence of complex contribution and benefit structures and the consistency of the accounting systems in use. These factors contribute to a lower risk of material misstatement. Accordingly, we have retained the same 10% benchmark as applied in the prior year. However, the materiality figure has been updated to reflect the latest expenditure figures reported in the draft 2024/25 financial statements.
Performance Materiality for the Fund Account	£29.1m	Performance materiality for the Fund Account has been set at 75% of the Fund Account materiality, consistent with the approach adopted in the prior year. This determination is based on our review of the previous year's audit, which did not identify any significant misstatements or control deficiencies. In the absence of any indicators suggesting increased audit risk, we consider it appropriate to maintain the same benchmark for the current year.

*We have determined that there is no requirement to establish separate triviality for the fund account. As a result, we have chosen to utilize the main triviality threshold for our audit procedures.

Overview of audit risks

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	(Green)
Valuation of Level 3 Investments (excluding directly held properties)	Significant	↔	✘	(amber)
Valuation of Directly held properties	Significant	↔	✘	(Green)
Valuation of Level 2 Investments	SCOT+	↔	✘	(Green)
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	SCOT+	↔	✘	(Green)
Benefit payable	SCOT+	↔	✘	(Green)
Contribution receivable	SCOT+	↔	✘	(Green)

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

Work complete, subject to senior engagement quality review, not likely to result in material adjustment or change to disclosure within the financial statements

Work not yet complete, potential to result in material adjustment or significant change to disclosure within the financial statements.

Issues with work completed to date, likely to result in material adjustment or significant changes to disclosures within the financial statements.

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Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Risk 1 - Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Significant	As part of our audit procedures, we have: • Evaluated the design and implementation effectiveness of management relevant controls over journals; • Analysed the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have not identified any changes to the accounting policies or estimation processes for the 2024/25 financial year. However, our audit work has highlighted a recurring control deficiency relating to the authorisation of journals—an issue previously reported in last year's Audit Findings Report. Further details are provided in page no 43 of this document. Aside from this matter, our audit procedures have not identified any material concerns relating to the risk of management override of controls. This area of work is complete and remains subject to Senior Engagement review. **Conclusion** Our audit work on the risk of management override of control is complete and is now subject to Senior Engagement quality review. Apart from the one recurring control deficiency, we have not identified any material issues or other significant concerns in this area. We are satisfied that the judgements and estimates made by management are reasonable and have been applied consistently.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Risk 2 - Valuation of level 3 investments (excluding directly held properties) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud. **Significant** Relevant assertion(s) Valuation Applicable assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of management's valuation processes for Level 3 investments and evaluated the design and implementation of the associated controls. • Reviewed the nature and basis of valuation estimates and assessed the assurance management has over year-end valuations to ensure compliance with the Code. • Obtained independent year-end confirmations directly from investment managers and the custodian. • Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering cashflows to year end (and indices where appropriate). • Reviewing the corresponding independently sourced capital statement at 31 March 2025. • Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts. • Challenged management's classification of the assets. • Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.	From the work completed to date on Level 3 investments, we have noted one adjustment of £19m proposed by management in relation to the valuation of these investments (Further detail can be found on page no 39). Our audit procedures over Level 3 investments are substantially complete, with the exception of one investment valued at £32 million, for which we are awaiting additional information. Based on the work performed to date, we consider management's judgements to be reasonable and the valuation methodology to be consistently applied, subject to final senior engagement team review. **Conclusion** Subject to satisfactory completion of the outstanding matters set out in page no 7, there are no matters to bring to your attention in relation to this risk.

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Risk 3 – Valuation of Directly held Property The valuation of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud. **Significant** Relevant assertion(s) Valuation Applicable assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Gained an understanding of management's valuation processes and evaluated the design and implementation of the associated controls • Assessed management's methodology and assumptions used in the estimation process, including the instructions provided to the external valuer and the scope of their work. • Evaluated the competence, capabilities, and objectivity of the appointed valuer. • Obtained direct confirmation from the valuer regarding the basis and methodology used in the valuation. • Engaged our own valuation expert to review the instructions issued to the Fund's valuer and assess the reasonableness of the underlying assumptions. • Challenged the data and assumptions used by the valuer to ensure they were complete and consistent with our understanding of the Fund's assets. • On a sample basis, tested revaluations made during the year to confirm they were accurately recorded in the Fund's financial records.	We have not identified any material adjustments or findings in relation to the valuation of directly held properties. We are satisfied that the judgements applied by management are reasonable. This area of work is complete and is now subject to senior engagement quality review. **Conclusion** Our work is complete and subject to Senior engagement quality review.

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Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified

Risk 4 - Valuation of level 2 investments

The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions.

SCOT+

Relevant assertion(s)

Valuation

Applicable assertion(s)

Existence, Rights & Obligations, Presentation

Planned level of control reliance

None

Audit procedures performed

As part of our audit procedures, we have:

- Documented our understanding of management's processes for valuing Level 2 investments.
- Agreed the year-end valuations to confirmations received from both the investment managers and the custodian.
- Where available, verified valuations against quoted market prices at the reporting date.
- Compared valuations to purchase or sale transactions occurring close to the year-end, where appropriate.
- Reviewed the valuation methodologies and guidelines applied to ensure they were appropriate and consistently applied.
- Obtained and reviewed service auditor reports on the internal controls of the investment managers.
- Assessed management's classification of Level 2 investments within the fair value hierarchy for a sample of items.
- Performed additional detailed testing where planned procedures did not provide sufficient audit assurance.

Key observations

Our work on Level 2 investments is complete.

We have not identified any material adjustments or findings in this area and are satisfied that the judgements applied by management are appropriate.

Conclusion

We have not identified any material adjustments or findings and are satisfied that the judgments and estimates applied by management are appropriate and consistent with the methodology adopted.

Significant Classes of Transactions (continued)

Risk identified

Risk 5 - Actuarial present value of promised retirement benefits disclosure – IAS 26

The disclosure of the Fund's actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions.

SCOT+

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Relevant assertion(s)*

Presentation

Applicable assertion(s)

None

Planned level of control reliance

None

**As the figure being audited here is only disclosed in the notes to the accounts, we have updated our assertion level risks from our Audit Plan to only include 'Presentation' as the relevant assertion. This has no impact on the planned work being carried out.*

Audit procedures performed

As part of our audit procedures, we have:

- Documented our understanding of management's processes related to the actuarial valuation.
- Reviewed the instructions issued by management to their appointed actuary, including the scope of work and estimation methodology.
- Assessed the competence, capabilities, and objectivity of the actuary responsible for the Fund's valuation.
- Evaluated the accuracy and completeness of the data provided by the Fund to the actuary for estimating the liability.
- Verified the consistency of financial statement disclosures with the actuarial report.
- Reviewed the report of the consulting actuary (engaged as the auditor's expert) to assess the reasonableness of the assumptions used, and performed any additional procedures recommended in that report.
- Obtained assurance that the membership data testing performed in the prior year remains valid and reliable for the valuation as at 31 March 2025.

Key observations

Our audit procedures did not identify any material adjustments or issues relating to the present value of promised retirement benefits under IAS 26.

During our testing, we identified two disclosure misstatement and one presentational prior period adjustment, which management has agreed to amend. These findings do not affect the overall financial position of the fund. Further details are provided on page no 41 of this report.

We are satisfied that the judgements are applied by management are appropriate and have been determined using a consistent methodology.

