

**GOVERNANCE AND AUDIT COMMITTEE**

**Wednesday, 25th March, 2026**

**10.00 am**

**Council Chamber, Sessions House, County Hall,  
Maidstone**







## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Wednesday, 25th March, 2026, at 10.00 am**  
**Council Chamber, Sessions House, County**  
**Hall, Maidstone**

Ask for: **Ruth Emberley**  
Telephone:

#### **Membership (15)**

Reform (7):	Mr M Brown (Chairman), Mr A Cecil, Mr R Palmer, Mr M Paul (Vice-Chair), Mr A Kibble, Mr J Finch and Mr T Mallon
Liberal Democrat (2):	Mr M Munday and Mr G R Samme
Conservative (1):	Mr H Rayner
Green (1):	Mr M A J Hood
Labour (1)	Mr A Brady
Independent Members (2):	Ms C Black and Dr D A Horne
	Vacancy

#### **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 28 January 2026 (Pages 1 - 14)
5. Verbal Update on Committee Business (Pages 15 - 22)
6. 2025/26 External Audit Plan for Kent County Council (Pages 23 - 58)
7. 2025/26 External Audit Plan for Kent Pension Fund (Pages 59 - 88)
8. Statement of Accounts 2025/26 Preparation and Accounting Policies Update (Pages 89 - 96)
9. Treasury Management Strategy (Pages 97 - 122)
10. Review of the Risk Management Strategy, Policy and Programme (Pages 123 - 146)
11. Schools Audit Annual Report (Pages 147 - 152)
12. Counter Fraud Update (Quarter 3) (Pages 153 - 178)
13. Governance Arrangements for Wholly Owned Companies - To Follow

### **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  
Deputy Chief Executive  
03000 416814

**Tuesday, 17 March 2026**

*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

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 28 January 2026.

PRESENT: Dr D Horne, Mr M Brown (Chairman), Mr A Cecil, Mr R Palmer, Mr M Paul (Vice-Chair), Mr M Munday, Mr G R Samme, Mr H Rayner, Mr M A J Hood, Mr A Kibble, Mr O Bradshaw, Mr A Brady, Mr T Mallon and Mr W Chapman

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Amanda Beer (Chief Executive), Ben Watts (Deputy Chief Executive), Petra Der Man (Head of Law & Monitoring Officer), Lisa Gannon (Corporate Director of Technology), Rebecca Spore (Director of Infrastructure), Mark Cheverton (Head of Infrastructure), Katy Reynolds (Governance Advisor), Andrea Melvin (Commercial Accounting Manager), Cath Head (Head of Finance), Joe McKay (Corporate Accountant), Mark Scriverner (Head of Risk and Delivery Assurance), Debbie Chisman (Audit Manager), Russell Smith (Interim Head of Internal Audit), Lee Jones (Audit Manager), Sarah Ironmonger (Grant Thornton), Lucy Nutley (Grant Thornton).

### UNRESTRICTED ITEMS

#### **355. Apologies and Substitutes**

*(Item 2)*

Apologies were received from Ms Camilla Black and Mr John Finch. Mr Wayne Chapman was in attendance as substitute for Mr Finch.

#### **356. Declarations of Interest in items on the agenda for this meeting**

*(Item 3)*

RESOLVED there were no Member declarations of interest in any items on the agenda.

#### **357. Minutes of the meeting held on 26 November 2025**

*(Item 4)*

RESOLVED Members agreed that the minutes of the meeting held on the 26 November 2025 were a correct and accurate representation and a paper copy should be signed by the Chair.

#### **358. Verbal Update on Committee Business**

*(Item 5)*

1. The item was presented by Governance Officer, Katy Reynolds. The key points were highlighted as follows:
  - a) The action list had been streamlined since the previous meeting, retaining only those actions that had been closed since the previous meeting or remained open and required further work.
  - b) The suggestion from an earlier meeting regarding colour-coding overdue actions had been considered, although this had not yet been implemented in the version presented.
  - c) Members were informed that additional information relating to Action GA035 had been uploaded to the Team site since the last meeting.
  - d) An action tracker for the 2024–25 Annual Governance Statement actions had recently been added to the Team site, enabling Members to monitor progress in real time ahead of future meetings.
  - e) A review of committee effectiveness was scheduled for later in the year. This review would include the annual review of the Terms of Reference. Ahead of this, arrangements would be made for a meeting between the Committee and the Monitoring Officer.
2. In answer to Member questions and comments, the following was said:
  - a) A discussion would take place with the Chair to explore how the Work Programme could be incorporated into future agendas. The Committee’s annual report had historically been submitted to the September meeting of Full Council, aligned with the external audit report, and this practice would continue.
  - b) An update, inclusive of a timeline for completion, would be provided to the Committee in relation to Action GA041.
  - c) A follow up would be provided to the Committee in relation to Action GA029, Treasury Management Update.
3. RESOLVED the Committee noted the verbal update.

**359. External Auditor's Progress Report (inclusive of Kent Pension Fund)**  
*(Item 6)*

1. The item was presented by Sarah Ironmonger and Lucy Nutley from the external auditors, Grant Thornton. The following key points were highlighted:
  - a) Following the sign-off from the 2024/25 accounts in November, the audit team were engaged with backstop clients due for completion by the end of February. Planning work for the 2025–26 audit had commenced and Grant Thornton were working with the Finance Team to bring forward substantive testing to support a more efficient final audit period.

- b) With respect to the Kent Pension Fund, the auditors confirmed that the Fund was also at the planning stage, with initial work scheduled for the coming weeks. The valuation at March 202 required additional audit activity. The auditors also highlighted sector-wide developments, including Backstop processes and Chief Accountant workshops being attended by Finance officers.
2. In answer to some Member comments and questions, the following was said:
- a) Oracle EBS to Oracle Fusion Migration - Ms Ironmonger confirmed that Grant Thornton's specialist IT audit team had begun work on assessing both the data migration and user access controls. She advised that the work was at an early stage and the findings were yet available. She noted that, based on experience elsewhere, issues tended to relate to user profiles rather than significant system failures.
- b) Complex Financial Reporting Issues - Ms Ironmonger advised that the commentary originated from a sector wide webinar and was not specific to Kent. She confirmed that she was not aware of any issues relating to financial instruments within the Council's accounts at this stage.
- c) Dedicated Schools Grant (DSG), SEND Pressures, and Safety Valve Scheme - Ms Ironmonger confirmed that the auditors had already issued a statutory recommendation in relation to SEND and DSG, which had been presented in the Annual Auditor's Report in November. Grant Thornton continued to engage with officers on arrangements to manage the deficit.
- d) Fair Funding Review and Local Government Reorganisation (LGR) - Ms Ironmonger noted that the Council would receive advice from the Section 151 Officer as part of the forthcoming budget process. She confirmed that Grant Thornton was aware of the risks associated with LGR, including financial, structural and operational challenges. The auditors would continue to discuss preparation, risk management and financial implications with officers once Government decisions were known.
- e) Home-to-School Transport Costs - Ms Ironmonger reiterated that SEND-related cost pressures formed part of the significant weakness already reported, and audit engagement with officers on this matter was ongoing.
- f) Whole of Government Accounts (WGA) - Ms Nutley explained that Whole of Government Accounts procedures were still being finalised nationally. Once completed and reviewed by the National Audit Office, Grant Thornton would issue the completion certificate, formally closing the year's audit.
- g) Teachers' Pension Scheme Certification - Ms Nutley reported that the delays arose from a change in the Teachers' Pensions payroll system and difficulties retrieving evidence from the legacy system. Grant Thornton had re-engaged with Teachers' Pensions and the Council to progress the outstanding returns.
- h) Local Government Reorganisation Reserves - Ms Ironmonger stated that in areas where LGR had been confirmed, such as Cumbria, authorities had created reserves once the Government's direction was clear. She advised that KCC would need to consider future costs and risks as the position developed. Ms Nutley confirmed that if the Government timetable remained

unchanged, the auditors would expect the Council to have considered provision and would comment if none were made.

- i) Mr Rayner formally noted that no provision for disaggregation costs existed in the current draft budget and requested that his comments be recorded.
3. RESOLVED the Committee noted the External Auditor's verbal update for Kent County Council and the Kent Pension Fund.

### **360. Corporate Risk Register** *(Item 7)*

1. The item was presented by the Head of Risk and Delivery Assurance, Mark Scrivener. Some of the key points were as follows:
  - a) The Register had recently been presented to Cabinet and highlighted that several risk ratings had changed since that meeting, reflecting its nature as a point-in-time document.
  - b) Two additional appendices had been provided to support the Committee's assurance role:
    - i. A summary of directorate-level risks
    - ii. Examples of Member-level committees where corporate risks were discussed in further depth.
  - c) A draft corporate risk relating to Local Government Reorganisation (LGR) was being refined and would be considered by the March Devolution and LGR Committee.
  - d) The annual review of the Risk Management Policy, Strategy and Programme would be presented to the Committee in March.
2. In answer to some Member questions and comments, the following was said:
  - a) Mr Scrivener confirmed that he would raise the planned changes, associated financial risks and potential appeals in relation to the discretionary SEND support for over-16 and over-19 learners from September with the relevant risk owner and ensure the matter was considered in future reporting.
  - b) In relation to the Adult Social Care risks, Mr Scrivener advised that relevant issues had been discussed in other committee settings and that detailed responses would fall to service level officers. He confirmed that the broader risk picture would continue to be monitored.
  - c) Members raised several points regarding the absence of a transitional reserve for LGR and related financial and capacity risks. These comments were noted for further consideration through the relevant committees.
  - d) The Director of Infrastructure, Rebecca Spore, confirmed that: the Council operated a reactive warm-safe-dry maintenance regime,

temporary or full closures could occur where resources were insufficient; and statutory compliance inspections were carried out across the estate. She noted the ongoing challenge of maintenance backlogs.

- e) Members were reminded that the budget remained in draft form.
  - f) Mr Scrivener explained that CRR0059 had been updated to reflect in-year financial monitoring and CRR009 had been adjusted in light of increased certainty arising from a multi-year settlement. He confirmed that further review would take place with the Section 151 Officer.
  - g) In relation to CRR065 Oracle Cloud Programme, Mr Scrivener advised that the primary risk being scored related to the implementation of an unfit system and officers remained committed to avoiding this. Consideration would be given to whether additional or separate risks concerning delay or cost escalation were appropriate.
  - h) It was proposed and seconded that a summary project tracker for the Oracle Cloud Programme, covering time, cost, and quality, be developed and brought to the Committee, and that the detailed format and reporting expectations for this tracker be agreed at the next agenda-setting meeting. The Committee voted accordingly and the motion was passed.
  - i) Directorate-level risks would receive further scrutiny at upcoming Cabinet Committees and Members' comments relevant to the budget would be captured and forwarded to Cabinet as part of pre-Council briefing processes.
  - j) Trigger points for asset degradation were not a precise threshold, as the Council was already operating a reactive model and responded as required to maintain safety.
  - k) In line with the Council's no-borrowing policy, the Accounting Programme was funded from existing sources without drawing on new borrowing.
  - l) In relation to Climate Change Risk CRR052, Mr Scrivener agreed to raise this with the responsible risk owner for further consideration.
  - m) Mr Rayner referred to Safety Valve Agreement (paragraph 2.5 of report) and highlighting the projected DSG accumulated deficit of approximately £135m by the end of 2025/26 and an in-year deficit in excess of £65m. He stressed the significance of this risk to the Council's financial position and requested that his comments be formally noted.
3. RESOLVED that the Governance and Audit Committee requested that a summary project tracker for the Oracle Cloud Programme, covering time, cost, and quality, be developed and brought to the Committee, and that the detailed format and reporting expectations for this tracker be agreed at the next appropriate agenda-setting meeting.

RESOLVED the Committee noted the Corporate Risk Register for assurance.

## **361. A Review of the Statutory Accounts for Kent County Council's Wholly Owned Companies**

*(Item 8)*

1. The report was presented by the Commercial Accounting Manager Andrea Melvin. The following key points were highlighted to the Committee:
  - a) The Council's wholly owned companies and joint ventures operated on a going-concern basis, had filed statutory accounts at Companies House and had been externally audited with no material concerns raised. The report was for information and included high-level financials (sales, costs and profit after tax) for 2024/25 with comparators for the prior year.
  - b) The Committee received the assurance report on the Council's wholly owned companies and 50:50 joint ventures (with other local authorities and private sector partners). All entities had filed statutory accounts and were externally audited; no material concerns were raised by auditors.
  - c) The report included headline financials (sales, costs, profit after tax). Year-on-year comparisons were not always like-for-like due to ongoing cost-management and efficiency programmes that had transferred services between companies.
  
2. In answer to Member comments and questions the following was said:
  - a) The purchase price of the WF Education Group was commercially sensitive and would be provided outside the meeting. Plans for the company did not sit within the presenting officer's remit. Losses shown for December 2023 and December 2024 related to periods prior to acquisition; performance post-acquisition would be visible in future cycles.
  - b) The joint ventures formed part of an expansion leveraging recruitment systems to support other local authorities. Older ventures had performed well and newer ones had become operational only recently and were still incurring set-up costs, explaining current losses. Some entities in the structure were dormant and do not trade with KCC. Only a subset provides services to KCC.
  - c) Mr Watts reported actual and forecast returns to KCC:
    - i. 2023/24: £7.0m
    - ii. 2024/25: £10.0m (enhanced, to support KCC's position)
    - iii. 2025/26: £7.8m (forecast), then £8.3m, £8.5m, £9.0m in subsequent years (forecasts)

Continued investment was necessary to remain commercially competitive and sustain future dividends.

- d) Due diligence was undertaken by both KCC and the company on acquisitions and investments, considering benefits to the group and KCC. The return cited by Mr Watts included dividends and contributions for managed services, and noted other financial benefits, e.g. an energy rebate of approximately £760k per annum.

- e) Companies were arms-length and the Council could not shadow direct. The risk was managed through KCC's Internal Audit function within the company.
  - f) Service transfers to companies had been supported by business cases and value for money tests to deliver Mid Term Financial Planning savings.
4. It was proposed and seconded (inclusive of a further amendment) that:
- (i) In recognising the significant commercial risks, the oversight arrangements for the Governance and Audit Committee on County Council linked companies be reviewed and options be presented to a future meeting informed by legal and governance advice.
  - (ii) The shareholder group be expanded to increase transparency and accountability.
5. The motion (as amended) was not carried.
6. Mr Rayner stated that he was not assured by the report and associated updates and asked for this to be noted in the minutes.

The Chair put the recommendations in the report to the vote and one third of the present voting membership requested a recorded vote.

Members voted accordingly for the recommendation included in the paper:

<b>For:</b>	Mr Mallon, Mr Palmer, Mr Kibble, Mr Cecil, Mr Chapman, Mr Paul, Mr Brown (7)
<b>Against:</b>	Mr Rayner, Mr Hood, Mr Brady, Mr Samme, Mr Munday (5)
<b>Abstentions:</b>	Mr Bradshaw (1)

**Total: 13** (Not inclusive of Dr Horne as an Independent Member)

7. RESOLVED the majority of the Committee noted the report for assurance.

**362. Governance Arrangements for Wholly Owned Companies - Presentation**  
(Item 9)

- 1. The planned presentation was rescheduled for another Committee, to allow the next update to take account of and address points raised in the discussion on the previous item.
- 2. In response to concerns raised by some Members, in the context of discussing the governance and meeting arrangements related to the KCC Wholly Owned Companies to be covered in the future update, about access to exempt papers, there was a discussion about the 'need to know' arrangements for Member access to information. While the concerns were acknowledged, assurances were provided by Mr Watts that the situation was unchanged from previous years.
- 3. RESOLVED Members noted the discussion and the deferral of the substantive item to the March 2026 meeting.