Conclusion

We are satisfied that the disclosure in relation to the present value of promised retirement benefits are appropriate. The identified disclosure and presentational issues, which management has agreed to adjust, have no material impact on the financial statement and are considered minor in nature.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Risk 6 – Benefit payable Pensions benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Accuracy Applicable assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of the Fund's processes related to the benefit payables. • Evaluated the appropriateness of the Fund's accounting policy for recognising pension benefits expenditure. • Reviewed the Fund's systems for recording and accounting for pension benefits. • Tested a sample of lump sum payments by tracing them to supporting documentation and verifying the corresponding payments from the pension fund bank account. • Selected a sample of pension payments to confirm member eligibility, recalculated pension amounts, verified them against payslips, and agreed payslip values to payments made from the pension fund bank account. • Tested relevant member data to support a predictive analytical review, assessing changes in pensioner numbers and in-year increases to identify and explain any unusual trends.	From the work completed to date we have noted no material adjustments or findings in relation to benefit payable. We are satisfied with the evidence provided by Management. We are still in the process of reviewing certain supporting evidence, and a final conclusion will be reached once the work is complete. **Conclusion** Subject to the satisfactory completion of the outstanding matter set on page no 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Risk 7 - Contributions receivable Contributions from employers and employees represents a significant percentage of the Fund's revenue. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness Applicable assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of the Fund's processes in relation with contribution receivables. • Evaluated the appropriateness of the Fund's accounting policy for recognising contributions. • Reviewed the Fund's systems for recording and accounting for contribution income. • Tested a sample of contributions by tracing them to source documentation to confirm accuracy and occurrence. • Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained. • Obtained assurance over changes to admitted and scheduled bodies during the year. • Verified the completeness of employer contributions by agreeing total contributions for each employer to their respective contribution records.	We have noted no material adjustments or findings in relation to the contributions receivable balance. **Conclusion** Our audit work on contribution receivables is complete, and we are satisfied that the contribution are not materially misstated.

Other findings

Other findings – significant matters

	Issue	Commentary
1	Significant events or transactions that occurred during the year	In July 2025, the UK Government confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must be restructured or merged with another pool by 31 March 2026. This forms part of broader reforms to consolidate LGPS investments into six FCA-regulated investment companies. Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. The Government's judgement affects the structure through which the fund's investments are managed, but not the underlying asset base or the solvency of the fund. Subsequently, on 11 August 2025, the Fund announced that it will join Border to Coast Pension Partnership, thereby ensuring compliance with the revised pooling framework and continuity of investment governance. While this change necessitates adjustments to the Fund's operational governance arrangements, there is currently no evidence that the Fund would be unable to realise its assets or meets it liabilities as they fall due. Accordingly, we are satisfied that the Government's decision does not give rise to a material uncertainty regarding the Fund's ability to continue as a going concern. We discussed this matter with management, who agreed to include an appropriate disclosure in the financial statement (subsequent to the reporting date) to ensure users are informed of the development.
2	Prior year adjustments identified	A prior period adjustment was identified in respect of Membership disclosures. In 2024/25, management updated the methodology to include undecided members within the deferred pensioner category, whereas in the prior year these members had been excluded. Comparative figures have therefore been restated for consistency. This adjustment is presentational only and does not affect the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred pensioner category. Accordingly, there is no impact on the Fund's liabilities, funding position or net assets.

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments (excluding directly held property) - £1,047.523m

The Pension Fund has investments in Infrastructure funds, pooled property and private equity funds that total £1,047.523m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market, and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison
2. Ensured consistency of the investment management report with the financial statements.
3. Compared the valuation to purchase and sales transactions of the investment near the reporting date (where appropriate)
4. Obtained and reviewed Investment Manager service auditor reports on design and operating effectiveness of internal control where appropriate

Other findings – key judgements and estimates (continued)

Audit comments (continued)

In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable)

We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements

Our audit procedures over Level 3 investments are substantially complete, with the exception of one investment for which we are awaiting further information from the fund manager. Based on the work performed to date, we consider management's judgements to be reasonable and the valuation methodology to be consistently applied, subject to final senior engagement team review.

Assessment

Based on the audit procedures performed over Level 3 investments, we are satisfied with management's assessment, subject to the resolution of a final query relating to one specific investment and completion of the senior engagement team's review.

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Directly held property - £473m

The Pension Fund has investments in directly held properties that total £473m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

The valuation of directly held properties are significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.

Audit comments

In response to management's approach, we have:

1. Evaluated the competence, capabilities and objectivity of the valuation expert
2. Engaged our own valuer to confirm the basis on which valuation were carried out
3. Challenged the assumption and the information used by the management expert to assess the completeness and consistency with our understanding.
4. Tested on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent Pension fund's financial record.

Other findings – key judgements and estimates (continued)

Audit comments (continued)

In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable)

We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements

We have completed our work on directly held properties and found no material misstatements. This work is currently undergoing our routine internal quality procedures.

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Assessment

Whilst our final quality assurance reviews are still being concluded, we have assessed that management's assumptions are both consistent and appropriate based on the work completed to date.

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Assessment
Oracle EBS	ITGC assessment (design and Implementation only)	● (Amber)	● (Amber)	● (Green)	● (Black)	Our audit work has identified one control recommendation; please refer to page 45 for more detailed information.
Altair	Service Auditor's review of SOC 1 Type 2 report *	● (Green)	● (Green)	● (Green)	● (Black)	N/A

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* It is important to note that, although our audit plan communicated to TCWG we would perform an ITGC assessment on Altair software, we instead reviewed the Service Organization Report on Heywood. As Altair is fully managed by Heywood and the primary controls operate within their environment rather than the LGPS, reviewing the SOC report provides sufficient appropriate evidence.

Assessment:

- ● Red Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Amber Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● Green IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Black Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	A letter of representation will be requested from the Pension fund. This will be signed alongside the final draft of the financial statements in conclusion of the audit.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent and have been received as part of our final account work.
6	Disclosures	The disclosure misstatements identified during our audit are detailed on pages 38 to 42. Apart from these, we did not identify any material disclosure misstatement in the financial statement.
7	Audit evidence and explanations	All information and explanations requested from management was provided
8	Significant difficulties	None to report.

Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Commentary

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Kent County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. The Audit of the Administering Authority is still ongoing and is expected to be completed by end of October 2025. As a result, we are currently unable to express an opinion at this point in time.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. The statutory deadline requires that the Pension Fund Annual Report is published by 1 December 2025. We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We are therefore not yet in position to give this separate ‘consistency opinion at this time. We anticipate being able to issue our ‘consistency opinion’ in the following forthcoming weeks and ahead of the 1 December Annual Report deadline. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Audit adjustments

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

		Pension Fund Account		Net Asset Statement £'000		
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000
	Total net assets per draft accounts					8,432,552
1	During the audit, management revised the reported value of investment assets in the financial statements, increasing the balance from £8,430 million to £8,449 million. This adjustment was made following the receipt of finalised information from the fund manager, which had not been available at the time the accounts were initially published. The revision replaced earlier estimates and reflects more accurate and reliable data. Such post-publication adjustments are common in pension fund reporting and demonstrate management's commitment to ensuring the financial statements present the most robust and up-to-date information. As our audit procedures are based on the published accounts, we have treated this as an adjusted misstatement. We have reviewed and tested the adjustment to confirm its accuracy and appropriate presentation in the revised financial statements. Dr. Investment Assets - £19,067k Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £19,067k		(19,067)	19,067		19,067

Adjusted misstatements (continued)

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

		Pension Fund Account		Net Asset Statement £'000		
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000
2	During the audit, management voluntarily adjusted investment income from £175m to £169m due to incorrect classification of a distribution related to Partner group investments. The amount had originally been recorded as income, but it was in fact a sale distribution. Upon review of the financial statement, management identified that amount should reclassified to profit and loss on disposal of investment and changes in market value of investments, rather than being included in the investment income. We have reviewed and tested the adjustment as part of our audit procedure and confirmed that it has been appropriately reflected in the financial statement with no impact on overall net assets. Dr. Investment Income - £6,036k Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £6,036k	6,036	(6,036)			Nil