### **363. Internal Audit Progress Report**

*(Item 10)*

1. The item was presented by the Interim Head of Internal Audit, Russell Smith. Some of the key points were highlighted as follows:
  - a) Several audits had received positive assurance outcomes. The audits of Health and Safety, Unaccompanied Asylum-Seeking Children, Backups (noting that detailed discussion would take place in the exempt session), Property Disposals, Adult Social Care Information Governance, and the KCC Governance Improvement Plan had all received Substantial Assurance. The audit of Utility Works on the Kent Network had received Adequate Assurance, with one high-priority action identified. Management had advised Internal Audit that a review of the Kent Permit Scheme had been scheduled to address the issue.
  - b) The Committee was informed that 83% of the completed audit work for 2025–26 had received substantial assurance to date. Several audits remained in progress and a broader spread of assurance ratings was expected over the remainder of the year. Updates were also provided on embedded assurance work relating to the Highways Term Maintenance Contract, the Public Health Service Transformation Programme, and the Oracle Cloud Programme, with the latter scheduled for discussion in the exempt part of the meeting.
  - c) Issue implementation performance remained comparable to the previous reporting period at 64%, which had been 62% in July. The Interim Head of Internal Audit highlighted that the volume of followed-up issues had increased significantly, with 96 follow-ups completed in January compared with 37 in the previous period. Where actions remained in progress, Internal Audit had observed positive movement. Lower implementation levels within Adult Social Care were attributed to recommissioning activity, and several Growth, Environment and Transport actions had been superseded due to policy changes. Longstanding issues had been discussed thoroughly at a Corporate Management Team meeting the previous day, and revised actions had been agreed.
  - d) The audit plan was slightly behind schedule, largely due to a later start and work required for the External Quality Assessment. Delivery levels remained broadly consistent with the same point in the previous year. Future annual planning would account more effectively for external assessment activity. Revisions to the plan included the addition of four new audits relating to the Oracle Cloud Programme. External Audit were also conducting work in this area, and coordination was underway to avoid duplication. Audits selected for deferral had been chosen based on risk, assurance coverage from other providers, and commissioning delays; they would be reconsidered for inclusion in the 2026–27 Internal Audit Plan.
2. In answer to Member questions and comments, the following was said:
  - a) Officers advised that the bus grant had been announced after the report was written and that a three- to four-year settlement had been issued, split

between capital and revenue funding. The £47m figure was based on a historic determination of the highways block grant, and Department of Transport had consolidated several grants this year.

- b) Officers confirmed that the proposed deferral of five audits, particularly Economic Strategy and the Contact Centre Contract would be prioritised for the 2026–27 plan. The Monitoring Officer noted that the Contact Centre audit would be better timed once the new provider had embedded.
  - c) Officers confirmed that the review of the Kent Permit Scheme (RB41), had been scheduled for April–June 2026. Officers confirmed that improvements were being implemented and that increased inspection capacity was being put in place. In addition, the direction of the complaints data to the correct shared mailbox was in the process of being rectified.
  - d) In relation to RB41, officers confirmed that the issue would be addressed in full during the scheduled April–June 2026 review, after which the action could be signed off.
  - e) Officers confirmed that CMT had met recently and discussed the Economic Strategy and EHCP Outcomes audits as well as longstanding audit actions. A revised action plan with clear timescales had been agreed, with an expectation that completion would occur within six months.
  - f) Officers explained that the increase to the budget for the Highways Term Maintenance Contract procurement reflected the scale and complexity of the procurement and the need for external legal advice. The additional cost had been funded through service budgets and highways income. Lessons learned would inform future procurement processes.
  - g) Officers confirmed that all works on the highway required a permit, including emergency works, and that all permit income was retained by KCC. It was explained to Members that permit volumes had increased significantly in recent years.
  - h) Mr Rayner formally requested that it be recorded that he did not note the report for the period September 2025 to January 2026.
- 3 RESOLVED the Committee noted Internal Audit Progress Report for the period September 2025 to January 2026.

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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**

<b>G&amp;A Reference Number</b>	<b>Meeting Date</b>	<b>Minute No.</b>	<b>Agenda Item/Subject</b>	<b>Action</b>	<b>Responsible Officer/Area</b>	<b>Status</b>
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.	Corporate Director Finance	In progress: this has been added to the Work Programme as a future item and will be considered as part of the agenda setting process.
GA032	24 September 2025	327.5	Verbal Update on Committee Business	It was agreed that arrangements for checking the value of matters covered by earmarked reserves would be included in the Work Programme so the item could feature in future committee meetings	Corporate Director Finance /Ruth Emberly	In progress: this has been added to the Work Programme as a future item and will be considered as part of the agenda setting process.
GA033	24 September	327.6	Verbal Update on Committee	In relation to a question regarding	Ben Watts	This is currently in progress.

	2025		Business	peppercorn rents, contact would be made with the relevant Corporate Director and the Deputy Leader to ensure all relevant questions were covered. It was commented that a list of properties that held a peppercorn rent would be helpful to Members and Mr Watts confirmed that he would reflect with the relevant senior officers to examine how best to present this information to the committee.		
GA035	24 September 2025	330.3	External Auditor's Progress Report	Members unanimously agreed to ask the relevant officers to review and answer the model questions set out in the Grant Thornton report (pages 102 onwards)	Katy Reynolds	In progress: This information was provided in part to the Committee ahead of the meeting on 30 October 2025. The remaining answers will be provided to the Committee when

				and if answers were not available, officers would provide these at the next Committee meeting		available. January 2026: further enquiries have been made regarding the outstanding answers.
GA036	24 September 2025	331.6.i	2024/2025 Kent County Council Auditor's Annual Report	Members unanimously agreed that a midterm review covering the effectiveness of the committee would be helpful. Mr Watts confirmed that one would be added to the Governance Recommendations Improvement Plan (GRIP) and presented to the Committee in January 2026.	Ben Watts/Katy Reynolds	In progress: As part of the agenda setting process, it was agreed that this item be added to the Work Programme for the May 2026 meeting, to ensure that a full and thorough review could take place.
GA039	30 October 2025	339.3	Verbal Update on Committee Business	Mr Watts confirmed that he was committed to ensuring that future agendas would include detailed performance and finance updates in relation to the Kent County Council Wholly Owned	Ben Watts	In progress: the performance of KCC wholly owned companies has been added as an agenda item to the January meeting of the Committee. A follow up report would be taken to the March 2026

				Companies, the shareholder board subcommittee of the Cabinet and the financial information relating to the board of companies, previously requested by a Member at a previous Committee meeting.		meeting to pick up on questions raised in January.
GA040	30 October 2025	340.13.c	2024 / 2025 Draft Statement of Accounts and Annual Governance Statement	A written response would be provided in relation to a Member's question around the acquisition details of WF Education, the WF Education Group Holdings Limited and WF Education Group Limited and the expansion of CSG.	Corporate Director Finance	This action was reviewed and closed, further to advice from Ben Watts. A paper relating to the Commercial Services Group and the Committee's role in relation to the Council's companies will be brought to the March meeting of the Governance and Audit Committee.
GA041	26 November 2025	352.2.m	. Customer Feedback Annual Report	A Member commented that the culture of continuous	Pascale Blackburn-Clarke	In progress: An update on the performance of complaints will be

				improvement and making a difference was yet to be embedded and therefore it would assist the Committee if efforts of continuous improvement could be shared with Members for review and comment. Mr Watts commented that a report containing the requested information could be brought to the Committee for future review and discussion.		brought to the Committee in May/July 2026. This will include a section on continuous improvement.
GA042	26 November 2025	353.2.b	Counter Fraud Report	Mr Watts confirmed that a Cyber Security update was being prepared for the Policy and Resources Cabinet Committee for March 2026. A discussion would be held in see if a single core briefing could be provided.	Ben Watts	
GA043	28 January 2026	358.2.a	Verbal Update on Committee	A discussion would take place with the	Ruth Emberly	In progress: As part of a Work Programme

			Business	Chair to explore how the Work Programme could be incorporated into future agendas.		review, relevant report authors are being contacted to ensure that the timescales for regular reports are accurately captured. Once this has been completed, further discussions will take place with the Chair.
GA044	28 January 2026	358.2.b	Verbal Update on Committee Business	An update, inclusive of a timeline for completion, would be provided to the Committee in relation to Action GA041.	Katy Reynolds/Pascale Blackburn-Clarke	As above: An update on the performance of complaints will be brought to the Committee in May/July 2026. This will include a section on continuous improvement.
GA045	28 January 2026	360.2.a	Corporate Risk Register	Mr Scrivener confirmed that he would raise the planned changes, associated financial risks and potential appeals in relation to the discretionary SEND support for over-16 and over-19 learners from September with the relevant risk owner and	Mark Scrivener	Completed: Risks associated with planned changes in relation to this discretionary support have been discussed with the relevant Deputy Director.  A new risk item is being raised to capture and

				ensure the matter was considered in future reporting.		assess its associated risks and will be included in future reporting.
GA046	28 January 2026	360.2.h	Corporate Risk Register	It was proposed and seconded that a summary project tracker for the Oracle Cloud Programme, covering time, cost, and quality, be developed and brought to the Committee, and that the detailed format and reporting expectations for this tracker be agreed at the next agenda-setting meeting. The Committee voted accordingly and the motion was passed.		In progress: initial enquiries have been made to the Project Manager to establish how this action may be delivered.
GA047	28 January 2026	360.2.i	Corporate Risk Register	In relation to Climate Change Risk CRR052, Mr Scrivener agreed to	Mark Scrivener	Concern regarding risk rating and adequate coverage of water

				raise this with the responsible risk owner for further consideration.		shortages discussed at GET Cabinet Committee on 10th March. Mr Smyth agreed to consider Mr Hood's points when next reviewing the risk.
GA048	28 January 2026	362.2.a	A Review of the Statutory Accounts for Kent County Council's Wholly Owned Companies	The purchase price of the WF Education Group was commercially sensitive and would be provided outside the meeting.	Andrea Malvern	This action was reviewed and closed, further to advice from Ben Watts. A paper relating to the Commercial Services Group and the Committee's role in relation to the Council's companies will be brought to the March meeting of the Governance and Audit Committee.

# The Audit Plan for Kent County Council

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Year ending 31 March 2026

25 March 2026

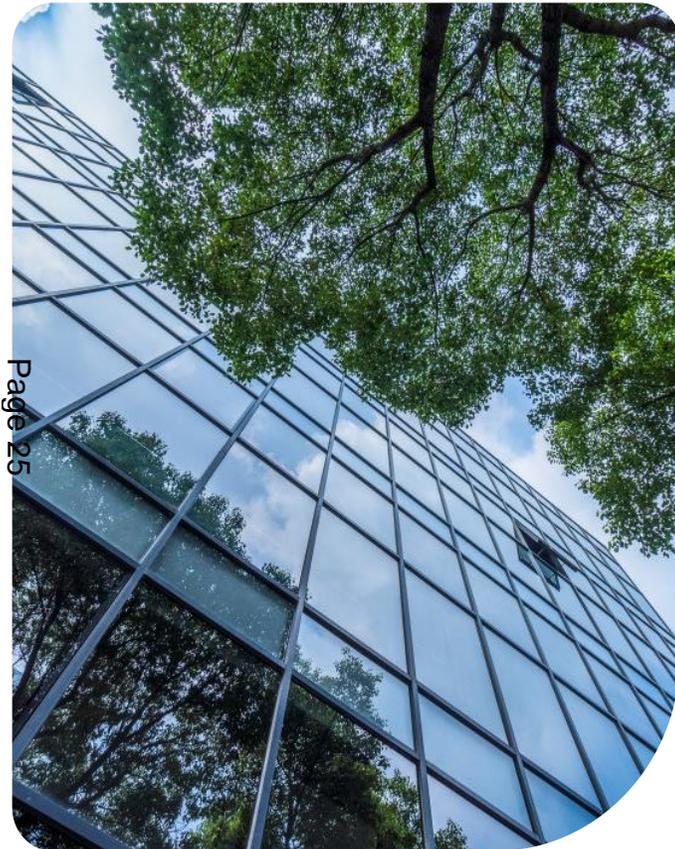
Agenda Item 6



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# Introduction and headlines



## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent County Council ('the Council') and Group for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kent County Council. We draw your attention to these documents.

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council and Group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and Group and is risk based.

# Introduction and headlines (continued)

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk)
- Closing valuation of land and buildings
- Valuation of defined benefit asset/liability
- Oracle system implementation and data migration

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £59.5m (PY £55.5m) for the Council, which equates to 1.8% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors. As all of these errors were judgemental and projected, we have made no change to our benchmark of performance materiality which remains at 65% of materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.975m (PY £2.275m) for the Council and Group.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Global Commercial Services Group Ltd

Which in turn consolidates the following subsidiaries:

- Commercial Services Kent Ltd
- Commercial Services Trading Ltd
- Gen2 Property Ltd
- Invicta Law Ltd
- Cantium Business Solution Ltd
- EDSECO Ltd
- CSG Global Education Ltd
- Landscapes for Learning Ltd
- Lifecycle Management Group Ltd
- Prospects Payroll Ltd
- Groupe WF Education

- WF Education Group Holdings Ltd
- WF Education Group Ltd
- Bowerhouse II Solar Ltd
- PeopleTech Services Ltd

The council is also party to a number of joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP
- Halton and Kent Commercial Services LLP
- Hackney and Kent Commercial Services LLP
- Kent Waste Management LLP
- UK Teach Ltd

Group planning materiality has been set at £60.5m.

The Council's subsidiary companies are subject to an external audit by UHY Hacker Young (component auditor). The work we perform, as group auditor, is determined based on the financial significance of each subsidiary. Our planned approach for the group audit and assessment of subsidiary significance is set out on page 33 and 34.

No significant risks of material misstatement have been identified at the planning stage that relate solely to the Group and group audit.

# Introduction and headlines (continued)

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness, which were reported in our 2024/25 Auditor's Annual Report:

- Financial sustainability – Adult Social Care spend
- Financial sustainability – spend on High Needs Block of SEND

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Our planning work for 2025/26 has now been completed. As part of this work, we have confirmed that the significant weaknesses identified in 2024/25, still remain.

Further, on financial sustainability we have identified a potential significant weakness with regard to the 2026/27 budget which has foregone the full Council Tax flexibility, increasing council tax by less than the cap of 4.99%. A potential significant weakness has also been identified with regard to the changes in the administration since May 2025 and the impact this may have on effective decision-making arrangements. Further details are on page 23.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our planning work has started and will be followed up with an interim audit that will take place in late March 2026, and our final audit fieldwork will take place in mid June 2026. Our key deliverables are this Audit Plan, our Audit Findings Report (AFR), our Auditor's Report and Auditor's Annual Report (AAR) on the Council's VFM arrangements.

In order to meet the statutory deadline for 2026/27 accounts, imposed by the Accounts and Audit (Amendment) Regulations 2024, that audited accounts are published by 30 November 2027, we are undertaking a dry run, with all clients, to finish our work on the 2025-26 accounts by 30 November 2026.