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Adjusted misstatements (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misstatement	Adjusted
Note 20 - Actuarial present value of promised retirement benefits	During our review of Note 20 – Actuarial present value of promised retirement benefit we identified two disclosure errors. 1) The fair value of the Fund's net assets, based on the latest valuation, represents 119% of the actuarial value of promised retirement benefits. However, the note incorrectly states this figure as 103%. 2) Secondly, the financial assumptions disclosed in the note do not align with those reported in the IAS 26 valuation. Specifically, the inflation rate should be 3.20%, the pensions increase rate 2.90%, and the discount rate 5.85%, in accordance with the IAS 26 report.	✓
Note 1 – Membership data	During our review of the membership data disclosed in the financial statements, we noted a significant increase in the number of deferred pensioners. Upon enquiry, management explained that in 2024/25, the methodology was updated to include undecided members within the deferred pensioner category. In the prior year, these members had been excluded. As a result, the comparative figures have been restated for consistency. This is a presentational adjustment only and does not impact the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred category. Accordingly, there is no effect on the Fund's liabilities, funding position, or net assets. We also requested that management include a prior period adjustment (PPA) disclosure within the accounting policies, in line with the requirements of IAS 8.	✓
Note 26 – Contractual Commitments	Our review identified a discrepancy in the disclosed contractual commitments. By comparing external confirmations with the reported figures, we found that the commitment was understated by £115 million (£375 million confirmed vs £260 million disclosed). Management has acknowledged the issue and agreed to update the disclosure accordingly.	✓

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Adjusted misstatements (continued)

Disclosure	Misstatement	Adjusted
Note 11 – Audit fee disclosure	During our review of the audit fee disclosure, we noted that the financial statements did not reflect the 2024/25 audit fee amounts as communicated in the approved Audit Plan. We also requested that management include a footnote clarifying that the disclosed audit fee is exclusive of VAT and explaining the variance between the disclosed fee and the amount set out in the Audit Plan. Management has subsequently amended the footnote to reconcile the audit fee disclosure accordingly.	✓
Note 23 – Additional Voluntary Contributions	During our review of Note 23, we identified trivial variances in the Prudential Fund figures between the draft accounts and the Fund Manager report. Specifically, there was a £513k difference in the closing balance and a £2,486k variance in contributions paid. Upon challenge, management explained that the initial version of the accounts had used draft figures. Management agreed to update the disclosure.	✓
Note 6 – Event after the reporting period	During our review of the accounting policies, we noted that management had not disclosed recent government proposals related to LGPS investment pooling. Specifically, the UK Government's Fit for the Future consultation confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must either be restructured or merged with another pool by 31 March 2026. This is part of a broader reform initiative aimed at consolidating LGPS investments into six FCA-regulated investment companies. The Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. While this development affects the structure through which the Fund's investments are managed, it does not impact the underlying asset base or the solvency of the Fund. We consider it essential that these changes are clearly disclosed in the financial statements under 'Events After the Reporting Date' to ensure transparency and inform users of the financial statements. Management agreed to update the disclosure	✓
Various minor casting/disclosure amendments	There were various spelling, formatting, casting and other minor adjustment made as a result of the audit process. These were not individually significant.	✓

Action plan

We have identified two recurring control recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● Low	**Lack of review of Journals** In our review of management override of control, we note that journals can be posted and approved by the same person. **Risk** Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of errors, omissions, or irregularities going undetected, as there is no independent review of the transactions.	Management should prioritize implementing effective segregation of duties in the journal posting process. This may involve assigning distinct responsibilities for initiating, authorizing, recording, and reviewing journal entries to different individuals or teams. Additionally, regular monitoring, internal audits, and management oversight are essential to ensure compliance. We note that the Authority is in the process of implementing a new accounting system (Oracle cloud) which provides an opportunity to embed these controls improvements directly within the system. Management should focus on ensuring the segregation of duties and independent review controls are incorporated as part of the new system's design and ongoing operation. **Management response** We have robust reconciliation procedures in place in which any/all journal entries and transactions are subject to, on both a half-yearly and an annual basis. As such, these reconciliations would allow us to identify and highlight any potential mis-postings to which corrections can be made. All reconciliations are required to be reviewed and signed off by somebody else, to ensure there is a segregation of duties. In addition, we have taken some steps to strengthen segregation of duties within the journal and reconciliation processes. In some cases, preparers are required to obtain approval for journals before they are uploaded and posted. In other cases, corrections to reconciliations and journals are undertaken by separate colleagues to provide additional oversight. However, there are still certain cases, particularly in relation to large journals which are automatically populated by macros, which cannot be reviewed/reconciled but as mentioned above, any mis-postings will be identified in reconciliations and hence we still consider this to be very low risk. The Fund has been working with KCC to implement our new accounting system (Oracle Cloud) and, as such, we had held off of making many changes to the journal process prior to it's implementation. However, Oracle Cloud has now been introduced and so there will opportunities for future improvements which we will be looking to explore.

Action plan (continued)

	Assessment	Issue and risk	Recommendations
2	● Low	**Outside of General ledger adjustments** We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and Market value of the investment assets are recorded through an outside ledger reconciliation excel sheet. We would expect all the transactions to be routed through general ledger. **Risk** There is an increased risk for human errors and misstatement where investment change in MV are recorded on manual spreadsheet.	When some journals are recorded in a spreadsheet and not in the general ledger system, it can present a risk to the accuracy and completeness of financial reporting. We therefore recommend formalizing the process for recording journals by ensuring that all financial transactions are captured directly in the general ledger system. This helps to maintain a complete and accurate record of all financial activities. We acknowledge that several other pension funds operate under a similar control environment; however, for best practice and to strengthen internal controls, valuation changes should be reflected directly in the ledger. Management should consider this as part of ongoing improvement to financial reporting processes. **Management response** We do not consider the current approach of performing a year-end market value reconciliation, rather than holding MVs directly on the ledger, to present an increased risk of error or misstatement. As you know, all other investment transactions, including purchases and sales for example, are fully recorded on the ledger and the Fund has well-established processes and reconciliations for investment valuations and statements against both manager and custodian. Having said that, we do take on board the suggestion to hold the values on the ledger and are continuing to explore this further. Work in this area was paused given the Oracle Cloud project so that we could get an understanding of it's capabilities and how it is going to work. Now that this system is in place, we have identified colleagues, both internally and externally, who we will be engaging with who may be able to help in understanding whether this is something that will work with us and how to go about implementing it. However, at the current moment, we believe that the current process of undertaking the market value reconciliation is strong and does not present any greater risk of error.

Action plan (continued)

	Assessment	Issue and risk	Recommendations
3	● Medium	**Lack of Segregation of duties (SOD) within Oracle EBS** Our Audit Procedure identified 2 accounts BLANCE01 and PENNAL02 that had been assigned combination of the following roles. Applicable Developer – Development Access; and System Administrator – Implementation access. Furthermore, it was noted that a single change had been implemented by the account PENNAL02, however the change was noted to be a quick fix that had been communicated to management, this ensured appropriate oversight over the change made. No changes were performed by the account BLANCE01. **Risk** The combination of access to implement changes and security administration in production is a SoD conflict that could lead to inappropriate or unauthorised changes to data and functionality within Oracle EBS. This risk is further elevated owing to a lack of proactive monitoring of privileged user accounts	It is recommended that management restricts access to implementation roles on a need-to-use basis. Permissions should be assigned for a pre-agreed window to implement a change and then revoked again. Activity during the implementation window should be monitored closely. **Management response** Application Developer has been removed from BLANCE01 account and will be reassigned on a need to have basis. PENNAL02 use of Application Developer is as follows • Identify information on specific tables (size, width, length etc). This form is read only. • Common Lookups and CE (banking) lookups as they are not held as module Specific • It could also be used for manual configuration on a release where Messages need to be updated or added (usually for HR changes) Due to the Oracle Cloud programme, it would be beneficial for PENNAL02 to retain this access. This will be removed in August.

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Independence considerations

Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we add safeguard.

Our firm also provides audit and non-audit services to the Kent County Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Audit fees	£
Audit of Pension Fund	116,779
Auditor's expert used for the valuation of directly held properties	4,650
Total	**121,429**

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (Ebbsfleet Development Corporation)	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £3,500 in comparison to the total proposed fee for the audit of £121,429 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	**3,500**		

*It is important to highlight that the IAS 19 assurance letters issued to auditors of local authorities and NHS bodies are included within the standard audit fee. However, where an IAS 19 assurance letters requested by auditors of entities outside this scope, it falls outside the scale fee and is treated as a non-audit service.