To enable this, we have extended the work performed during our planning and interim audit fieldwork, to reduce the level of testing required during the final audit fieldwork stage. In advance of the publication deadline of 30 June 2026, we will begin work on your accounts from 16 June 2026, undertaking a suite of initial sample selection and testing. This has been discussed and agreed with Management.

We anticipate presenting our AAR and AFR to the September Governance and Audit Committee.

## Audit fees and independence

The scale fee for the audit, set by PSAA, is £475,501 (PY: £462,551) for the Council. This fee is subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

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.

Significant risk	Audit team's assessment	Planned audit procedures
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p><b>Risk relates to</b></p> <p>Group and Council</p>	<p>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.</p>	<p>Our work will include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journal entries</li> <li>• Review of accounting estimates, judgements and decisions made by management</li> <li>• Testing of journals entries, selected on a risk basis</li> <li>• Review of unusual significant transactions</li> </ul>



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p><b>Risk relates to</b></p> <p>Group and Council</p>	<p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have identified and completed a risk assessment of all revenue streams for the Council and Group. Having considered the risk factors set out in ISA240 and the nature of the Council and the Group's revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition.</li> <li>• Opportunities to manipulate revenue recognition are very limited.</li> <li>• The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for Kent County Council or the Group</p>	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. This will include substantive testing of transactions around the year-end, to ensure they have been accounted for in the correct period.</p> <p>We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p><b>Risk relates to</b></p> <p>Group and council</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council and Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p> <p>Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.</p>	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. This will include substantive testing of transactions around the year-end, to ensure they have been accounted for in the correct period.</p> <p>We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings	<p>The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>Our audit procedures include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work.</li> <li>• Evaluate management's indexation methodology, including the process for identifying assets subject to indexation and appropriateness of indices selected for each asset class.</li> <li>• Evaluating the competence, capabilities and objectivity of the valuation expert engaged by the Council.</li> <li>• Evaluating the consistency of the disclosure with the valuation report.</li> <li>• Evaluating the basis on which the valuations were carried out. Evaluating and challenging the information and assumptions used by the valuer.</li> <li>• Evaluating the reasonableness of the assumptions used to form the estimate.</li> <li>• Engaging our own valuation expert to assess the instructions sent to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation</li> <li>• Review indices used and application to asset classes</li> <li>• Evaluating the accounting entries for the valuation.</li> <li>• Testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register and financial statements.</li> </ul>
Risk relates to	<p>We therefore identify the valuation of land and buildings as a significant risk of material misstatement due to the inherent risk of material misstatement arising from error.</p>	
Council	<p>Assets are subject to a rolling five-yearly valuation cycle in accordance with the CIPFA Code. From 2025-26, in intervening years, current value will be updated using appropriate indexation, unless a desktop valuation is required due to absence of a suitable index. The Authority will adopt this approach for the first time in 2025-26, it is a substantial change to the accounting for non-current assets.</p>	

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the pension fund net asset / liability</p> <p>Risk relates to Council</p>	<p>The valuation of the pension fund net liability is considered a significant estimate in the Council's balance sheet.</p> <p>Management engages Barnet Waddingham as the Council's actuarial expert to conduct the pension valuation in accordance with IAS 19, as at 31 March 2026. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. As a significant estimate, we identify the valuation as a significant risk of material misstatement arising from error.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p>	<p>Our audit procedures include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the processes and evaluate the controls put in place by management to ensure the Council's pension fund net liability is not materially misstated.</li> <li>• Evaluating the instructions issued to the actuarial expert regarding the scope of work.</li> <li>• Assessing the competence, capabilities and objectivity of management's expert actuary.</li> <li>• Assessing the accuracy and completeness of the information provided by management to the actuary to complete the pension fund valuation.</li> <li>• Testing the consistency of the pension fund asset and liability disclosures in the financial statements with the actuarial report.</li> <li>• Undertaking procedures to confirm the reasonableness of the actuarial assumptions used to form the estimate.</li> <li>• Obtain assurances from the auditor of the 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.</li> <li>• If a pension asset is recorded, ensure that the asset recorded in the financial statements meets the requirements of IFRIC 14.</li> </ul>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Oracle system implementation and data migration</p> <p><b>Risk relates to</b></p> <p>Council</p>	<p>In August 2025, the Council transitioned its core financial system from Oracle EBS to Oracle Fusion.</p> <p>Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk of material misstatements. Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration at financial statements level.</p> <p>System migration can introduce inherent risks due to changes in financial reporting functionality, workflow configuration, access controls and the transfer of large volumes of financial data. Errors during data migration or new system configuration may result in incomplete, inaccurate or misstated financial balances in the 2025/26 financial statements.</p> <p>As this is the first year of operating the new system there is a heightened risk of control weaknesses, configuration errors and instability of newly implemented processes.</p>	<p>Our work, performed by the IT audit team, will include, but will not be limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the governance and controls the Council put in place over the system migration</li> <li>• Assessing how management ensured data transferred from the old system to the new one was complete and accurate</li> <li>• Reviewing reconciliations between opening balances in Oracle Fusion and closing balances in Oracle EBS</li> <li>• Testing samples of migrated data back to source records</li> <li>• Considering whether changes to workflows, access rights or reporting introduce new financial statement risks</li> <li>• Evaluating whether the financial reporting outputs from the new system support accurate and compliant financial statements.</li> </ul>

# Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Going Concern</p> <p><b>Risk relates to Council</b></p>	<p>In common with other local authorities, our value for money work in recent years has identified significant risks regarding the financial sustainability of the Council. In the prior year, our concerns were focused on the continuing adult social care overspends and overspends with regard to SEND and High Needs Block.</p> <p>The S25 report, issued by the S151 Officer in February 2026 recognises the risks that the Council faces in the future, with 2026-27 being balanced through planned use of reserves and capital receipts, which are non-recurring. The report also recognises the lost income to the Council through the decision not to use full Council Tax flexibilities.</p>	<p>We have considered the ongoing and future financial pressures faced by the Council in planning the audit. We are satisfied that the going concern basis of accounting remains the correct basis behind the preparation of the accounts. We will keep this under review during the year and throughout our appointment as external auditors of the Council.</p> <p>Our Value for Money work will continue to consider the financial sustainability of the Council. This is set out in more detail from page 20 of this report.</p>



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”

(ISA (UK) 315)

# Other risks identified (continued)

Risk	Description	Planned audit procedures
<p>Local Government Reorganisation</p> <p><b>Risk relates to Council</b></p>	<p>On 16 December 2024, the Minister for State for Local Government and English Devolution Jim McMahon, wrote to all Councils in remaining two-tier areas and neighbouring small unitaries to set out the plans for a joint programme of devolution and local government reorganisation (LGR). All authorities in Kent submitted plans to MHCLG for LGR by 28 November 2025, resulting in five options for reorganisation which are now being publicly consulted on before a government decision, expected in summer 2026,</p> <p>Whilst the specifics of LGR in Kent are unknown at this point, there are potential impacts on decision making at a local level in the period up to the formal reorganisation taking effect. Of particular concern for some existing bodies is the fact that where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, they may well end up being repurposed to cover an overspend incurred by a successor body. Thus, there is potentially an incentive for bodies to run down reserves prior to the formal merger, to ensure these balances are utilised for the purposes intended when originally set aside. The same may apply for balances such as the Community Infrastructure Levy, which again is at risk of being utilised for different purposes than was planned in any successor body.</p> <p>Auditors will be keeping a close eye, as part of their Value for Money and financial statements audit work, for any schemes or projects which look to be evidence of reserves being run down in advance of LGR. Whilst Authorities ultimately will still have powers to make some spending decisions in advance of LGR, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run summer 2026, when the government decision is expected. The fiduciary duty of Members to ensure that the Council to which they are elected manages public funds in a responsible way, maximising their value and use for public benefit is paramount in the lead up to LGR.</p>	<p>Our work will include, but will not be limited to:</p> <ul style="list-style-type: none"> <li>• Consideration of earmarked reserves and any significant changes to their utilisation and levels held</li> <li>• Consideration and review of large projects approved in the financial year that will go beyond summer 2026 and the governance approvals applied.</li> </ul> <p>We will work closely with the Value for Money audit team, to form our response on this risk.</p>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Scope of group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

1	2	3	4	5	6	Organisation Type	Risk of material misstatement to the group	Auditor	Audit scope	Specific account balances in scope	Statutory audit
<b>Kent County Council Group</b>											
	Kent County Council					Local Authority	Yes	Grant Thornton UK			Yes
	Global Commercial Services Group Ltd					100% owned subsidiary	Yes				Yes
	Gen2 Property Ltd					100% owned subsidiary	No				Yes
	Invicta Law Ltd					100% owned subsidiary	No				Yes
Page 37	EDSECO Ltd (The Education People)					100% owned subsidiary	No				Yes
	Cantium Business Solution Ltd					100% owned subsidiary	No	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			Yes
	Commercial Services Trading Ltd					100% owned subsidiary	No			Yes	
	CSG Global Education Ltd					100% owned subsidiary	No			Yes	
	Landscapes for Learning Ltd					100% owned subsidiary	No			Yes	
	Lifecycle Management Group					100% owned subsidiary	No			Yes	
	Prospects Payroll Ltd					100% owned subsidiary	No			Yes	
	Kent Waste Management LLP					50% owned jointly controlled operation	No			Yes	
	UK Teach Ltd					50% owned jointly controlled operation	No			Yes	
	Groupe WF Education					100% owned subsidiary	No			Yes	
WF Education Group Holdings Ltd					100% owned subsidiary	No			Yes		
	WF Education Group Ltd					100% owned subsidiary	No			Yes	

## Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Analytical procedures at group level

# Scope of group audit (continued)

1	2	3	4	5	6	Organisation Type	Risk of material misstatement to the group	Auditor	Audit scope	Specific account balances in scope	Statutory audit
<b>Kent County Council Group</b>											
						Commercial Services Kent Ltd	100% owned subsidiary	Financially Significant Component	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young	Revenue, Expenditure	Yes
						Bowerhouse II Solar Ltd	100% owned subsidiary	No			Yes
						PeopleTech Services Ltd	100% owned subsidiary	No			Yes
						Hampshire & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Luton & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Surrey & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Dudley & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Dorset & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Halton & Kent CS LLP	50% owned jointly controlled operation	No			Yes
						Hackney & Kent CS LLP	50% owned jointly controlled operation	No			Yes

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## Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Analytical procedures at group level

# Scope of group audit (continued)

## Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

## Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of UHY Hacker Young will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the UHY Hacker Young audit documentation and meeting with appropriate members of management. We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Description

### Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

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## Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

### Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

### Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

# Our approach to materiality (continued)

Description	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	60,500,000	59,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community; therefore, gross expenditure was deemed the most appropriate benchmark. We assessed a rate of 1.8% as appropriate to apply to the gross expenditure benchmark. This is consistent with the prior year and is at the higher end of the allowable range established by the firm.
Performance materiality	39,000,000	37,000,000	Performance Materiality is based on a percentage of the overall materiality and reflects the level at which we perform substantive audit testing. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Privial threshold	2,975,000	2,975,000	This is assessed as 5% of the council's financial statement materiality
Specific materiality for senior officer remuneration	-	34,500	<p>Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.</p> <p>We have therefore assessed a specific materiality for senior officer remuneration that is £34.5k per each senior officer. This has been calculated by applying the benchmark percentage used for financial statement materiality to the total of officer remuneration. Note this is not a cumulative amount and will be applied to each senior officer.</p>

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Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journal entries	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Oracle Cloud	Financial reporting, expenditure, payables, payroll and journal entries	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs

As set out on page 11, we have identified a significant risk of material misstatement arising from the implementation of the new Oracle Fusion system in August 2025. As such, we have engaged our IT audit team to perform a bespoke piece of work on the Oracle Fusion system, to ensure the data migration is complete and accurate and controls over the new system remain adequate and appropriate. This work is currently in progress and will be reported separately to the Governance and Audit Committee.

# Interim Audit Work

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. We have agreed to review the following areas with management during our interim fieldwork phase

Description	Work commentary
Review of prior year recommendations	We will perform a review of the Council's progress against audit recommendations we have raised in the prior year. This includes performing early review and analysis of the Adult Social Care provision for bad debts
Employee benefit expenditure	We will: <ul style="list-style-type: none"> <li>• select and test a sample of starters, leavers and change of circumstances up to M9</li> <li>• review monthly payroll reports up to M9.</li> <li>• assessing readiness and ability to apply payroll audit data analytics</li> </ul>
Advance testing areas	We will select samples and perform advance testing on: <ul style="list-style-type: none"> <li>• fees and charges</li> <li>• operating expenditure</li> </ul>

# Value for Money Arrangements

## Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. 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 was introduced from November 2025. The three specified reporting criteria are set out below:

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### Financial sustainability

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



### Governance

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



### Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

# Risks of significant weakness in VFM arrangements

## Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Page 45</p> <p>Financial sustainability</p>	<p><b>R</b></p> <p>Significant weakness in arrangements for control of Adult Social Care spend and Dedicated School Grant (DSG) (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.</p>	<p>We raised a key recommendation that the Council should explore further options for increased efficiency in the Adult Social Care and Health service. Quarter 3 2025/26 budget monitoring identifies continuing cost pressures particularly within social care which are largely driving a forecast net overspend of £36.5m.</p> <p>We also raised a key recommendation 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. Significant financial challenges with regard to DSG continue, with a forecast DSG overspend of £67.5m in 2025/26, increasing the cumulative DSG deficit to £136.5m. There is a risk that the significant weakness with regards to arrangements to mitigate the DSG deficit continue.</p>	<p>We will undertake additional procedures to determine the robustness of arrangements in place to:</p> <ul style="list-style-type: none"> <li>mitigate cost and demand pressures</li> <li>mitigate the annual DSG deficit in context of recent government announcements</li> </ul>

- 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.

# Risks of significant weakness in VFM arrangements (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Page 40</p> <p>Financial sustainability (continued)</p>	<p><b>R</b></p> <p>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.</p>	<p>We have also identified a further risk of significant weaknesses with regards to the Council’s arrangements to secure financial sustainability.</p> <p>The Council has set a balanced budget for 2026/27 after foregoing full Council Tax flexibility, increasing council tax by 3.99%, 1% less than the total flexibility allowed. We need to conduct sufficient work to establish any significant impacts or risks, to the Council's financial planning, and future financial sustainability emanating from this Council decision.</p>	<p>We will undertake additional procedures to understand and determine the impact of the Council decision to not levy full Council Tax flexibility on the Council financial planning and how the Council intends to manage any associated financial risks.</p>

- 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.

# Risks of significant weakness in VFM arrangements

## (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<div style="background-color: #4a4a8a; color: white; padding: 5px; text-align: center;">Governance</div> <div style="font-size: 8px; transform: rotate(-90deg); position: absolute; left: -40px; top: 50%; transform: translateY(-50%);">Page 47</div>	R	<p>No risks of significant weakness reported; improvement recommendations made</p> <p>We have identified a risk of significant weakness with regards to the Council's governance arrangements during our audit planning.</p> <p>Since Council elections in May 2025 there has been a number of significant changes in the administration's membership. The number of changes, in a relatively short period, could have possible impacts to effective decision-making arrangements at the Council.</p>	<p>We will undertake additional procedures, including the interviewing of some Members and officers, to determine the robustness of arrangements in place to support effective decision making.</p>
	G	<p>No risks of significant weakness reported; no improvement recommendations made</p> <p>We have not identified any risk of significant weakness with regards to the Council's arrangements to secure economy, efficiency and effectiveness during our audit planning.</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.</p>

- 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.

# Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

## Potential types of recommendations

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### Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

# Logistics

## The audit timeline

Key Dates

Audit phases

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Governance and Audit Committee

25 March 2026

Year end:

31 March 2026

Close out

31 August 2026

Governance and Audit Committee

10 September 2026

Sign off:  
By 30 September 2026

Planning – 2 weeks  
w/c 9 February 2026

Interim – 4 weeks  
w/c 23 February 2026

Pre-Final – 4 weeks  
w/c 15 June 2026

Final – 7 weeks  
w/c 13 July 2026

Completion – 2 weeks  
w/c 1 September 2026

### Planning 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

### Interim key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Any planned additional advanced testing – Employee benefit expenditure, Fees & Charges, Other services expenditure
- IT audit specific work on system migration
- Issue Audit Progress Report and sector update to Governance and Audit Committee

### Pre-Final key elements

- Audit teams and digital audit team to assess completeness of closing trial balance and transaction listings
- Initial sample selection and testing

### Final key elements

- Audit teams to complete fieldwork and detailed testing
- Audit of the financial statements
- Audit of the annual report and annual governance statement
- Weekly update meetings with management
- Technical reviews of financial statements

### Completion key elements

- Audit Findings meeting with management
- Draft Audit Findings Report issued to management
- Draft Audit Findings Report issued to Governance and Audit Committee
- Audit Findings presentation to Governance and Audit Committee
- Auditor’s Annual Report presentation to Governance and Audit Committee
- Finalise and sign financial statements and audit report

# Our team and communications

## Grant Thornton core team

**Sarah Ironmonger**  
Engagement Lead / Key Audit Partner

- Sarah is the key contact for senior management and the Governance and Audit Committee
- Responsible for overall quality assurance
- Sarah will attend Governance and Audit Committee meetings

**Lucy Nutley**  
Senior Audit Manager

- Lucy is responsible for overall audit management and quality assurance of audit work
- Key contact for the finance team
- Will oversee the Value for Money work and its conclusions
- Lucy will attend Governance and Audit Committee meetings

**Afif Azman & Gloria Marchant**  
Audit in-charges

- Afif and Gloria will support Lucy with overall resource management
- Responsible for audit team management and day-to-day point of contact for the finance team during fieldwork
- Key day to day contacts for the finance team

**Jason Granger**  
VFM Lead Manager

- Jason will lead on our Value for Money work
- Responsible for meeting with Officers and Members and concluding on the efficacy of arrangements for obtaining value for money

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	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Plan</li> <li>• Audit Progress and Sector Update Reports</li> <li>• Audit Findings Report</li> <li>• Auditor’s Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues</li> </ul>

# Our fee estimate

## Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
  - Actuarial valuation of the defined benefit pension liability
  - RICS compliant valuation of land and buildings and investment property

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## Previous year

In 2024/25 the scale fee set by PSAA was £472,551. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £472,551. We are in the process of agreeing a fee variation for the 2024/25 audit with PSAA for the implementation of IFRS 16 and legal fees arising from technical accounting issues encountered. When approved by PSAA these will be communicated to management and those charged with governance.

	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Kent County Council Audit	462,551	475,501
Use of experts – Data migration	-	5,000
<b>Total (Exc. VAT)</b>	<b>462,551</b>	<b>480,501</b>

# Our fee estimate (continued)

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## PSAA

Local Government Audit fees are set by PSAA as part of their national Procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £475,501.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no matters that we are required to report:

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council and Group 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 Council and Group or investments in the Group 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 Council and Group 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 Council and Group.
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 Council and Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence at planning 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 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.

# Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 1 March 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

None of the below 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 County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

## Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return 2024-25	12,500	Self-Interest (recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the scale fee for the audit of £475,501 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.
Department for Transport – Local Transport Plan Major Projects 2024-25	7,875	Self-Interest (recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,875 in comparison to the scale fee for the audit of £475,501 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.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# 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 and Key Audit Matters	●	
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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Council and Group'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		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## 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.

# Financial reporting changes

## Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

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**New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.**

### Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

## Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

### IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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# The Audit Plan for Kent Pension Fund

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Year ending 31 March 2026

25<sup>th</sup> March 2026



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# Introduction and headlines



## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent Pension Fund ('the Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end, and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund. We draw your attention to these documents in the links below.

- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance & Audit Committee), and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Governance & Audit Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

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

# Introduction and headlines (Continued)

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of level 3 investments
- Valuation of directly held properties
- Actuarial Present value of Promised Retirement Benefit disclosure
- Oracle system implementation and data migration

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 600) Report.

## Materiality

We have determined planning materiality for the Fund to be £126.7m (prior year: £122.1m). This represents 1.5% of gross investment assets as at 31 March 2025. Performance materiality has been set at 75% of planning materiality.

In accordance with auditing standards, we are required to report all uncorrected misstatements other than those that are clearly trivial. For the current year, the triviality threshold has been set at £6.3m (prior year: £6.1m).

We have determined a lower specific planning materiality for:

- £33.2m for benefits payable, based on total benefits of £332.551m.
- £35.2m for contributions, based on total contributions of £352.490m.

In the prior year, a single Fund Account materiality benchmark was applied. For the current year, we have adopted a more tailored approach by setting specific materiality levels for contributions and benefits. These items represent the most substantial areas of activity within the Fund Account and, given their scale and relevance to users of the financial statements, are the most appropriate benchmarks for applying lower, item-specific thresholds. Given the combination of high transaction volume but low complexity, we have applied a 10% benchmark to both contributions and benefits.

Further detail on the rationale and basis for these thresholds is provided in a later section of the Audit Plan.

## Audit logistics

Our interim planning work took place in February 2026, and our final audit visit will take place between mid-June and mid-September 2026. Our key deliverables are this Audit Plan, Auditor's Report, Auditor's Consistency Statement and our Audit Findings Report.

Our proposed fee for the audit is £136,773 (PY: £124,929) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

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.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p><b>Significant</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design and implementation effectiveness of management controls over journals entries;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• Identify unusual journals entries made during the year and at the account production stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgement, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p data-bbox="104 364 614 439">Valuation of level 3 investments (excluding directly held properties)</p> <div data-bbox="104 468 308 525" style="background-color: #4a4a8a; color: white; padding: 2px 5px; display: inline-block; font-weight: bold;">Significant</div> <p data-bbox="104 554 614 739">The valuations of level 3 investments are a significant accounting estimate based on unobservable inputs and hence there is a risk of material misstatement due to error.</p>	<p data-bbox="631 364 1284 739">By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (PY £1.066bn excluding directly held properties) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.</p> <p data-bbox="631 782 1284 1053">Under ISA 315 significant risk often relates to significant non-routine transactions and judgemental matters. Level 3 investments, by their nature, involve complex valuation techniques and require considerable judgement in determining an appropriate fair value at the year-end.</p> <p data-bbox="631 1096 1284 1240">Management engages the Fund's investment managers and custodian as valuation experts to support the estimation of fair value as at 31 March 2026.</p>	<p data-bbox="1302 364 2430 406">We will:</p> <ul data-bbox="1302 406 2430 1120" style="list-style-type: none"> <li data-bbox="1302 406 2430 521">• Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls;</li> <li data-bbox="1302 521 2430 635">• review the nature and basis of estimated value and consider what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the code are met;</li> <li data-bbox="1302 635 2430 706">• independently request year-end confirmations from investment managers and the custodian;</li> <li data-bbox="1302 706 2430 892">• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period;</li> <li data-bbox="1302 892 2430 963">• where available review investment manager service auditor report on design and operating effectiveness of internal controls;</li> <li data-bbox="1302 963 2430 1049">• evaluate the competence, capabilities and objectivity of the valuation expert; and</li> <li data-bbox="1302 1049 2430 1120">• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.</li> </ul>

# Significant risks identified (continued)

## Significant risk

Valuation of directly held property

**Significant**

The valuations of directly held property are a significant accounting estimate based upon a number of judgments and key assumptions and hence there is a risk of material misstatement due to error.

## Audit team's assessment

Kent Pension Fund holds directly owned properties within its Level 3 investment portfolio. These assets will be valued by management's appointed expert as at 31 March 2026.

The valuation of these properties represents a significant accounting estimate within the financial statements due to the magnitude of the amounts involved (PY: £473.188m) and the sensitivity of the valuation to changes in key assumptions used by the valuer.

In line with ISA 315, we have therefore identified the valuation of directly held properties as a significant risk for the audit.

## Planned audit procedures

We will:

- Obtain an understanding of the management processes and evaluate the design and implementation effectiveness of the associated controls;
- Evaluate management's processes and assumptions for the calculation of the estimates, the instruction issued to the valuation experts and the scope of the work;
- Evaluate the competence, capabilities and objectivity of the valuation expert;
- Write to the valuer to confirm the basis on which the valuations were carried out;
- Engage our own valuer to assess the instruction to the fund's valuer report and the assumption that underpin the valuation;
- Challenge the information and assumption used by the valuer to assess completeness and consistency with our understanding; and
- Test on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent Pension Fund's financial record.

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p data-bbox="104 182 504 292">Actuarial present value of promised retirement benefits disclosure – IAS 26</p> <div data-bbox="104 318 308 372" style="background-color: #4a4a9a; color: white; padding: 2px 5px; display: inline-block; font-weight: bold;">Significant</div> <p data-bbox="104 415 504 749">The disclosure of the Fund's actuarial present value of promised retirement benefit is an accounting estimate and is sensitive to changes in key assumptions and hence there is a risk of material misstatement due to error.</p>	<p data-bbox="517 182 1268 406">In prior years, the actuarial present value of promised retirement benefits has been treated as an "other risk", as it relates solely to disclosure within the financial statements and does not directly impact the Fund Account or the Net Assets Statement.</p> <p data-bbox="517 421 1268 721">However, 2025 is a triennial valuation year, and the formal actuarial results-based on updated membership data, revised financial assumptions and current actuarial methodologies will be issued in 2026. These updated valuation results form the basis of the disclosure included in the 2025/26 financial statements, making the triennial exercise directly relevant to this year's audit.</p> <p data-bbox="517 735 1268 806">The triennial valuation increases the risk of material misstatement due to:</p> <ul data-bbox="517 821 1268 1106" style="list-style-type: none"> <li>• the complexity of the actuarial valuation process;</li> <li>• the degree of judgement applied in determining the key financial and demographic assumptions; and</li> <li>• the reliance on actuarial specialists and the accuracy of the underlying data supplied by the scheme administrator.</li> </ul> <p data-bbox="517 1120 1268 1336">Given the extent of judgement applied and the potential impact on the accuracy and completeness of this disclosure, we have determined that the actuarial present value of promised retirement benefits represents a significant risk for the 2025/26 audit.</p>	<p data-bbox="1302 182 2504 221">We will:</p> <p data-bbox="1302 257 1574 292"><u>Triennial Valuation</u></p> <ul data-bbox="1302 299 2504 678" style="list-style-type: none"> <li>• Document the approach taken by the Kent Pension Fund to appoint and agree the terms of engagement with the actuary;</li> <li>• Obtain and document the scope of work performed by the actuary for the triennial valuation;</li> <li>• Obtain an understanding of the management processes and evaluate the design and implementation effectiveness of the associated controls;</li> <li>• Agree the total number of active, deferred, pensioner and dependent members included in the valuation date to the underlying pension fund records; and</li> <li>• Select a sample of pension fund members for testing in line with GT sampling guidance.</li> </ul> <p data-bbox="1302 714 2219 749"><u>Actuarial present value of Promised retirement benefit disclosure</u></p> <ul data-bbox="1302 756 2504 1320" style="list-style-type: none"> <li>• Document our understanding of the processes in place by management in relation with Actuarial Present value of promised retirement benefits;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;</li> <li>• Test the consistency of disclosures with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• We will obtain assurance that the membership data testing conducted in the previous year remains reliable for the valuation as of 31 March 2025.</li> </ul>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Oracle system implementation and data migration  (Financial statement level Risk)	<p>In August 2025, the council transitioned its core financial system from EBS to Oracle Fusion.</p> <p>Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk of material misstatements. Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration at financial statement level.</p> <p>System migration can introduce inherent risks due to changes in financial reporting functionality, workflow configuration, access controls and transfer of large volumes of financial data. Error during data migration or new system configuration may result in incomplete, inaccurate or misstated financial balances in the 2025/26 financial statements.</p> <p>As this is the first year of operating the new system there is heightened risk of control weaknesses, configuration errors and instability of newly implemented processes.</p>	<p>Our work, undertaken by the IT Audit team and the Financial Audit team, will include but will not be limited to the following activities:</p> <ul style="list-style-type: none"><li>• Reviewing the governance and controls the Council put in place over the system migration;</li><li>• Assessing how management ensured data transferred from the old system to the new one was complete and accurate;</li><li>• Reviewing reconciliations between opening balances in Oracle Fusion and closing balances in Oracle EBS;</li><li>• Testing samples of migrated data back to source records;</li><li>• Considering whether changes to workflows, access rights or reporting introduce new financial statement risks; and</li><li>• Evaluating whether the financial reporting outputs from the new system support accurate and compliant financial statements.</li></ul>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p><b>Rebutted</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10(PN10) states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result, under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition;</li> <li>• opportunities to manipulate expenditure recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedure have been carried will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>



Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgemental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgements and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Other matters

## Other work

The Fund is administered by Kent County Council (the ‘Council’), and the Fund’s accounts form part of the Council’s financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Council’s financial statements to check that it is consistent with the Fund’s financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2025/26 financial statements, consider and decide upon any objections received in relation to the 2025/26 financial statements
  - issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State
  - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the Fund’s financial statements included in the Fund’s annual report with the audited Fund’s accounts.

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## Other material balances and transactions

Under International Standards on Auditing, ‘irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure’. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## 2025 triennial valuation

Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published in March/April 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. It also provides the source data for actuaries to prepare their estimate of the actuarial present value of promised retirement benefits at the Fund level, as required under *IAS 26 - Accounting and Reporting by Retirement Benefit Plans*, and provides the base for actuaries to roll forward their estimates and assumptions from the triennial valuation to annually estimate individual employers’ pension liabilities between triennial revaluations as required by *IAS 19 – Employee Benefits*.

# Other matters (Continued)

The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories:

- 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on.
- 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers.

As auditors, we therefore need to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years and Item 2 testing is carried out annually. The work for Item 1 will involve picking a sample of members across actives, deferreds and pensioners and testing a number of separate data sets within each category. Item 2 testing is included within the annual scale fee, but Item 1 is additional work that will be need to be subject to a fee variation. Our proposed fee variation is on Page 22.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Matter & Description

### Determination

We have determined planning materiality for the audit of the Fund's financial statements using our professional judgement and our understanding of the Fund's operations, environment, and stakeholder expectations. In forming this assessment, we considered relevant sector developments, financial stability, and the statutory reporting requirements applicable to pension fund financial statements.

Users of the Fund's financial statements typically operate within a regulated environment and have a clear understanding of the nature and scope of the Fund's activities. We have not identified any specific sensitivities or heightened user expectations that would necessitate an adjustment to our standard approach.

In line with the firm's methodology, we have also performed an analysis of the materiality levels applied to Grant Thornton–audited admitted bodies. This included assessing their relative share of assets to ensure that the benchmark used for the Fund is appropriate for the purpose of providing IAS 19 assurance. This comparison is a required component of our planning procedures under firm guidelines.

Based on this analysis, planning materiality has been determined using the Fund's gross investment assets as at 31 March 2025. At the planning stage, the materiality for the Fund's financial statements is £126.7 million. The benchmark of 1.5% of gross investment assets remains consistent with the prior year, and we have not identified any circumstances that would require this percentage to be revised.

## Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes, and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

# Our approach to materiality (continued)

## Matter & Description

### Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

## Planned audit procedures

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. benefits payable within the Fund Account). Details of lower specific materialities applied can be found on the next page.

### Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

# Our approach to materiality (Continued)

Materiality	Amount	Qualitative factors considered
Headline materiality for the Fund's financial statements	£126,700,000	In determining the planning materiality for the audit, we have considered user expectations and the level of audit risk associated with this engagement. Kent Pension Fund is a large and high-profile pension fund, and accordingly we have set materiality at 1.5% of gross investment assets, which we consider to be an appropriate threshold for planning purposes. We have also undertaken an analysis of the materiality levels applied to Grant Thornton–audited admitted bodies, taking into account their relative share of assets. This analysis, which is required as part of our firm's IAS 19 assurance procedures, further supports the use of a 1.5% benchmark. In the prior year, the same benchmark (1.5%) was applied in determining materiality. Based on our risk assessment and the absence of any factors that would justify a change, we consider the continued use of this benchmark to be appropriate.
Performance materiality for the Fund's financial statements	£95,000,000	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining the benchmark, we reviewed the previous year's audit work and did not identify 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.
Triviality	£6,300,000	Triviality is based on a percentage 5% of the overall headline materiality
Lower specific materiality for Contributions	£35,200,000	A lower specific materiality has been applied to contributions as they represent a significant and high-volume class of transactions within the scheme and are an area of particular focus for both members and regulators. Errors or omissions in recording contributions could directly influence member benefit entitlements and therefore require an appropriate level of audit attention. Although the contribution value for Kent Pension Fund is substantial, the associated processes are relatively straightforward and do not involve complex calculations or judgemental inputs. Given the combination of high volume but low complexity. On that basis, we have set specific materiality at 10% of total contributions, based on the contribution balance as at 31 March 2025. This approach ensures the threshold remains sensitive enough to identify potential misstatements while proportionate to the risk profile of this balance.
Lower specific materiality for Benefit payable	£33,200,000	A lower specific materiality has been applied to benefits payable as these transactions represent payments made directly to members and are therefore inherently sensitive. Any misstatement in benefit payments could have a direct impact on members and may give rise to reputational or regulatory concerns for the scheme. Given the nature of these payments, a specific materiality threshold is necessary to ensure an appropriate level of audit attention is directed toward this area. While the overall value of benefit payments is significant, the processes underpinning these transactions are generally well-established and not overly complex. Consistent with our audit methodology—where transaction streams are sensitive but not complex—we have applied specific materiality at 10% of total benefit payments, based on the balance as at 31 March 2025. This provides a proportionate and risk-focused threshold for this balance.

# Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Fund’s financial statements, which resulted in 3 recommendations being reported in our 2024/25 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Low	<p><b>Lack of review of Journals</b> In our review of management override of control, we note that journals can be posted and approved by the same person.</p> <p><b>Risk</b> 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.</p>	<p><b>Management response:</b> Council has implemented a new accounting system (Oracle Cloud). As a result of the implementation of this system, a smaller number of colleagues have the ability to input and upload journals which are then required to be posted by other colleagues. Prior to these journals being uploaded, in many cases, the journals are requested to be signed off/approved by different individuals. However, in some cases, as was the case previously, large journals which can be populated by macros, these journals cannot be reviewed/reconciled in the same way, although we would still consider this very low risk given the number of reconciliations conducted both in the year and at year-end which are designed to highlight any errors or mis-postings. However, different individuals are required for uploading and posting the journals on Oracle Cloud platform.</p>
Low	<p><b>Outside of General ledger adjustments</b> 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.</p> <p><b>Risk</b> There is an increased risk for human errors and misstatement where investment change in MV are recorded on manual spreadsheet.</p>	<p><b>Management response:</b> Following the completion of the 2024/25 external audit, management have held a number of internal discussions with Treasury colleagues—who went through a similar process previously—as well as with the Chief Accountant. Management have also engaged in external discussions with counterparts at other ACCESS authorities that have already transitioned their market values onto the ledger. These discussions were undertaken to ensure a robust plan is developed and to minimise the risk of error during the transition. A plan has now been established and will be implemented as the new process from 1 April (2026/27 financial year). Introducing the change at the start of the new financial year will support consistency in the accounts and reduce any further risk. The process involves amending the book cost ledger so that it reflects market values, which will require a series of journals to reconcile the final book cost position (e.g., purchases, sales, gains, losses) and to post the realised and unrealised adjustments necessary to bring values to market. As these journals are typically prepared and posted at year-end, it is considered most appropriate to apply the new approach from 1 April. Furthermore, given the recent changes associated with the implementation of Oracle Cloud, management did not consider it appropriate to introduce additional complexity part-way through the current year.</p>

# Progress against prior year audit recommendations (Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Medium	<p>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.</p> <p>Applicable Developer – Development Access; and System Administrator – Implementation access.</p> <p>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.</p> <p><b>Risk</b> 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</p>	<p>Management is currently awaiting a response from the IT team to provide an update on the status of recommendation.</p> <p><b>Auditor Comment:</b> We will follow up and review the implementation as part of the 2025/26 audit and report the outcome in the Audit Finding Report.</p>

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle EBS*	Financial reporting	Our IT Audit team will perform work to obtain assurance that the ITGC are designed implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Oracle Cloud*	Financial reporting	Our IT Audit team will perform work to obtain assurance that the ITGC are designed implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Pension Administration System - Altair	Member Data/Benefit payable/contribution receivables	Heywood acts as the service provider for the Altair pension administration system. The system is fully hosted and managed within Heywood's environment, meaning that the key IT and operational controls relevant to Altair are designed and operated by Heywood rather than by the LGPS. Because of this, our audit approach includes reviewing the Service Auditor's SOC 1 Type 2 report to understand the control environment in place at the service provider.

\*As the Kent Pension Fund and Kent County Council operate on the same underlying system, we have identified a significant risk of material misstatement associated with the implementation of the new Oracle Fusion system in August 2025. To address this risk, our IT audit specialists have been engaged to perform a bespoke review of the Oracle Fusion environment. This work will evaluate the completeness and accuracy of the data migration, as well as assess the design and operating effectiveness of the controls within the new system. The review is currently in progress, and the findings will be reported separately to the Governance and Audit Committee by the Council's auditor.

# Interim Audit Work

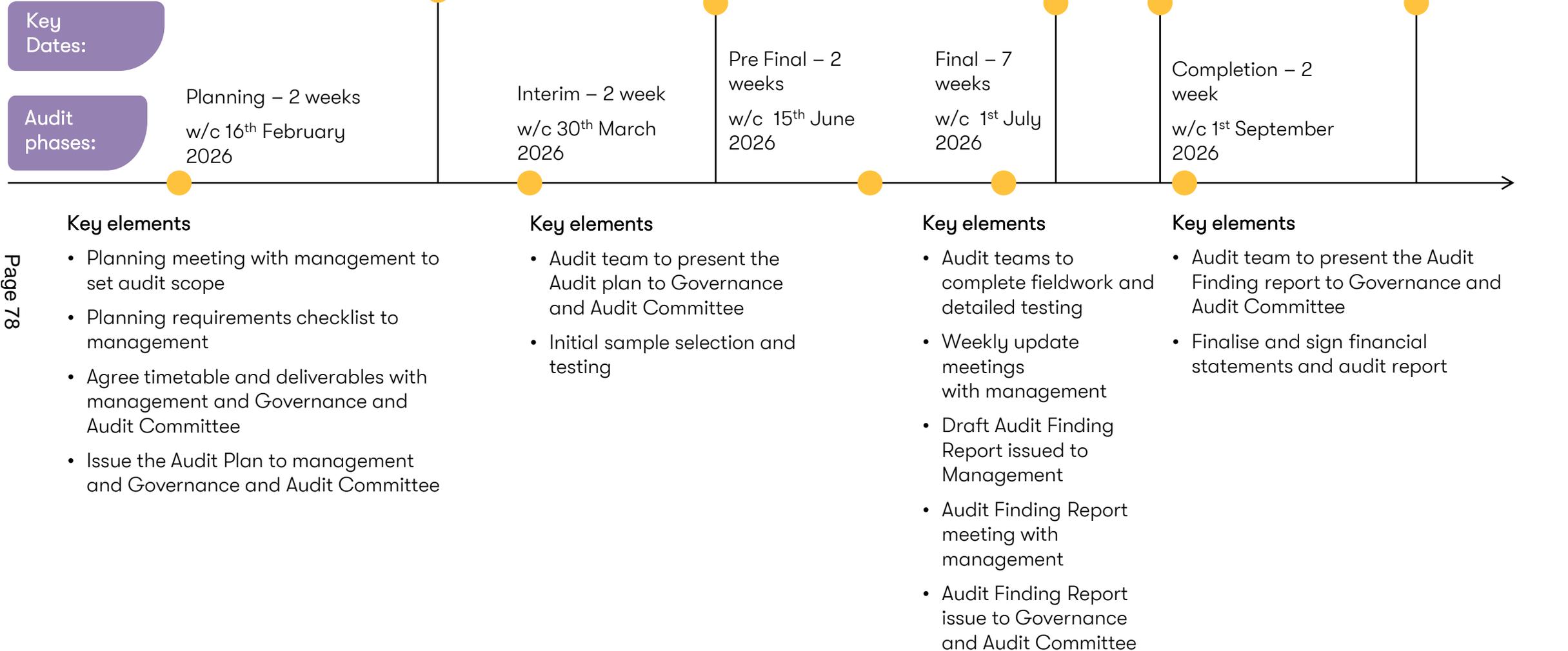
As the statutory backstop date has moved earlier in the year, we will incorporate an interim visit into our audit approach. This will enable us to complete advance testing ahead of year-end and ensure all required work can be finalised in line with the timetable.

## Details of work to be conducted at interim:

Description	Work commentary
Triennial Valuation work	<p>We will:</p> <ul style="list-style-type: none"> <li>• Agree the total number of active, deferred, pensioner and dependent members included in the valuation date to the underlying pension fund records;</li> <li>• Select a sample of pension fund members for testing in line with GT sampling guidance;</li> <li>• Test the selected sample against the relevant underlying records.</li> </ul>
Advance testing areas	<p>We will select samples and perform advance testing on:</p> <ul style="list-style-type: none"> <li>• Contribution</li> <li>• Benefit payable</li> </ul>

# Logistics

## The audit timeline



\* It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council

# Our team and communications

## Grant Thornton core team

### Parris Williams

Engagement Lead/  
Key Audit Partner

- Parris is the key contact for senior management and the Governance and Audit Committee
- Responsible for overall quality assurance
- Parris will attend Governance and Audit Committee meetings

### Zargham Malik

Audit Manager

- Zargham is responsible for overall audit management and quality assurance of our audit work
- Key contact for the finance team
- Zargham will attend Governance and Audit Committee meetings

### Tram Nguyen

Audit Senior / In-charge

- Tram will support Zargham with overall resource management
- Responsible for audit team management and day to day point of contact for the finance team during planning and field work

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	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Plan</li> <li>• Audit Progress and Sector Update Reports</li> <li>• Audit Findings Report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues</li> </ul>

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/In-charge 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.

# Our fee estimate

## Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Description

	Audit Fee for 2024/25 (£)	*Proposed fee for 2025/26 (£)
Scale fee for Pension Fund Audit	116,779	118,623
Auditor's expert used for the valuation of directly held properties	4,650	4,650
IAS 19 letters to auditors of bodies outside the NAO code	3,500	3,500
2025 triennial valuation data testing	-	10,000
<b>Total (Exc. VAT)</b>	<b>124,929</b>	<b>136,773</b>

\* All fee variations included within this fee estimate are subject to approval by PSAA.

# Our fee estimate (continued)

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for Kent Pension Fund to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £118,623.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Page 81
- Production of the final auditor's annual report for the previous Audit Year or opinion issued
  - Production of the draft audit planning report to Audited Body
  - 50% of planned hours of an audit have been completed
  - 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

# Independence considerations

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority 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 and/or Administering Authority or investments in the Fund and/or Administering Authority 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/Administering Authority 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 and/or Administering Authority.
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 and/or Administering Authority's board, 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 at planning 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

# Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to a current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

None of the below 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 summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Grant Thornton UK LLP also acts as the statutory auditor of the administering authority and its subsidiaries. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan/Audit Findings Report. We consider that such services and fees do not impair our independence.

## Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
<b>Audit Related Assurance</b>			
IAS 19 Assurance letter to the NAO in respect of the admitted body Ebbsfleet Development Corporation*	£3,500	Self-Interest (recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit is £133,623 and in particular relative to Grant Thornton UK LLP's turnover overall.  Further, it is fixed fee and there is no contingent element to it. These factor all mitigate the perceived self interest threat to an acceptable level.
<b>Total</b>			

\*IAS 19 reports provided to auditors of local authorities and NHS bodies fall within the scope of the scale fee. However, where IAS 19 reports are requested by auditors of bodies outside this scope, these are treated as non-audit services and are therefore excluded from the scale fee. We have not yet received a formal request from the National Audit Office (NAO), but on the assumption that a request will be issued in the coming days, we are proposing a fee of £3,500 (prior year: £3,500).

# Communication of audit matters with those charged with governance

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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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 and Key Audit Matters	●	
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	●	●

# Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
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		■
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		●

## 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.

# Financial reporting changes

## New or revised accounting standards that have been adopted by the CIPFA Code for 2025/26

### Amendments to IAS 21 – Lack of Exchangeability

IAS 21 *The Effects of Changes in Foreign Exchange Rates* has been amended by the IASB to clarify how an entity should assess whether a currency is exchangeable and how it should determine an appropriate spot exchange rate when exchangeability is lacking. The amendments introduce more detailed guidance on identifying a lack of exchangeability and on estimating a spot exchange rate in such circumstances. These amendments have been adopted by the Code from 1 April 2025.

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### IFRS 17 – Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and has been adopted by the CIPFA Code for local authority accounting from 1 April 2025. The standard introduces a new comprehensive framework for the recognition, measurement, presentation and disclosure of insurance contracts, replacing IFRS 4. Key features of IFRS 17 include the introduction of revised measurement models for insurance liabilities, the contractual service margin to defer unearned profit, new presentation requirements and significantly enhanced disclosures aimed at improving transparency and comparability.

## New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

### Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).



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By: Acting Chief Accountant, Joe McKay  
 To: Governance & Audit Committee  
 Subject: Timetable for the 2025-26 Statement of Accounts and update on accounting policies  
 Classification: Unrestricted

## Recommendations

The report asks Members to:

- 1 – note the timetable for the 2025-26 Statement of Accounts and external audit
- 2 – note the change to accounting policies for the introduction of indexation of Property, Plant & Equipment assets

### **1 2025/26 Statement of Accounts and external audit timetable**

- 1.1 The publication deadline for the draft (unaudited) Statement of Accounts is 30 June 2026.
- 1.2 The audit backstop dates implemented by MHCLG require the external audit to be completed by 31 January 2027.
- 1.3 To achieve the deadlines above, we intend to publish the draft Statement of Accounts by 30 June 2026, with the external audit commencing in mid-June. Interim work with the auditors has already begun including interim samples of operating expenditure, income from fees, sales and charges and payroll.