Fees and non-audit services (continued)

Total audit and non-audit fee	£
Total Audit fee	121,429
(Non-audit fee) = £3,500	3,500
Total	**124,929**

The above fees are exclusive of VAT

The fees reconcile to the financial statements as follows:	
Fees per financial statements	£149,295
IAS 19 fee for 2023-24 not recorded in prior year	(3,500)
2024-25 Auditor's expert fee used for the valuation of directly held properties	(4,650)
2023-24 addiotnal audit fee nor recorded in prior year	(16,216)
Total	**£124,929**

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

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Appendices

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Parris Williams
Engagement Lead/Key Audit Partner

- Key contact for senior management and Governance and Audit Committee
- Overall responsible for overall quality controls, account's opinion, final authorisation of reports.

Zargham Malik
Audit Manager

- Audit planning
- Quality assurance of audit work
- Drafting report & overall responsibility of audit engagement.

Tram Nguyen
Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

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	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

D. Logistics

The audit timeline

Key Dates

Governance and Audit committee:

20 March 2025

Year end:

31 March 2025

Governance and Audit committee:

24 September 2025

Audit opinion*
October 2025

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Audit phases:

Planning visit – March 2025

Audit plan

Year end audit

July – September 2025

Audit Finding report

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Governance and Audit Committee
- Issue the Audit Plan to management and Governance and Audit Committee

Key elements

- Audit team to present the audit plan

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management
- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Auditing Findings issue to Governance and Audit Committee

Key elements

- Audit team to present the Audit Finding report to Governance and Audit committee

*It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council.

Grant Thornton

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Pension Fund Accounts

Fund Account for the year ended 31 March:

	Notes	2024-25 £000	2023-24 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	352,490	321,214
Transfers in from other pension funds	8	24,781	12,280
		377,270	333,494
Benefits	9	-332,551	-303,175
Payments to and on account of leavers	10	-16,129	-15,424
		-348,680	-318,599
Net additions from dealings with members		**28,590**	**14,895**
Management expenses	11	-40,132	-34,788
Net withdrawals including fund management expenses		**-11,541**	**-19,983**
Returns on investments			
Investment Income	13	169,754	157,148
Taxes on Income		-228	-371
Profit and (loss) on disposal of investments and changes in the market value of investments	15a	151,075	157,715
Net return on investments		**320,601**	**314,492**
Net increase in the net assets available for benefits during the year		**309,060**	**294,599**
Opening net assets of the scheme		**8,142,551**	**7,847,952**
Closing net assets of the scheme		**8,451,611**	**8,142,551**

Net Assets Statement as at 31 March

	Notes	2024-25 £000	2023-24 £000
Investment assets		8,449,146	8,144,656
Investment liabilities		-781	-3,800
Net investment assets	15	**8,448,364**	**8,140,856**
Current assets	21	39,602	34,778
Current liabilities	22	-36,356	-33,083
Net assets available to fund benefits at the period end		**8,451,611**	**8,142,551**

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Administering Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 272 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council 31-Mar-25	Kent County Council 31-Mar-24 Restated	Other Employers 31-Mar-25	Other Employers 31-Mar-24 Restated	Total 31-Mar-25	Total 31-Mar-24 Restated
Contributors	21,870	22,005	33,843	33,286	55,713	55,291
Pensioners	26,548	25,252	25,988	25,156	52,536	50,408
Deferred Pensioners	34,033	32,724*	37,647	36,304*	71,680	69,028*
Total	82,451	79,981*	97,478	94,746*	179,929	174,727*

Prior Period Adjustment Disclosure Note for Membership Disclosures

During the 2024/25 reporting period, an adjustment has been made to the membership disclosures to include the undecided members within the deferred pensioner category. As a result, a prior period adjustment was required to restate the 2023/24 comparative of deferred pensioners.

The figure stated for deferred pensioners in 2023/24 accounts was 50,645; it is now considered to be 69,028, an increase of 18,383, and has been restated accordingly, for consistency of disclosures and ease of comparability between the two financial years. No other areas of the accounts have been affected.

This adjustment is presentational only and does not affect the IAS 26 actuarial valuation. The membership data used by the actuary was based on the 2022 triennial valuation when the deferred pensioners communicated to the actuary had included the undecided members, therefore consistent with the restated disclosures. Accordingly, there is no impact on the Fund's liabilities, funding position or net assets.

The management acknowledge their responsibility for the accuracy and completeness of the financial statements, including the identification and correction of such prior period adjustments. Having evaluated the impact of this adjustment, the financial statements present a true and fair view of the Fund's financial position and performance.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 15.7% to 36.4% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	**Membership from 1 April 2008 to 31 March 2014**	**Membership from 1 April 2014**
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump Sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk .

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024-25 financial year and its position at 31 March 2025.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis. Adoption of IFRS 16 which came to effect in April 2024, is not expected to have a material impact on the pension fund accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 82% of the Fund’s investments can be converted into cash within 3 months.

3. Summary of significant accounting policies

Fund Account - revenue recognition

a) Contribution income

"Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Employers’ augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset."

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.

- Fixed income securities (bonds) are recorded at net market value based on their current yields

- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager

- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.

- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.

- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2023. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2024. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations, the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

l) Financial liabilities

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required, or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

q) Prior period adjustments, changes in accounting polices and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements rather than financed leased assets under the requirements set by IFRS 16. The Fund has assessed that the properties remain under the Fund's control and do not convey a right to ownership and that the Fund retains the significant risks and rewards associated with ownership of the properties. As a result, the properties are retained on the net asset statement at fair value.

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £104m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £7m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £253m.
Private equity and infrastructure 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity and infrastructure, which are level 3 investments, on the financial statements are £833m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and leasehold property and pooled property funds	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £70m on a fair value of £704m. Details of potential factors affecting the valuation are in Note 17.

(Note 17)	best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	

6. Events after the reporting date

There have been no events since 31 March 2025, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

On 9 April 2025, the Kent Pension Fund was informed by letter, from the Ministers for Local Government and Pensions, that the Government had declined the proposal submitted by the ACCESS Pool which would have seen ACCESS build to establish a company to meet the requirements of the Government's 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. As such, ACCESS authorities including the Kent Pension Fund, have been told to 'consider and identify which Pool you wish to partner with going forward.'

Following this, the Kent Pension Fund has announced its intention to join Border to Coast as its new pool, subject to the necessary governance processes and Government approval. This development will not impact the valuation of the Fund's investments as disclosed in the 2024/25 accounts. However, it is expected to lead to changes in how the Fund's assets are managed in future periods. In addition, it might generate additional costs that will fall in future accounting periods.

7. Contributions receivable

	2024-25 £000	2023-24 £000
By category		
Employees' contributions	76,820	71,244
Employers' contributions		
-normal contributions	250,048	231,833
-deficit recovery contributions	20,138	13,852
-augmentation contributions	5,485	4,284
Total Employers' contributions	275,671	249,969
Total contributions receivable	**352,490**	**321,214**
By type of employer		
Kent County Council	123,564	116,271
Scheduled bodies	205,491	186,945
Admission bodies	23,436	17,998
	352,490	**321,214**

8. Transfers in from other pension funds

By category	2024-25 £000	2023-24 £000
Individual	24,781	12,280
Group	0	0
	24,781	**12,280**

9. Benefits payable

By Category	2024-25 £000	2023-24 £000
Pensions	276,634	254,015
Retirement commutation and lump sum benefits	47,587	42,833
Death benefits	8,330	6,327
	332,551	**303,175**
By type of employer		
Kent County Council	146,244	133,038
Scheduled bodies	165,802	151,361
Admission bodies	20,505	18,777
	332,551	**303,175**

10. Payments to and on account of leavers

	2024-25 £000	2023-24 £000
Group transfers	0	0
Individual transfers	14,536	13,747
Payments/refunds for members joining state scheme	3	1
Refunds of contributions	1,591	1,676
	16,129	**15,424**

11. Management expenses

	Notes	2024-25 £000	2023-24 £000
Administration costs		5,841	5,258
Governance and oversight costs		1,297	1,660
Investment management expenses	12	32,615	27,641
Audit fees		149	96
Pooling expenses		229	133
		40,132	**34,788**

The audit fees disclosed above excludes VAT. The amount includes fees of £121,429 relating to the 2024/25 external audit with the balance being related to 2022/23 and 2023/24 audits. In addition, the amount also includes non-audit fees of £3,500 in respect of an IAS 19 assurance letter issued to the National Audit Office (NAO) for the prior year and a proposed fee of £3,500 for the current year. These amounts are outside the PSAA scale and have been separately agreed.

12. Investment management expenses

	Notes	2024-25 £000	2023-24 £000
Investment managers fees	12a	29,817	27,419
Transaction costs		2,741	163
Custody fees		57	59
Total		**32,615**	**27,641**

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Fund.

12a. Investment management fees

	2024-25 £000	2023-24 £000
Bonds	4,433	4,054
Equities	14,411	13,356
Private equity / infrastructure	7,855	6,906
Property	3,118	3,103
Total	**29,817**	**27,419**

13. Summary of income from investments

	Notes	2024-25 £000	2024-25 %	2023-24 £000	2023-24 %
Bonds		16,798	9.9	17,862	11.4
Equities		14,411	8.5	10,356	6.6
Pooled investments		100,522	59.2	97,933	62.3
Private equity / infrastructure		9,423	5.6	9,941	6.3
Property	**14**	13,045	7.7	11,556	7.4
Pooled property investments		11,257	6.6	5,518	3.5
Cash and cash equivalents		4,183	2.5	3,884	2.5
Stock lending and miscellaneous		115	0.1	98	0.1
Total before taxes		**169,754**	**100.0**	**157,148**	**100.0**

14. Property income and expenditure

	2024-25 £000	2023-24 £000
Rental income from investment properties	24,503	24,377
Provision for doubtful debts	-4,282	-5,811
Direct operating expenses	-7,176	-7,010
Net operating income from property	**13,045**	**11,556**

15. Investments

	Market Value as at 31 March 25 £000	Market Value as at 31 March 24 £000
Investment assets		
Bonds	415,195	400,903
Equities	0	406,065
Pooled investments		
Fixed income	856,819	792,897
Equities	4,892,344	4,390,583
Absolute return	430,001	410,961
Private equity/infrastructure funds	833,484	763,399
Property	473,188	461,774
Pooled property investments	231,081	265,421
Derivatives-forward currency contracts	369	375
Investment cash and cash equivalents	306,353	240,140
Investment income due	10,314	9,585
Amounts receivable for sales	0	1,247
Margin cash	0	1,307
Total investment assets	**8,449,146**	**8,144,656**
Investment liabilities		
Amounts payable for purchases	0	-2,444
Margin cash liability	-688	0
Derivatives-forward currency contracts	-94	-1,355
Total investment liabilities	**-781**	**-3,800**
Net investment assets	**8,448,364**	**8,140,856**

Investment income due (debtors) includes a sum of £6.0m (2023-24 £8.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund of which there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.3m (2023-24 £5.8m) has therefore been made for doubtful rent debts.

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 24 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 25 £000
Bonds	400,903	137,994	-122,757	-946	415,195
Equities	406,065	490,063	-944,550	48,422	0
Pooled investments	5,594,441	1,193,488	-630,510	21,745	6,179,163
Private equity/infrastructure	763,399	69,795	-60,633	60,923	833,484
Property	461,774	4,000	-1,359	8,773	473,188
Pooled property investments	265,421	67,221	-108,848	7,287	231,081
	7,892,002	1,962,562	-1,868,656	146,202	8,132,110
Derivative contracts					
- Forward currency contracts	-981	2,528,269	-2,530,849	3,836	275
	7,891,022	**4,490,830**	**-4,399,505**	**150,038**	**8,132,385**
Other investment balances					
- Investment cash and cash equivalents	240,140	8,405	-20,080	1,037	306,353
- Amounts receivable for sales	1,247				0
- Amounts payable for purchases	-2,444				0
- Margin cash	1,307				-688
- Investment income due	9,585				10,314
Net investment assets	**8,140,856**	**4,499,235**	**-4,419,585**	**151,075**	**8,448,364**

	Market Value as at 31 March 23 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 24 £000
Bonds	356,101	99,347	-62,739	8,195	400,903
Equities	363,714	106,315	-107,103	43,139	406,065
Pooled investments	5,596,724	85,998	-179,148	90,867	5,594,441
Private equity/infrastructure	614,963	152,637	-43,045	38,844	763,399
Property	501,584	0	-19,766	-20,044	461,774
Pooled property investments	280,305	31,525	-35,052	-11,357	265,421
	7,713,391	475,821	-446,853	149,643	7,892,002
Derivative contracts					
- Forward currency contracts	5,153	2,807,373	-2,820,084	6,577	-981
	7,718,544	**3,283,194**	**-3,266,937**	**156,220**	**7,891,022**
Other investment balances					
- Investment cash and cash equivalents	127,035	167,933		1,495	240,140
- Cash pending issue of units					
- Amounts receivable for sales	0				1,247
- Amounts payable for purchases	-2,169				-2,444
- Margin cash asset	-5,010				1,307
- Investment income due	9,669*				9,585
Net investment assets	**7,848,069**	**3,451,127**	**-3,266,937**	**157,715**	**8,140,856**

15b. Analysis of derivative contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value £000	Currency sold	Local value £000	Asset value £000	Liability value £000
Up to one month	GBP	26	USD	-33	0	0
Up to one month	GBP	47	USD	-61	0	0
Up to one month	GBP	64,991	EUR	-77,192	365	0
Up to one month	GBP	515	EUR	-612	3	0
Up to three months	GBP	128,231	USD	-165,623	0	-93
Up to three months	GBP	484	USD	-626	0	-1
Up to three months	USD	591	GBP	-457	1	0
					369	-94
Net forward currency contracts at 31 March 2025						**275**
Prior year comparative						
Open forward currency contracts at 31 March 2024					**375**	-1,355
Net forward currency contracts at 31 March 2024						**-980**

15c. Property holdings

	Year ending 31 March 25 £000	**Year ending 31 March 24 £000**
Opening balance	461,774	501,584
Additions	4,000	0
Disposals	-1,359	-19,766
Net increase in market value	8,773	-20,044
Closing balance	**473,188**	**461,774**

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties, other than to the extent reported in note 26.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 25 £000	**Year ending 31 March 24 £000**
Within one year	17,023	16,658
Between one and five years	47,626	42,615
Later than five years	32,131	30,512
	96,779	**89,785**

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2025 £000	Market Value as at 31 March 2025 %	Market Value as at 31 March 2024 £000	Market Value as at 31 March 2024 %
Investments managed in the ACCESS Pool				
Baillie Gifford	985,230	11.7	1,204,259	14.8
M&G	669,267	7.9	593,948	7.3
Ruffer	186,826	2.2	180,143	2.2
Schroders	1,426,143	16.9	1,721,968	21.2
Columbia Threadneedle	207,610	2.5	0	0
Robeco	840,382	9.9	0	0
	4,315,457	51.1	3,700,318	45.5
Investments managed outside the ACCESS Pool				
CQS	280,612	3.3	257,039	3.2
DTZ	603,240	7.1	527,294	6.5
Fidelity	45,819	0.5	135,589	1.7
Goldman Sachs	438,513	5.2	417,890	5.1
HarbourVest	326,547	3.9	308,604	3.8
Impax	65,479	0.8	74,660	0.9
Insight	853,325	10.1	962,656	11.8
Kames	26,755	0.3	27,943	0.3
Kent County Council investment team	129,368	1.5	37,430	0.5
M&G	332,277	3.9	318,162	3.9
Partners Group	431,872	5.1	376,066	4.6
Pyrford	243,174	2.9	230,817	2.8
Sarasin	920	0.0	425,462	5.2
Schroders	277,915	3.3	259,889	3.2
YFM	75,065	0.9	78,729	1.0
Link Fund Solutions	2,025	0.0	2,308	0.0
	4,132,907	48.9	4,440,538	54.5
Total	**8,448,364**	**100**	**8,140,856**	**100**