### **2 Changes to accounting policies**

- 2.1 The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) – Accounting Policies, Changes in Accounting Estimates and Errors. Accounting policies are identified as “...the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
- 2.2 For 2025-26, there is one change to report. Indexation of Property, Plant & Equipment has been mandated for local authorities in 2025/26. The draft accounting policy, to be included in the 2025-26 Statement of Accounts in Note 17, starts in paragraph 3.1 with changes shown in italics .
- 2.3 More detail on the introduction of indexation and the work undertaken to date is also provided in paragraphs 2.7-2.11.

- 2.4 Local government accounts are prepared in accordance with the CIPFA Code of Practice (the code). The 2025-26 Code includes a revaluation expedient for Property, Plant and Equipment (PPE), requiring valuations once every five years or on a five-year rolling basis, supported by indexation in the intervening years. This report sets out how we will implement this expedient.
- 2.5 Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations. The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables e.g. build costs or rental income. It is important to note that indexation is an approximation of market change and is not a valuation of a specific asset.
- 2.6 The main changes introduced to the 2025-26 Code are as follows:
- A revaluation expedient for PPE requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no appropriate index is available.
  - Transitional arrangements allow these changes to be applied prospectively, with no restatement of prior year figures required.
  - To assist local authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the financial reporting manual (FReM).
  - A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.
- 2.7 The Code has not mandated the use of a specific index. We have therefore sought advice from our independent, external valuers, Wilks Head & Eve (WHE) to determine the most appropriate index for each class of asset.

### **Property, Plant and Equipment (PPE) & Surplus Assets**

- 2.8 All operational PPE and Surplus Assets will be revalued on a 5 year rolling programme. We have worked with our expert valuers to identify the most appropriate index for each type of asset. We have sense checked and challenged where appropriate to ensure we understand the rationale for each index applied. The table below details which index will be used for each type of asset:

<b>Asset Type</b>	<b>Index</b>
Specialised Property	All-In TPI published by BCIS (National)
Offices	Percentage movement from Co Star and MSCI data (Regional)
Retail	Percentage movement from Co Star and MSCI data (Regional)
Industrial	Percentage movement from Co Star and MSCI data (Regional)
Residential	Percentage movement from Co Star and MSCI data (Regional)
Land	Percentage movement informed from published reports provided by Knight Frank (KF) / Lambert Smith Hampton (LSH) / Savills etc (National) covering: <ul style="list-style-type: none"> <li>▪ Agricultural Land</li> <li>▪ Residential Land</li> <li>▪ Commercial Land</li> <li>▪ Amenity Land</li> </ul>

2.9 MSCI stands for Morgan Stanley Capital International. MSCI provides a variety of indices that cover stock markets worldwide and are widely used as benchmarks. CoStar provides industry-leading commercial real estate information, analytics and news platform that delivers insights to commercial property professionals and other industries. TPI stands for Tender Price Index, which is an estimate of Tender Price Inflation. BCIS stands for Building Cost Information Service and is a UK-based provider of cost, price, and carbon data for the construction industry.

### **Right of Use (ROU) Assets**

2.10 We will not be applying indexation to right of use assets as we have been advised there are not suitable indices that reflect the Council's continuously evolving interest in the asset. There will be a desktop valuation every three years. The carrying amount of ROU assets at 31 March 2025 was £36.7m so the risk of material misstatement is very low.

### **Investment Property**

2.11 There is no change to the existing policy and Investment Property will continue to be revalued at fair value annually. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

### 3 Draft Accounting Policy

- 3.1 Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.
- 3.2 All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our de minimis of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

#### Measurement

- 3.3 Assets are initially measured at cost, comprising:
- the purchase price,
  - any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
  - the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- 3.4 Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction – depreciated historical cost,
  - surplus assets – fair value based on 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,
  - all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- 3.5 Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- 3.6 Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
- 3.7 The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every ~~four~~ five years, *supported by indexation in the intervening years*. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the

Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

### **Indexation**

3.8 Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations. The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables e.g. build costs or rental income. It is important to note that indexation is an approximation of market change and is not a valuation of a specific asset. Advice is sought from our independent, external valuers to determine the most appropriate index for each class of asset.

### **Impairment**

3.9 Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

3.10 Where impairment losses are identified, they are accounted for by:

- writing down the balance on the Revaluation Reserve for that asset up to the accumulated gains
- writing down the relevant service line in the Comprehensive Income and Expenditure Statement where there is no balance or insufficient balance on the Revaluation Reserve.

3.11 Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

3.12 Depreciation is calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

3.13 The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- 3-60 years (as determined by the valuer)
Vehicles, plant and equipment	- 3-25 years
Roads & other highways infrastructure	- 5-120 years
Community assets	- nil
Assets under construction	- nil

Investment properties, Assets Held for Sale - nil

Heritage Assets - nil

- 3.14 Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Property will be split into five components:

Land  
Structure  
Mechanical and Electrical  
Fixtures and Furnishings  
Temporary Buildings.

- 3.15 These components are a significant value of the asset as a whole and have significantly different useful lives.
- 3.16 Under component accounting, the Authority applies a de minimis threshold of £2m per asset except Secondary Schools which have a threshold for componentisation of £8m.
- 3.17 Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-Current Assets Held for Sale**

- 3.18 Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
- 3.19 If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

## **Gains and Losses on Disposal of Non-Current Assets**

- 3.20 When an asset is disposed of or decommissioned, the difference between the capital receipt from the sale and the carrying amount of the asset in the Balance Sheet, after identified costs have been removed, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.
- 3.21 Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £58.2m includes a loss of £61.3m which relates to schools transferring to academy status.

## **Capital receipts**

- 3.22 Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then normally only be used for new capital investment. There are certain circumstances that allow revenue expenditure to be funded from capital receipts, for example the revenue costs associated with transformation. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Conditional receipts are not included in these figures until it is prudent to do so.

## **Charges to Revenue for Non-Current Assets**

- 3.23 Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:
- depreciation attributable to the assets used by the relevant service,
  - revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
  - amortisation of intangible fixed assets attributable to the service.
- 3.24 The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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From: Brian Collins, Deputy Leader  
Dave Shipton Acting Corporate Director of Finance

To: Governance and Audit Committee, 25 March 2026

Subject: Treasury Management Strategy

Status: Unrestricted  
ACTION from Previous Meeting

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Summary: For Comment- to present the Treasury Management Strategy approved by the Council

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## 1) Introduction

- a) At the November 2025 meeting of the Governance and Audit Committee it was agreed that the Treasury Management Strategy would be brought to a future meeting of the Committee for their comment.
- b) The Strategy has been reviewed by the Cabinet and approved by the County Council on 12 February 2026 as part of the suite of budget reports.
- c) Updates on the implementation of the Strategy will be brought to the Committee in June and November 2026.

## 2) Treasury Management Strategy

2.1 The Treasury Management activity of the County Council is closely controlled by the Strategy that is agreed annually. The Strategy is prepared in line with statutory guidance which requires a number of limits and indicators to be set and monitored. This annual refresh of the strategy considers whether any change is appropriate and update, where necessary, the Prudential indicators.

2.2. The Strategy has been approved by the County Council and is attached as and Appendix to this report to allow the Committee to review. During the year, the Committee will receive update reports as part of the monitoring process.

2.3 Listed below are some of the key highlights of the strategy to aid the Committee in their review:

- a. There are no changes to the Council's borrowing or investment strategies or its prudential indicators for security, liquidity and yield as the Council maintains its prudent approach to Treasury Management.
- b. The projection of the Council's capital financing requirement (CFR) is showing a small increase in 2027 and small decline over the next couple of years.
- c. This indicates that no new borrowing is foreseen for new capital programmes, and cash balances are projected to be sufficient to meet the council's cashflow requirements.

- d. Reserve balances are projected to improve slightly. Movement in reserves affect cash balances and these will have to be kept under review to monitor sufficiency of cash balances.
- e. Currently the Council's short term cash balances which are maintained for cash flow purposes are invested in a mix of short- and medium-term instruments. These will also be kept under review to maintain sufficient liquidity for cash flow requirements.
- f. The strategy assumes gradual decline in interest rates although in the recent past rate cutting by central banks has been slower than anticipated. Repayment of loans affect cash balances and therefore investment income although that might be partly offset by cash generated with improving reserve balances. Equally, maturing loan balances will result in lower interest cost burden.

### **3) Governance and Audit Committee's Responsibility**

- a) In accordance with Kent County Council's Financial Regulations, the Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies. Members are reminded that the responsibility for the implementation and regular monitoring of treasury management policies and practices is the delegated responsibility of Cabinet, and the execution and administration of treasury management decisions is delegated to the Section 151 Officer.
- 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.

#### **4) Recommendation**

The Governance and Audit Committee is asked to note the Treasury Management Strategy approved by the County Council on 12 February 2026

#### **4) Appendices**

Appendix: Treasury Management Strategy

#### **5) Background Documents**

#### **6) Contact Details**

**Sangeeta Surana**  
**Pension Fund and Treasury Investments Manager**  
**Tel: 03000 416738**

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# Treasury Management Strategy

## Introduction

1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. Investments held for service purposes or for commercial profit are considered in the separate Appendix N - Investment Strategy.

## External Context

### **Economic background**

4. The following economic commentary is provided by the Council's appointed treasury advisors, MUFG Corporate Markets:
  - The first half of 2025/26 saw:
    - A 0.3% pick up in Gross Domestic Product (GDP) for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% compared with the previous month in August before falling back by 0.1% in September.
    - The annual rate of growth in average earnings excluding bonuses, measured over a three-month period, has fallen from 5.5% to 4.6% in September.
    - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
    - The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
    - The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).
  - From a GDP perspective, the financial year got off to a bumpy start with the 0.3% fall in real GDP in April compared to the previous month, as front running of US tariffs in the first quarter (when GDP grew 0.7% on the quarter) weighed on activity. Despite

the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% compared with the previous quarter. Nonetheless, the 0.0% change in real GDP in July, followed by a 0.1% increase compared with the previous month in August and a 0.1% decrease compared with the previous month in September will have caused some concern. GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.

- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was 0.1% compared with the previous quarter.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but the headwinds are gathering.
- With the November Budget edging nearer, the public finances position looks weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- The weakening in the jobs market looked clear in the spring. May's 109,000 fall in the PAYE measure of employment compared with the previous month was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to October 2025 stood at 723,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The annual rate of growth in average earnings excluding bonuses, measured over a three-month period, has

fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

- CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves’ future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK’s fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by early November yields had fallen back again to a little over 4.40%.
- The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900.

### Interest rate forecast

5. Part of the role of MUFG Corporate Markets as the Council's treasury advisor is to assist the formulation of a view on interest rates. MUFG Corporate Markets provided the following forecasts on 22 December 2025.

These are forecasts for Bank Rate and PWLB certainty rates (gilt yields plus 80 bps).

MUFG Interest Rate View 22-12-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
Bank Rate	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
5yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.40	5.30	5.30	5.20	5.20	5.20	5.20
50yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

6. MUFG Corporate Markets forecast that the Bank of England will reduce Bank Rate (in cuts of 0.25%) to 3.25% by December 2026 in order to keep inflation at a mandated target level of 2%. Gilt yields and PWLB rates are similarly projected to fall back over the timeline of MUFG Corporate Markets forecasts.
7. These interest rate forecasts are a central estimate, not a prediction, and there are upside and downside risks, which could alter the eventual path of interest rates.

### Local Context

8. The following table summarises the Council's balance sheet for the current year (2025-26), the previous financial year and provides a forecast for the medium term.
9. The Council's capital expenditure plans are the key driver of treasury management activity and the starting point for the treasury management strategy is the Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The Council's current capital expenditure and financing plans are set out in the Capital Strategy at appendix P.

#### Balance sheet summary and forecast

	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
<b>Total CFR</b>	<b>1,295.9</b>	<b>1,269.3</b>	<b>1,284.2</b>	<b>1,277.7</b>	<b>1,237.8</b>
Other long-term liabilities	230.3	209.5	194.7	180.7	165.1

## Appendix N

Adjustment for Transferred Debt <sup>1</sup>	26.6	25.6	24.5	23.6	22.6
<b>Loans CFR</b>	<b>1,092.2</b>	<b>1,085.4</b>	<b>1,114.0</b>	<b>1,120.6</b>	<b>1,095.3</b>
External borrowing	-732.6	-650.3	-625.1	-616.9	-608.7
<b>Internal borrowing</b>	<b>359.6</b>	<b>435.1</b>	<b>488.9</b>	<b>503.7</b>	<b>486.6</b>
Less balance sheet resources	-791.7	-722.3	-720.5	-762.1	-743.6
<b>Treasury investments</b>	<b>432.1</b>	<b>287.2</b>	<b>231.6</b>	<b>258.4</b>	<b>257.0</b>

10. The CFR does not increase indefinitely, due the requirement to make a minimum revenue provision, a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used. The MRP charge is not shown separately here but is factored into the CFR.
11. The Total CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. For the purposes of determining the treasury management strategy, other long-term liabilities are removed to arrive at the Loans CFR.
12. The Council had external borrowing of £732.6m (as at 31 March 2025) to meet most of the borrowing requirement implied by the Loans CFR, and this figure will decline gradually over the medium term as external loans mature and are repaid (assuming no additional external borrowing is undertaken).
13. The balance of the Loans CFR borrowing requirement is met through internal borrowing, namely the temporary use of the Council's balance sheet resources in lieu of investment. The Council's internal borrowing is forecast to rise over the medium term, compensating for the change in external borrowing noted above.
14. Balance sheet resources represent the Council's underlying capacity for investment (mostly reserves, provisions and working capital). Balance sheet resources exceed internal borrowing and therefore the Council is forecast to continue to have positive external investment balances for the foreseeable future.
15. The current borrowing and investment balances, as at 30 November 2025, when the Council held £654.5m of external borrowing and £402.3m of treasury investments, are set out in further detail in Annex A.

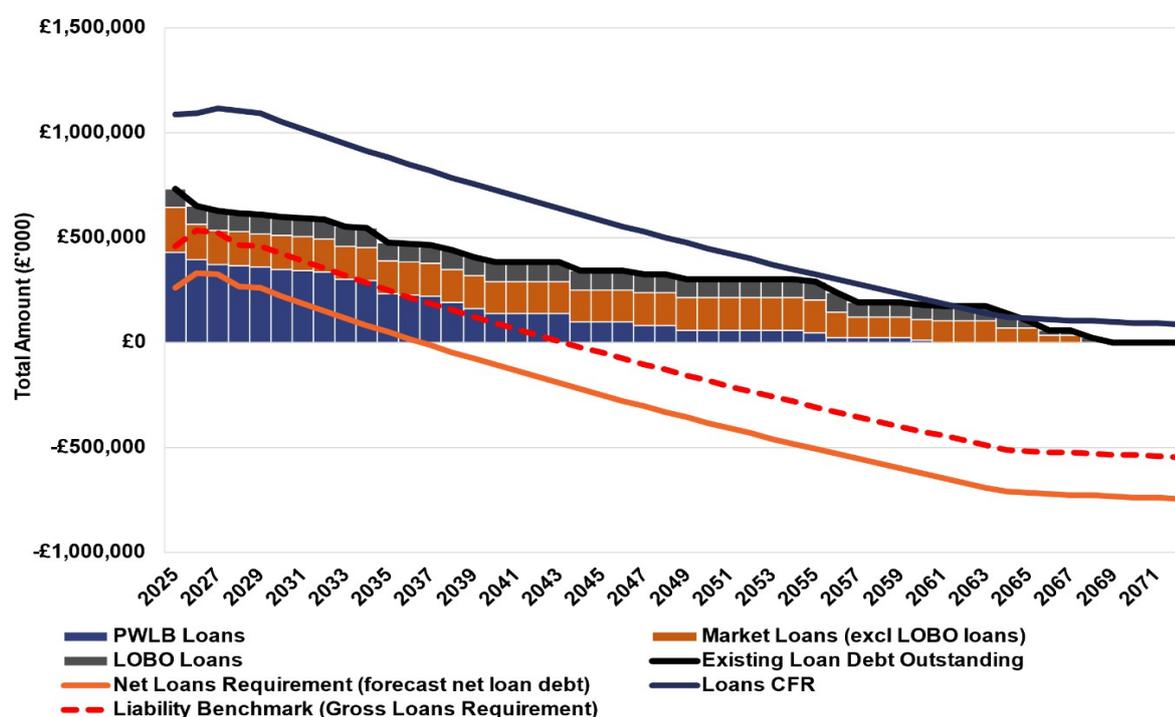
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<sup>1</sup> The Council manages debt on behalf of Medway Council that was transferred to it following the reorganisation that created Medway Council. The value of this debt is included within the total sum of external borrowing shown in the balance sheet summary and forecast table and therefore it is also included in the calculation of the loans CFR within the table. This is in accordance with the requirements of the Prudential Code and ensures that resultant comparison between the loans CFR, external borrowing and internal borrowing is presented on a consistent basis.