15e. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2025 £000	31 March 2025 % of net assets
WS ACCESS Global Equity Core Fund	985,230	11.7
WS ACCESS UK Equity Fund	932,397	11.0
LDI Solutions Plus ICAV Active (Insight)	696,433	8.2
WS ACCESS Global Dividend Fund	669,267	7.9
WS ACCESS Global Stars Fund	639,354	7.6
WS ACCESS Global Active Value Fund	493,746	5.8

Investments	31 March 2024 £000	31 March 2024 % of net assets
WS ACCESS Global Equity Core Fund	1,204,259	14.8
WS ACCESS UK Equity Fund	1,246,127	15.3
LDI Solutions Plus ICAV Active (Insight)	793,963	9.8
WS ACCESS Global Dividend Fund	593,948	7.3
WS ACCESS Global Active Value Fund	475,841	5.9

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below:

31 March 2025

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	0	0	Treasury Notes and other Government debt
Bonds	30,538	32,836	Treasury Notes and other Government debt
	30,538	**32,836**	

31 March 2024

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	7,288	7,543	Treasury Notes and other Government debt
Bonds	33,754	34,934	Treasury Notes and other Government debt
	41,042	**42,478**	

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 Mar 25 Fair value through profit and loss £000	31 Mar 25 Assets at amortised cost £000	31 Mar 25 Financial liabilities at amortised cost £000	31 Mar 24 Fair value through profit and loss £000	31 Mar 24 Assets at amortised cost Restated £000	31 Mar 24 Financial liabilities at amortised cost Restated £000
Financial assets						
Bonds	415,195			400,903		
Equities	0			406,065		
Pooled investments	6,179,163			5,594,441		
Property pooled investments	231,081			265,421		
Private equity/infrastructure	833,484			763,399		
Derivative contracts	369			375		
Cash & cash equivalents	299,099	20,480		230,973	15,587	
Other investment balances		10,314			12,139	
Debtors/ receivables		4,472			5,272	
	7,958,391	**35,267**	**0**	**7,661,577**	**32,999**	**0**
Financial Liabilities						
Derivative contracts	-94			-1,355		
Other investment balances			-688			-2,444
Creditors			-13,524			-11,524
	-94	**0**	**-14,211**	**-1,355**	**0**	**-13,968**
Total	**7,958,297**	**35,267**	**-14,211**	**7,660,222**	**32,999**	**-13,968**

16b. Net gains and losses on financial instruments

Financial assets	31 March 2025 £000	31 March 2024 £000
Fair value through profit and loss	141,139	177,025
Assets at amortised cost	1,163	734
Total	**142,302**	**177,760**

17. Valuation of assets and liabilities carried at fair value

The basis of the valuation of each class of investment asset is set out in the following table. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments	2	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2022)	Valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Pooled property	3	Net asset value/bid prices on last day of accounting period	Net asset values	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Direct property	3	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values /or if the fund holds illiquid assets, valuation of underlying investment/assets/ companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required

Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link Fund Solutions. Bespoke fund for equity protection programme assets is managed by Insight.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Private equity	23.4%	401,612	495,589	307,635
Infrastructure	12.6%	431,872	486,288	377,456
Direct and pooled property	8.9%	704,268	766,948	641,588
Other level 3 investments	23.4%	2,025	2,499	1,551
Total		1,539,778	1,751,325	1,328,321

	Assessed valuation range (+/-)	Value as at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Private equity	23.7%	387,333	479,131	295,535
Infrastructure	11.7%	376,066	420,065	332,066
Direct and pooled property	9.0%	727,195	792,642	661,747
Other level 3 investments	23.7%	2,308	2,855	1,761
Total		1,492,901	1,694,693	1,291,109

17a. Fair Value Hierarchy

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2024 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting. The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2025	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	415,195			415,195
Equities	0			0
Pooled investments	586,567	5,590,571	2,025	6,179,163
Pooled property investments			231,081	231,081
Private equity and infrastructure			833,484	833,484
Derivatives		369		369
Cash deposits	306,353			306,353
Other investment balances	10,314			10,314
Non- Financial assets at fair value through profit and loss				
Property			473,188	473,188
Financial liabilities at fair value through profit and loss				
Derivatives		-94		-94
Other investment liabilities	-688			-688
Net investment assets	**1,317,741**	**5,590,846**	**1,539,778**	**8,448,364**

Values at 31 March 2024	Quoted market price Level 1 Restated £000	Using observable inputs Level 2 Restated £000	With significant unobservable inputs Level 3 Restated £000	Total Restated £000
Financial assets at fair value through profit and loss				
Bonds	400,903			400,903
Equities	406,065			406,065
Pooled investments	565,365	5,026,768	2,308	5,594,441
Pooled property investments			265,421	265,421
Private equity and infrastructure			763,399	763,399
Derivatives		375		375
Cash deposits	240,140			240,140
Other investment balances	12,139			12,139
Non- Financial assets at fair value through profit and loss				
Property			461,774	461,774
Financial liabilities at fair value through profit and loss				
Derivatives		-1,355		-1,355
Other investment liabilities	-2,444			-2,444
Net investment assets	**1,622,167**	**5,025,788**	**1,492,901**	**8,140,856**

17b. Reconciliation of fair value measurements within level 3

	Private equity £000	**Infrastructure £000**	**Direct and pooled property**	**Other £000**	**Total £000**
Market value 1 April 2024	387,333	376,066	727,195	2,308	1,492,901
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	50,941	18,854	71,221	0	141,017
Sales during the year	-49,683	-10,950	-110,207	0	-170,840
Unrealised gains/ losses	-19,735	47,316	483	-283	27,781
Realised gains/losses	32,756	586	15,577	0	48,919
Market value 31 March 2025	**401,912**	**431,872**	**704,268**	**2,025**	**1,539,778**

	Private equity £000	**Infrastructure £000**	**Direct and pooled property**	**Other £000**	**Total £000**
Market value 1 April 2023	341,800	273,163	781,889	2,803	1,399,655
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	69,615	83,023	31,525	0	184,162
Sales during the year	-41,292	-1,753	-54,818	-12,148	-110,011
Unrealised gains/ losses	-8,783	20,809	-30,909	0	-18,883
Realised gains/losses	25,994	824	-492	11,653	37,979
Market value 31 March 2024	**387,333**	**376,066**	**727,195**	**2,308**	**1,492,901**

18. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments, and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2024-25 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	15.6
Overseas equities	15.9
Emerging market equities	18.0
Global pooled equities inc UK	15.9
Bonds	8.0
Property	8.9
Infrastructure	12.6

Private equity	23.4

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 25 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	306,353	0.0	306,353	306,353
Investment portfolio assets:				
UK equities	0	15.5	0	0
Overseas equities	0	15.9	0	0
Pooled emerging market equities	408,638	18.0	482,192	335,083
Global pooled equities inc UK	4,913,707	15.9	5,694,986	4,132,427
Bonds incl bond funds	1,272,014	8.0	1,373,775	1,170,253
Property pooled funds	231,081	8.9	251,647	210,515
Private equity	401,612	23.4	495,589	307,635
Infrastructure funds	431,872	12.6	486,288	377,456
Derivative assets	369	0.0	369	369
Total	**7,965,644**		**9,091,199**	**6,840,090**

The Fund has an equities downside protection programme to protect the Fund from falls and cap the returns within a given range and is designed to manage the risks associated with global equity investments and help achieve the Fund's required rate of return.