**Liability benchmark**

16. To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Balance sheet summary and forecast table above, but that cash and investment balances are kept to a minimum level of £200m at each year-end to maintain sufficient liquidity but minimise credit risk.
17. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the minimum cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
18. The liability benchmark is shown in the below chart. The chart illustrates the maturity profile of the Council’s existing borrowing and assumes no new capital expenditure financed by borrowing beyond 2028/29.

Figure 1: Liability Benchmark Chart



19. The chart shows the overall borrowing requirement (the Loans CFR), which is projected to increase moderately over the medium term in line with the authority’s plans, before declining over the long term as the annual minimum revenue provision (MRP) charge

gradually reduces the Council's borrowing requirement. The borrowing requirement is currently met by a combination of fixed rate loans, LOBO loans and internal borrowing.

20. The Council could theoretically reduce its investment balances to zero and maximise the use of internal borrowing before acquiring any external borrowing. The net loans requirement (orange solid line) represents the minimum amount of external borrowing required under this strategy. However, such an approach would naturally involve an intolerable level of liquidity risk, and therefore a minimum liquidity requirement (assessed at £200m) is added to the net loans requirement to arrive at the liability benchmark itself. In effect, the liability benchmark represents the minimum amount of debt that the Council requires to meet its borrowing requirement and to provide sufficient liquidity for day-to-day cash flow.
21. The chart demonstrates that the Council's existing stock of external debt, exceeds the minimum amount required based on current financial plans, and therefore the authority does not have a need to enter into new external borrowing. The liability benchmark is forecast to rise over the medium term due to a combined increase in capital expenditure and reduction in available balance sheet resources (usable reserves, mainly) before declining over the long term. At the same time external debt is forecast to decline as individual loans expire.
22. Although not shown in figure 1, both the Loans CFR and the liability benchmark are likely to increase in later years as new capital expenditure cycles are approved.

### **Borrowing Strategy**

23. On 30 November 2025, the Council had £654.5m external debt, including £25.9m attributable to Medway Council, as part of its strategy for funding previous years' capital programmes. This represents a decrease of £78.1m from 31 March 2025 and reflects the Council's strategy of maintaining external borrowing below the underlying capital funding requirement.
24. The balance sheet forecast in table 1 shows that the Council does not expect to need to undertake additional borrowing in 2026-27. However, the Council may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing set out in the Capital Strategy (Appendix P).

### **Objective**

25. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

### Strategy

26. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
27. The Council is currently maintaining an under-borrowed position. This means that the underlying borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. Although the path of future interest rates is uncertain, the central expectation is that borrowing rates (costs) will fall from their current levels (see interest rate forecast table above). The Council is forecast to have sufficient liquidity in the near to medium term to support an under borrowed position.
28. By doing so, the Council is able to reduce net borrowing costs and reduce investment counterparty exposure. Internal borrowing is not cost free as it is at the expense of investment returns foregone and neither does it remove the need for Minimum Revenue Provision (MRP) to be made.
29. Given borrowing rates are forecast to decline over the medium term, consideration will also be given to short term rather than long term external borrowing should liquidity considerations necessitate any additional external borrowing (although it is not the Council's central expectation that borrowing will be required for liquidity reasons).
30. Against this background and the risks within the economic forecast, caution will be adopted with the 2026-27 treasury operations. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. The Corporate Director Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
  - *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
  - *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*
31. The Council also retains the option to arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
32. Any decisions will be reported to the Treasury Management Group and the Governance and Audit Committee at the next available opportunity.

### Sources of borrowing

33. The Council has previously raised the majority of its long-term borrowing from the PWLB and is likely to continue with this practice but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

34. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Kent Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- UK National Wealth Fund

35. PWLB lending arrangements have changed, and loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council does not intend to borrow to invest primarily for financial return and will retain its access to PWLB loans.

### Other sources of debt finance

36. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire-purchase
- Private Finance Initiative
- sale and leaseback

### LOBO (Lender's Option Borrower's Option) loans

37. The Council holds £90m of LOBO loans (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. LOBOs totalling £80m have option dates during 2026-27, and there is a reasonable chance that lenders will exercise their options. If they do, the Council will need to explore the option to repay LOBO loans to reduce refinancing risk in later years.

### Debt rescheduling

38. The PWLB allows councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other

lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

39. Any decisions involving the repayment of LOBO loans or debt rescheduling will be reported to the Treasury Management Group and the Governance and Audit Committee at the next available opportunity.

### **Policy on Borrowing in Advance of Need**

40. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

### **Treasury Investment Strategy**

41. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since the beginning of April 2025, the Council's cash balance has ranged between £333m and £705m; investment balances are forecast to be around £315m at the end of 2025-26 and approximately £259m at the end of 2026-27.
42. **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) risks when investing.
43. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and to mitigate the negative impact of inflation on the value of the Council's long-term resources. The portion of the Council's cash invested in the strategic pooled funds' portfolio will be kept under review during the year to ensure it remains proportionate.
44. **ESG policy:** The Council is committed to responsible treasury management and to being a good steward of the assets in which it invests. As stated in paragraph 1 above, the successful identification, monitoring and control of financial risk are central to the Council's prudent financial management, and this includes the identification and

management of environment, social and governance (ESG) risks that arise in the course of carrying out treasury management activities. Therefore, the Council integrates ESG considerations into its treasury management decision-making process.

45. The framework for evaluating investment opportunities is still developing. When investing in banks and funds, and after satisfying security, liquidity and yield considerations, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code
46. Assets within the strategic pooled fund portfolio are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Council. The Council incorporates analysis of ESG integration and active ownership capabilities when selecting and monitoring investment managers.
47. The Council requires its investment managers to engage with companies to monitor and develop their management of ESG issues in order to enhance the value of the Council's investments. The Council also requires feedback from the investment managers on the activities they undertake and regularly reviews this feedback through meetings and reporting.
48. **Business models:** Under IFRS 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### Approved counterparties

49. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	unlimited	
UK Local Authorities	3 years	£10m	
Other Government entities	25 years	£20m	£30m
UK banks and building societies (unsecured) *	13 months	£20m	Unlimited
Council's banking services provider *	Overnight	£20m	
Overseas banks (unsecured) *	13 months	£20m	£30m country limit
Money Market Funds *	n/a	£25m per fund or 0.5% of the	

## Appendix N

		fund size if lower	
Cash plus / short term bond funds		£20m per fund	
Secured investments *	25 years	£20m	£150m
Corporates (non-financials)	5 years	£2m per issuer	£20m
Registered Providers (unsecured) *	5 years	£10m	£50m
Loans incl. to developers in the No Use Empty programme			£40m
<b>Strategic pooled funds and real estate investment trusts</b>	n/a		£200m
- Absolute Return funds		£25m per fund	
- Multi Asset Income funds		£25m per fund	
- Property funds		£75m or 5% of total fund value if greater	
- Bond funds		£25m per fund	
- Equity Income Funds		£25m per fund	
- Real Estate Investment Trusts		£25m per fund	

50. This table should be read in conjunction with the notes below.

\* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

51. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

52. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used.

53. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in

should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated below the agreed minimum rating of A- are restricted to overnight deposits with the Council's current banking services provider.

54. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.
55. **Money Market Funds:** Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to Money Market Funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
56. **Pooled investment funds:** Bond, equity, multi-asset and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
57. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
58. **Other investment:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
59. **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

### **Risk assessment and credit ratings**

60. Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

61. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that entity until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other information on the security of investments**

62. The Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the entities in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from MUFG Corporate Markets, the Council’s treasury management advisor. No investments will be made with an entity if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

63. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This may cause investment returns to fall but will protect the principal sum invested.

### **Investment limits**

64. The Council may invest its surplus funds with any of the counterparty types listed above subject to the cash limits per counterparty and the durations shown in the table at paragraph 49.

### **Liquidity management**

65. The Council forecasts its cash flow requirements to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.

66. The Council will spread its liquid cash over several bank accounts and money market funds to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

**Treasury Management Prudential Indicators**

67. The Council measures and manages its exposures to treasury management risks using the following indicators.

68. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Minimum Level
Portfolio average credit rating	AA-

69. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Minimum Level
Total cash available within 3 months	£75m

70. **Interest rate exposure:** The 2021 CIPFA Prudential Code removes the requirement to set treasury indicators for fixed and variable interest rate exposure. Instead, the Council is required to set out how it intends to manage interest rate exposure.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

71. **Maturity structure of borrowing:** This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%

12 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	50%	0%
20 years and within 40 years	50%	0%
40 years and longer	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

72. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2026-27	2027-28	2028-29	No fixed date
Limit on principal invested beyond year end	£100m	£80m	£50m	£220m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

73. **Liability indicator:** see paragraph 16 above.

## **Related Matters**

74. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

75. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over councils’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

76. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

77. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
78. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
79. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance believes this to be the most appropriate status.
80. **IFRS 9 Statutory Override:** Under the accounting standard IFRS 9, entities are required to recognise the revenue impact arising from the movement in value of investments held at fair value. The MHCLG (DLUHC) initially enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 in respect of the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This was subsequently extended until 31 March 2025 and then again for existing pooled investments only until 1 April 2029 and has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2029. The Council currently holds investment assets which fall under the statutory override (the strategic pooled funds), and which will be subject to the provisions of IFRS 9 if (as anticipated) and when the override expires on 1 April 2029. In effect, this means the Council will recognise unrealised gains and losses on these investments within the revenue budget from 2029-30.

### **Financial Implications**

81. The budget for external borrowing costs for 2026-27 is £24.6m based on the Council's current external debt portfolio (anticipated to be £625.1m at 31 March 2027) and assuming no new external borrowing is undertaken during 2026-27.
82. The budget for net investment income in 2026-27 is £11.46m, based on an average investment portfolio of £506.6m at an average interest rate of 4.08%.<sup>2</sup> If actual levels of investments and borrowing, or actual interest rates, differ from forecast, performance against budget will be correspondingly different.

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<sup>2</sup> Gross investment income for 2026-27 is estimated to be £20.65m, however £9.19m is attributable to balances held on behalf of other bodies including schools, Insurance Fund, refundable developer contributions, and other conditional receipts.

83. The resultant net cost of treasury (interest payable costs less net investment income) is expected to be £13.14m for 2026-27.

### **Other Options Considered**

84. The CIPFA Code does not prescribe any particular Treasury Management Strategy for councils to adopt. The Corporate Director of Finance believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income may be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income may be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income in the long term	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income in the long term though potentially not in the short term	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

### **Training**

The CIPFA Treasury Management Code requires the responsible officer (the Corporate Director of Finance) to ensure that members with responsibility for treasury management receive adequate training in treasury management.

## Annex A – Existing Investment &amp; Debt Portfolio Position

	30-Nov-25	30-Nov-25
	Actual Portfolio	Average Rate
	£m	%
<b>External borrowing</b>		
Public Works Loan Board	400.69	4.20
LOBO loans from banks	90.00	4.15
Banks and other lenders (Fixed term)	156.10	4.50
Streetlighting Project	7.66	2.88
<b>Total external borrowing</b>	<b>654.45</b>	<b>4.20</b>
<b>Treasury investments</b>		
Bank Call Accounts	9.00	3.70
Covered bonds (secured)	103.29	4.30
Government (incl. local authorities)	9.80	4.10
Money Market Funds	67.31	4.10
Equity	1.30	0
No Use Empty Loans	23.79	3.70
<b>Total internally managed investments</b>	<b>214.49</b>	<b>4.10</b>
<b>Pooled investments funds</b>		
- Property	55.28	5.16
- Multi Asset	27.77	4.56
- Absolute Return	5.73	3.62
- Equity UK	66.53	5.48
- Equity Global	32.51	3.09
<b>Total pooled investments</b>	<b>187.82</b>	<b>5.26</b>
<b>Total treasury investments</b>	<b>402.31</b>	<b>4.68</b>
<b>Net debt</b>	<b>252.14</b>	

## GLOSSARY

### Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA

## Appendix N

FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange; the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. The Code was updated in December 2021

## Appendix N

PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy in order to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year
SONIA	Based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
Weighted average life (WAL)	The weighted average time for principal repayment, that is, the average time it takes for every dollar of principal to be repaid. The time weights are based on the principal payments,
Weighted average maturity (WAM)	The weighted average maturity or WAM is the weighted average amount of time until the securities in a portfolio mature.

By: Brian Collins, Deputy Leader  
Amanda Beer, Chief Executive Officer

To: Governance and Audit Committee – 25<sup>th</sup> March 2026

Subject: **Review of KCC’s Risk Management Policy, Strategy and Programme**

Classification: Unrestricted

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### Summary:

The Governance and Audit Committee reviews the Council’s Risk Management Policy & Strategy and Programme annually.

The Governance and Audit Committee is asked to **approve** the Risk Management Policy & Strategy and **note** the review of the risk management programme.

### FOR DECISION

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#### 1. Introduction and background

- 1.1 As part of the Governance & Audit Committee’s terms of reference, KCC’s Risk Management Policy & Strategy is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 The document usually covers a rolling 3-year period to reflect the medium-term nature of the strategy. However, due to current local government reorganisation timelines, the document lifespan has been shortened to two years. This has not affected the requirement for the Policy & Strategy to be reviewed and approved annually.
- 1.3 KCC’s Risk Management Policy & Strategy draws on best practice from several sources, in particular the UK implementation of the international standard for risk management, *ISO 31000:2018 Risk management - Guidelines*; the HM Treasury and Government Finance Function’s “*Orange Book: Management of risk – Principles and Concepts*”; and examples from other organisations. The document is attached in appendix 1.
- 1.4 As part of the most recent Internal Audit of KCC Risk Management arrangements, an analysis of the structure and clarity of the risk management framework and policy was conducted. The overall audit assurance opinion was “High” with “Very Good” prospects for improvement.
- 1.5 The Council’s Risk and Delivery Assurance Team acts as corporate advisors of risk at a strategic level and has day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support

and training and contributing to the ongoing reporting and analysis of risks. This also includes reinforcing KCC's risk management framework throughout major change activity across the Council. The team looks to continually improve and update corporate risk management procedures based on current best practice and lessons learned and has aligned its work plan with the objectives set out in the Policy & Strategy.