Asset Type	Value as at 31 March 24 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	240,140	0.0	240,140	240,140
Investment portfolio assets:				
UK equities	38,058	15.3	43,881	32,235
Overseas equities	368,006	15.4	424,679	311,333
Pooled emerging market equities	0	0.0	0	0
Global pooled equities inc UK	4,801,544	15.4	5,540,981	4,062,106
Bonds inc bond funds	1,193,801	7.4	1,282,142	1,105,460
Property pooled funds	265,421	9.0	289,309	241,533
Private equity	387,333	23.7	479,131	295,535
Infrastructure funds	376,066	11.7	420,065	332,066
Derivative assets	375	0.0	375	375
Total	**7,670,743**		**8,720,704**	**6,620,783**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2025 and 31 March 2024 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 25 £000s	31 March 24 £000s
Cash and cash equivalents	306,353	240,140
Cash balances	13,227	6,421
Bonds		
- Directly held securities	415,195	400,903
- Pooled funds	856,819	792,897
Total	**1,591,593**	**1,440,361**

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset type	Carrying amount as at 31 March 25 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	306,353	0	0
Cash balances	13,227	0	0
Bonds			
- Directly held securities	415,195	-17,231	17,231
- Pooled funds	856,819	-15,018	15,018
Total change in assets available	**1,591,593**	**-32,249**	**32,249**

Asset type	Carrying amount as at 31 March 24 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	240,140	0	0
Cash balances	6,421	0	0
Bonds			
- Directly held securities	400,903	-15,555	15,555
- Pooled funds	792,897	-12,344	12,344
Total change in assets available	**1,440,361**	**-27,899**	**27,899**

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2025 and 2024:

Currency exposure - asset type	Asset value as at 31 March 25 £000	Asset value as at 31 March 24 £000
Overseas equities	0	368,006
Overseas pooled funds	4,686,215	3,829,079
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	758,419	684,669
Non GBP cash	13,435	6,758
Total overseas assets	**5,458,069**	**4,888,513**

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2024-25 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 25 £000	Change to net assets available to pay benefits +5.5% £000	Change to net assets available to pay benefits -5.5% £000
Overseas equities	0	0	0
Overseas pooled funds	4,686,215	4,943,957	4,428,473
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	758,419	800,132	716,706
Non GBP cash	13,435	14,174	12,696
Total change in assets available	**5,458,069**	**5,758,263**	**5,157,875**

Currency exposure - asset type	Asset value as at 31 March 24 £000	Change to net assets available to pay benefits +5.4%	Change to net assets available to pay benefits -5.4%

		£000	£000
Overseas equities	368,006	387,879	348,134
Overseas pooled funds	3,829,079	4,035,849	3,622,309
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	684,669	721,642	647,697
Non GBP cash	6,758	7,123	6,393
Total change in assets available	**4,888,513**	**5,152,493**	**4,624,533**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 25 £000	Balance as at 31 March 24 £000
Money market funds			
Northern Trust Sterling Fund	AAAm	187	18,372
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	11,361	41
Blackrock USD Government Liquidity Fund	AAAm	64	8
Aberdeen Sterling Liquidity Fund	AAAm	10,766	5
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,425	6,478
Aviva Investors Sterling Liquidity Fund	AAAm	49,777	7,889
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	2,311	2,330
HSBC Global Liquidity Fund	AAAm	0	0
LGIM Liquidity Fund	AAAm	53,457	25,315
Insight Sterling Liquidity Fund	AAAm	156,893	168,694
		296,241	**229,132**
Bank deposit accounts			
NatWest SIBA	A+	1,631	1,841
		1,631	**1,841**

Bank current accounts			
NatWest current account	A-	50	50
NatWest current account - Euro	A+	11,922	134
NatWest current account - USD	A+	28	9
Northern Trust - current accounts	AA-	7,470	12,802
Barclays - DTZ client monies account	A+	2,237	2,592
		21,707	**15,587**
Total cash and cash equivalents		**319,579**	**246,560**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund’s cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2025 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment

- To ensure employer contribution rates are as stable as possible

- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	4.5% p.a.
Rate of general pay increases:	
Long term	3.9% p.a.
Short Term	n/a
Assumed pension increases	2.9% p.a.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits	31 March 25 £m	31 March 24 £m
Present value of promised retirement benefits	-7,057.8	-7,923.6
Fair value of scheme assets at bid value	8,424.9	8,134.2
Net asset	**1,367.1**	**210.6**

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 119% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	**% p.a.**
Salary increase rate	3.90%
Inflation/Pensions increase rate	3.20%/2.90%
Discount rate	5.85%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current assets

	31 March 25 £000	31 March 24 £000
Debtors		
- Contributions due - employees	5,118	5,391
- Contributions due - employers	16,785	17,694
	21,903	23,085
Sundry debtors	4,472	5,272
Total debtors	**26,375**	**28,357**
Cash	13,227	6,421
Total current assets	39,602	34,778

22. Current liabilities

	31 March 25 £000	31 March 24 £000
Creditors		
- Benefits payable	22,832	21,559
- Sundry creditors	13,524	11,524
Total current liabilities	**36,356**	**33,083**

23. Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential 2024-25 £000	Prudential 2023-24 £000	Standard Life 2024-25 £000	Standard Life 2023-24 £000	Utmost Life 2024-25 £000	Utmost Life 2023-24 £000

Value at 1 April	12,895	10,054	1,918	1,914	282	277
Value at 31 March	14,958	12,895	2,422	1,918	245	282
Contributions paid	4,047	3,303	595	318	0	0

24. Related party transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Fund. As such, there are no related party transactions with related individuals or any entities where a related individual has control/influence or is a member of key management.

The Kent Pension Fund is administered by Kent County Council and consequently there is a strong relationship between the Council and the Pension Fund.

	2024-25 £000	**2023-24 £000**
KCC is the largest single employer of members of the Fund and during the year contributed:	93,395	88,527
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	7,082	6,497
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	-7,445	-6,252

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The key management personnel of the Fund for 2024-25 are the Interim Corporate Director Finance as well as the Head of Pensions and Treasury. The Interim Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund. Full details of the salary of Interim Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Interim Corporate Director Finance, in respect of key management are shown below.

	31 March 25 £000	31 March 24 £000
Salary	**125**	118
Allowances	**12**	12
Other	**27**	16
Employer's pension contributions	**17**	27
Total	**181**	173

25. Contingent liabilities

The Fund is aware of the ‘Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)’ case and considers that there is potential for the outcome of this case to have an impact on the Kent Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time.

The Fund still awaits further information but at this time are hopeful there will be no impact on the scheme.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2025 totalled £375m (31 March 2024: £309m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

27. Contingent assets

30 admitted body employers in the Fund hold insurance bonds and 11 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Glossary of terms

Agency - The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget - A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure - Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts - Money obtained on the sale of a capital asset.

Derivatives - A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure - The salaries and wages of employees together with national insurance, superannuation, and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants - Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets - Capital spend on items such as software licences and patents.

Local Authority Accounting Panel -The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice, and the Prudential Code.

Long-term debtors - Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision - The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure - This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non-Delegated - Spend on Education Services which is not delegated to schools.

Precept - The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district council’s collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board - A Government controlled agency that provides a source of borrowing for public authorities.

Related party transaction - A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Revenue expenditure - Expenditure to meet the continuing cost of services including salaries, purchase of materials, and capital financing charges.

Revenue expenditure funded from capital under statute (Refcus) - Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants - See 'government grants'.

Support service costs - The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves - Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts - The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

From: Ben Watts, General Counsel

To: Governance and Audit Committee, 24 September 2025

Subject: Independent Member Term of Office Review

Status: Unrestricted

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1. Introduction

a) In January 2019, this Committee approved the principle of appointing an independent member for a two-year trial. Following further consideration and a recruitment exercise, Dr David Horne was appointed and added to the Membership of the Committee in October 2019. Due to the timings of meetings, the Committee formally noted his appointment at its January 2020 meeting.

b) In July 2021, the appointment was extended by a further two years and in July 2023 this was extended again by a further two years. In July 2023 the Committee also agreed to appoint a second independent member, with Camila Black being subsequently appointed.

c) As Dr Horne's extension will come to an end in October this year it is an appropriate time to review this matter and update the Committee ahead of a recruitment exercise.

2. Background

d) There is no legislative requirement for a local authority audit committee to have a co-opted independent member (although it is a requirement for authorities in Wales and combined authorities in England). CIPFA recommends having two co-opted members as best practice.

e) As set out in the CIPFA publication "Audit committees: practical guidance for local authorities and police" (2022 edition), the reasons for this recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk, and control matters.
- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.
- Having two co-opted members shows a commitment to supporting and
- investing in the committee.

f) The terms of reference of this Committee allows up to two co-opted members to be appointed. As co-opted members cannot vote on council policy under s.13 of the Local Government and Housing Act 1989, these are non-voting roles.

3. Next Steps

a) To ensure stability and continuity in the Committee during the consideration of key reports in the autumn, the Committee are advised to agree the extension of Dr Horne's term to the end of the current financial year (31 March 2026).

b) During this period of extension, a recruitment exercise will be carried out with the aim to appoint a new independent member for the start of the new financial year. The appointment would be for a four year term. Having non-concurrent terms for the two independent members is to help ensure that there is at least one in post.

c) The person specification for the role is set out in the Appendix. This is the same version of the specification agreed in 2023.

d) A Member Panel comprising the Chair and two Committee Members will conduct the interviews and make the appointment, supported by officers. At least one officer with the appropriate technical expertise will be present during the interviews.

4. Recommendation

a) The Governance and Audit Committee AGREE to the extension of Dr Horne's term of office as Independent Member to the end of March 2026.

b) The Governance and Audit Committee NOTE that a recruitment exercise will be carried out.

5. Background Documents

Appointment of an Independent Member.pdf

6. Report Author and Relevant Director

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From: Paul Webb, Cabinet Member, Community and Regulatory Services
Simon Jones, Corporate Director, Growth, Environment & Transport

To: Governance & Audit Committee

Date: 24th September 2025

Subject: The use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2024 – 31 March 2025

Classification: Unrestricted

Summary This report outlines the use by KCC Officers of the covert investigatory techniques of surveillance, covert human intelligence sources (CHIS) and access to communications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act (IPA) during the 2024/25 business year.

Recommendations The Governance and Audit Committee is asked to

(a) note for assurance the use of covert investigative techniques during the period and:
(b) endorse the policy in relation to the use of covert investigative techniques.

FOR ASSURANCE

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 12th November 2024. The SRO is Simon Jones, Corporate Director for Growth, Environment and Transport.

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, internet address 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. Authorisation for communications data requests is not carried out by KCC managers but, by law, is undertaken by the Office for Communications Data Authorisations. KCC managers are required only to confirm that officers are seeking authorisation in the course of their duties. Any inspection of this type of approval carried out by IPCO is conducted at the offices of NAFN.

3 Covert authorisations carried out between 1 April 2024 – 31 March 2025

Total number of authorisations granted for 2024/25 (figure for 2023/24 in brackets):

Surveillance – 2 (0)

Covert human intelligence source (CHIS) – 1 (0)

Access to telecommunications data – 1 (8)

4. Purposes for which covert techniques used

One surveillance authorisation was to facilitate an operation carrying out test purchases of vape devices to children using an underage volunteer. Two sales were made. In one case formal warnings were issued to the two company directors and the individual who made the sale. The shop was subject to a licence review and their alcohol licence was revoked. In the second case written warnings were issued to the seller and owner of the business. The business has since ceased trading.

The second surveillance authorisation and the CHIS authorisation were linked to an investigation into the sale of counterfeit designer goods. That matter is still under investigation.

The telecommunications data request was in relation to the activities of a roofing repair business and allegations of fraudulent activity by them. That matter is still under investigation.

5. Update on cases highlighted in last year's report

Last year's report, highlighted a case involving motor trade mileage fraud. That case has been now been successfully prosecuted. Three individuals were convicted of conspiracy to defraud by reducing the recorded mileage of used vehicles, mainly light commercial vehicles, by a total of over two million miles. The convicted men were sentenced to a total of 69 months imprisonment, suspended for two years, and each was ordered to complete 200 hours of unpaid work. The trial judge also awarded £37,759 in compensation to the victims.

That report also referred to an investigation of fraud by a vehicle repair business. That business has now been convicted twice, having failed to cease their offending after the first prosecution. Both convictions are awaiting sentencing at the Crown Court as the powers of sentencing at the Magistrates Court have been exceeded.

Reference in that report to a rogue building business with multiple victims was also made. That matter is scheduled to be heard at the Crown Court in February 2026 unless and earlier date can be found.

A fraud linked to a solar energy company was also mentioned in last year's report. That matter is scheduled for Crown Court trial imminently.

6. Reportable errors

These are errors which are required, by law, to be reported to the Investigatory Powers Commissioners Office (IPCO) 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.

A proactive concern was raised with IPCO relating to surveillance carried out linked to waste crime. The commissioners responded that, in their view, the activity was not covert and therefore that no error had occurred.

There were, therefore, no reportable errors during the reported period.

7. Inspection by the Investigatory Powers Commissioners Office

In March 2025 IPCO carried out a remote inspection of KCC's use of the covert investigatory techniques of surveillance and CHIS. This inspection occurs every three years unless serious concerns are raised in the meantime.

Sir Brian Leveson, The Commissioner, confirmed that he was satisfied that compliance with the relevant law will be maintained and confirmed that the next inspection will be due in 2028.

Sir Brian's inspector stated: "Overall, the application and authorisations are completed to a high standard, with appropriate considerations of the statutory grounds of necessity and proportionality".

Some administrative suggestions for improvement were made which have all been built into our practice.

8. 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.

Following guidance from the oversight commissioners, changes have been made to the policy this year to take into account the potential use of artificial intelligence in the assessment of data revealed as a result of using these techniques.

Some minor updates have been made to the forms used to apply for authority to use these techniques. These changes were solely for the purpose of amending the links to the IPC codes of practice, which have themselves been updated.

9. Recommendations

The Governance and Audit Committee is asked to

(a) note for assurance the use of covert investigative techniques during the period and:
(b) endorse the policy in relation to the use of covert investigative techniques.

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Kent County Council

Policy in relation to the use of covert investigative techniques

Contents

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://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice/covert-surveillance-and-property-interference-code-of-practice-accessible

https://assets.publishing.service.gov.uk/media/63985c2fe90e077c2e1ce84c/Revised_CHIS_Code_of_Practice_December_2022_FINAL.pdf

https://assets.publishing.service.gov.uk/media/68419a3d58bd5a53d0211cf7/Communications_Data_Code_of_Practice_-_June_2025.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 Officer.

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" Officers (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 their absence, a Corporate Director nominated by the Head of Paid Service to deputise for them. 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, they 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 they are 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.

10.2 All officers seeking to apply for authorisations must complete the KCC online training before doing so.

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 that 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 an 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.

14. Use of Artificial Intelligence (AI)

14.1 In line with the Investigatory Powers Commissioner's Office (IPCO) guidance on the scope of interest in Artificial Intelligence, Kent County Council recognises the potential for AI technologies to support covert investigatory activities.

14.2 Where AI systems, defined as software capable of autonomous decision-making, adaptive learning, or large-scale data processing, are used in connection with covert investigatory powers, such use must be explicitly documented and subject to the same authorisation, oversight, and proportionality assessments as traditional methods.

14.3 AI may be used to assist with the review and analysis of evidence; however, investigators remain fully responsible for verifying the accuracy and relevance of any AI assisted outputs.

14.4 Decisions must not be based solely on AI generated insights. Instead, AI should be viewed as a tool to enhance investigative efficiency, not to replace human judgment.

14.5 Where AI is used to review data received from a RIPA or IPA request, this must be clearly recorded in the investigation records, and consideration should be given to referencing these methods in disclosure management documents. This ensures transparency, accountability, and compliance with both statutory oversight, disclosure and data protection obligations.

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

<u>Details of Application</u>

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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