## 2. Supporting Procedures, Communication and Review

- 2.1 The Risk Management Policy & Strategy is supported by a Risk Management Toolkit containing more detailed advice and guidance for managers, including a breakdown of risk management processes and other parts of the framework.

## 3. Review of Risk Management Work Programme 2025/26

- 3.1 The annual review of the KCC Risk Management Programme, set against the objectives and priorities laid out in the Risk Management Policy & Strategy, is outlined below:

Objective / Action from Strategy	Current Position and Latest Developments
<p>Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.</p>	<p>The Risk and Delivery Assurance Team engages regularly with senior and middle managers, at an individual level and with management teams at corporate, directorate, divisional and service level. This involves facilitation, including challenge, regarding suitability and effectiveness of controls, upcoming actions and risk ratings. Services are encouraged and supported to add risk registers to our risk management database to help provide improved visibility of more service based, operational risks.</p> <p>Work has progressed through 2025/2026 to further develop the organisational risk taxonomy, including key risk indicators and establishing a key control assessment framework. A pilot is planned for Q1 2026/2027 to trial this framework.</p> <p>Risk Management messages are aligned with business planning processes and timelines. The Risk and Delivery Assurance function has been involved with preparations for the 2026/27 business planning approach for the Council, ensuring visibility of key objectives for which material risks can be identified.</p> <p>Behavioural factors important for effective risk</p>

	<p>management are embedded in KCC values and cultural attributes – for example, effective risk management features as part of the list of corporate responsibilities outlined for all managers at grade KSJ and above.</p> <p>The Council's Quarterly Performance Report, reported to Cabinet quarterly and County Council annually, contains a section on the Corporate Risk Register, including progress against mitigating actions.</p> <p>The Risk and Delivery Assurance Team is contributing to work relating to the telecoms industry-led Public Switched Telephone Network (PSTN) switchover, assessing progress to date.</p> <p>Members of the Team, along with colleagues across the Strategy, Policy, Relationships and Corporate Assurance division, acted as 'critical friends' to review the KCC Options Appraisal relating to local government reorganisation, as part of the process leading to presentation of the information to the Devolution and LGR Cabinet Committee in July 2025.</p> <p>The Risk and Delivery Assurance Team has been providing project management briefing sessions to support those looking to attain Association of Project Management (APM) qualifications, helping to build capacity across the organisation to manage significant projects. This has included colleagues in the Strategic Reset Programme Team.</p>
<p>Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.</p>	<p>The Council's Risk Management database is used to capture business risks across the Council, improving visibility and enabling better corporate oversight. As at 03 March 2026, there were 627 open risks on the system, which is similar to the previous year. Internal Auditors can view the system to aid their audit activity.</p> <p>The Risk and Delivery Assurance Team uses Microsoft Power BI to aid facilitated risk sessions with management teams, including highlighting any overdue risk reviews and actions for follow up by managers.</p> <p>Thematic analysis takes place on cross-cutting risks, acting as a prompt for discussions around risk and control ownership and effectiveness of mitigations.</p> <p>MS Teams sites are established for key networks relating to risk management, to offer a platform for people in those areas to share information, dilemmas</p>

	<p>and collaborate.</p> <p>Early work has commenced to consider harnessing Artificial Intelligence (AI) technology to support organisational users by developing a Risk Agent. Scope of the tool, and its potential benefits, will be explored further during the first half of 2026/2027.</p>
<p>Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.</p>	<p>A universal eLearning package relating to risk management is available to staff across the organisation, which is complemented by several webinars relating to different aspects of how risk is managed at KCC that are available to view on the Delta learning hub:</p> <ul style="list-style-type: none"> <li>• Managing Risk at KCC overview.</li> <li>• Project and Programme Risk.</li> <li>• Tools and Techniques for identifying risks.</li> <li>• Risk Assessment and Evaluation.</li> <li>• Risk Appetite, Tolerance and Escalation.</li> <li>• Risk Treatment.</li> <li>• Risk Monitoring, Review and Reporting.</li> </ul> <p>Bespoke risk management briefings / training sessions are provided either on request, or where the Head of Risk &amp; Delivery Assurance feels it would be beneficial.</p> <p>Risk Management was part of the Member induction programme post county council elections in 2025. A session was held in July 2025, open to all Members. Risk Management was also part of the mandatory training sessions for Governance &amp; Audit Committee members in the summer and autumn 2025. A briefing session on the Corporate Risk Register was also provided to Governance &amp; Audit Committee, ahead of its meeting on 28<sup>th</sup> January 2026.</p>
<p>Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.</p>	<p>The Risk and Delivery Assurance Function works closely with the Strategic Reset Programme (SRP) Team to understand key risk themes, mitigate risks and improve delivery confidence to get programmes working in the right way to deliver successfully. Delivery confidence recommendations are provided on business cases whilst in development.</p> <p>The team also has an open invitation to attend the Corporate Management Team SRP Programme</p>

	<p>Board items where there could be significant risks discussed.</p> <p>The SRP, Risk and Delivery Assurance and Internal Audit teams also take an integrated assurance approach, working together on risk management, business case development and programme governance.</p> <p>There is regular cross-referencing between programme risks and mitigations with the Corporate Risk Register.</p>
<p>Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.</p>	<p>The Council's overarching risk appetite statement is outlined in the KCC Risk Management Policy &amp; Strategy.</p> <p>This is supported by practical guidance for managers regarding risk appetite and tolerance within the Risk Management toolkit. The setting of 'Target' residual ratings for each risk also prompts discussion regarding risk appetite with Risk Owners, with the context taken into consideration.</p> <p>It is important that conversations about risk appetite continue as our risk environment evolves, as integral aspects of strategy development, budgeting and decision-making on an ongoing basis.</p>
<p>Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience, and knowledge. This includes ensuring understanding of how each of the "three lines of assurance" contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.</p>	<p>The Risk and Assurance Function has a positive, collaborative working relationship with the Internal Audit and Counter-Fraud function, sharing intelligence on findings from risk reviews; on activities such as assurance mapping; as well as liaising to prevent duplication and complement each other's work in instances where the Internal Audit function is offering consultancy-type services.</p> <p>The Risk and Delivery Assurance function now routinely attends Internal Audit's Relationship Management meetings for each directorate, to enable joint liaison with Corporate Directors regarding emerging risks, as well as audit activity. The team also attends Internal Audit team meetings to input on key items, for example an initial meeting on the audit plan for 2026/27.</p> <p>The Head of Risk and Delivery Assurance is a recipient of finalised audit reports to enable reviewing of issues and consideration of the associated risks and potential controls, including how they feature in the risk profile.</p>

	<p>As part of a KCC Risk Management network the lead officers for risk specialisms i.e., Health &amp; Safety, Resilience and Emergency Planning, Information Resilience and Transparency, Insurance, Commercial and Procurement, as well as Internal Audit and Counter Fraud meet to share intelligence and align activities where possible.</p> <p>Representatives from the Risk and Delivery Assurance Team are assigned to working groups associated to key risk areas for oversight and to offer a corporate perspective. Examples include involvement in cross directorate groups relating to information governance, business continuity / resilience. commissioning and procurement and the PREVENT agenda, as well as Serious and Organised Crime.</p> <p>Risk management support and guidance has been given to the Serious Organised Crime (SOC) team at KCC, including reviews of associated risks across organisational risk registers, meeting with officers across all directorates to discuss SOC related risks and ensuring mitigating controls are in place.</p>
<p>Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.</p>	<p>Many of our corporate / strategic risks involve working with partners and providers to mitigate risks. For example, members of the Risk and Delivery Assurance Team have been liaising with KCC senior management and partners on risks relating to the SEND agenda, as well as those involving market pressures / forces e.g. in social care settings.</p> <p>The Team has been liaising with the Council's Commercial and Procurement function, as well as Commissioning teams in directorates, to ensure continued visibility of key risks, such as those related to the recommissioning of several key contracts in ASCH directorate. Risk Management Advisory Groups chaired by the Risk and Delivery Assurance Manager have been set up for key programme change activity. The Group is an internal KCC group that provides assurance and quantification of risk within the programmes, as well as advice, guidance and challenge on the risk management approach</p> <p>The Team supported the recent ISO14001 Environmental Management Audit in which KCC was awarded full certification. Highly positive feedback was</p>

	received of sound practice of risk management being embedded within the environmental management framework and processes.
Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.	<p>Key messages are communicated via regular engagement with management teams at corporate, directorate, divisional / service levels.</p> <p>Messages are sent out to promote new initiatives or training and Microsoft Teams sites are also being used to communicate targeted messages to Risk or Project Management networks.</p>
Subjecting KCC's risk management arrangements to regular review to determine their continued adequacy and effectiveness.	<p>An audit of Risk Management was performed during 2025 and presented to Governance &amp; Audit Committee September 2025. No Issues were raised as a result of this audit, and a 'High' opinion with 'Very Good' prospects for improvement were given.</p> <p>The Head of Risk and Delivery Assurance chairs a regional Risk Management Network where good practice and ideas are shared, allowing for informal benchmarking of corporate / strategic risks against other local authorities. This is also a useful forum for horizon scanning.</p> <p>During the past year the team has analysed risks outlined by Government departments to look for relevant connections to risk profiles at local level.</p> <p>The Risk and Delivery Assurance Team has membership of the national Association of Local Authority Risk Managers (ALARM), with access to resources, training events and best practice.</p>

3.2 Work against these medium-term objectives will continue to be built into the Risk and Delivery Assurance function's work plans for 2026-27, as it looks to target its resources on areas of greatest value.

#### 4. Recommendations

4.1 Members of the Governance and Audit Committee are asked to:

- a) **APPROVE** the Risk Management Policy & Strategy 2026-2028; and
- b) **NOTE** the report on the Risk Management Programme for assurance.

*Report Author:*

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**Relevant Director:**

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## **Risk Management Policy & Strategy 2026-28**

**For Presentation to Governance & Audit  
Committee**

**March 2026**

**POLICY OWNER:**

**David Whittle**

**Director Strategy, Policy, Relationships and Corporate Assurance**

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**03000 416660**

**Review Process:**

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the Corporate Management Team and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

## **1. Statement of Commitment**

- 1.1 The Cabinet and the Corporate Management Team are committed to effective risk management and see it as a key part of KCC's responsibility to deliver effective public services to the communities within Kent.
- 1.2 There is a shared commitment to embedding risk management throughout the organisation, promoting a positive risk culture and making it a part of everyday service delivery and decision-making, ensuring that sufficient resources are allocated. This includes fostering an environment that embraces openness, supports integrity, objectivity, accountability and transparency in the identification, assessment and management of risks, welcoming constructive challenge and promoting collaboration, consultation and cooperation. We must invite scrutiny and embrace expertise to support decision-making, invest in the necessary capabilities and seek to continually learn from experience.
- 1.3 By implementing sound management of our risks and the threats and opportunities that flow from them we will be in a stronger position to deliver our organisational objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit and Accounts Regulations. Risk management will therefore be at the heart of our good management practice and corporate governance arrangements.
- 1.4 Risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. To meet our objectives, improve service delivery and achieve value for money for the residents of Kent, risk management must be an essential and integral part of planning and decision-making.

## **2. Purpose and Scope of the Policy and Strategy**

- 2.1 The aim of this Risk Management Policy and Strategy is to support the delivery of organisational aims and objectives through effective management of risks across the Council's functions and activities, applying appropriate risk management processes, analysis and organisational learning.
- 2.2 It explains our approach and outlines the principles of risk management, as well as clarifying risk management roles and responsibilities across the council. This document is aligned with the Council's key organisational strategies and plans and is part of our risk management framework.
- 2.3 This policy applies to all of KCC's core functions. Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. It is also expected that our significant contractors have risk management arrangements at a similar level, which should be established and monitored through commissioning processes and contract management arrangements.

- 2.4 This document draws on several sources. This includes the *Management of Risk: Guidance for Practitioners* manual; the most recent HM Treasury publication “*The Orange Book: Management of Risk – Principles and Concepts*”; and is informed by the UK implementation of the international standard for risk management BS *ISO 31000: 2018*.
- 2.5 There are different but aligned risk management processes that are applied at different levels within the organisation. Risk specialists are embedded across the organisation in areas such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security and Governance; Counter-Fraud etc. These specialist risk areas each have their own policies, procedures and processes that are built into the governance arrangements of the council so that work is coordinated within the council’s overall risk management framework.
- 2.6 The Policy and Strategy is supported by a Risk Management Toolkit that guides, supports and assists staff in achieving successful risk management.

### **3. Risk Definitions**

- 3.1 Risk is defined as, “The effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats.”
- 3.2 Risk management is defined as: “Co-ordinated activities to direct and control an organisation with regard to risk.”  
(*BS ISO 31000:2018 Risk Management Guidelines*)

### **4. Risk Management Strategy**

- 4.1 The operating environment for local government has become increasingly challenging over the past decade, in terms of growing and complex service demand, cost inflation, recruitment and retention difficulties, additional statutory requirements (often without sufficient levels of funding to support changes) and increasing resident expectations, all set against a backdrop of local government funding restraint. This continuing trend requires greater collaboration, system-wide planning and a strong understanding of risk across public services.
- 4.2 The pressures on local government finances have become particularly acute now, with several authorities over recent years either issuing Section 114 (S114) notices under the 1988 Finance Act (essentially a statutory stop on all non-essential spending), or requesting Exceptional Financial Support from Government. In addition to these sector-wide concerns, there are some challenges unique to KCC that compound the pressures the Council is facing, for example, as a result of Kent’s strategic location as the Gateway to Europe and main entry point into the UK through the Short Straits channel crossings.

These factors all affect the risk environment, which is likely to be volatile, complex and ambiguous for a number of years. The risks arising in this environment will often have no simple, definitive solutions and will require whole-system-thinking, aligned incentives, positive relationships and collaboration, alongside relevant technical knowledge, to support multi-disciplinary approaches to their effective management.

- 4.3 The Council's Strategic Statement, *Reforming Kent*, was approved by County Council in November 2025, setting out the vision, aims and objectives for the council. It is expected that risks which may affect the achievement of these objectives are identified, assessed and managed, alongside ongoing risks to fulfilment of statutory duties and legal obligations.
- 4.4 The Council, along with partners in Kent and Medway, has responded to the statutory invite from the Minister of state to submit interim plans for consideration, followed by final proposals, for local government reorganisation. Ongoing and comprehensive consideration of risks, issues and opportunities arising for KCC will be critical during this period.

## **5. Risk Management Objectives**

- 5.1 In support of the Council's governance and internal control arrangements and achievement of KCC's objectives, the Council is committed to:
- Managing risk in accordance with good practice and sound governance principles.
  - Embedding effective risk management into the design, values and culture of the council.
  - Integrating the identification and management of risk into policy and operational decisions.
  - Proactively anticipating and responding to changing social, economic, political, environmental, legislative and technological requirements that may impact on delivery of our objectives.
  - Eliminating or reducing negative impacts, disruption and loss from current and emerging events.
  - Harnessing risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes.
  - Managing risks in line with risk appetite.
  - Promoting openness and transparency in risk management processes.
  - Raising awareness of the need for risk management by all those connected with the Council's delivery of services.
- 5.2 KCC will achieve these aims by:
- Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.

- Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.
- Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.
- Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.
- Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.
- Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience and knowledge. This includes ensuring understanding of how each of the "three lines of assurance" contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.
- Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.
- Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.
- Subjecting KCC's risk management arrangements to regular review to determine their continued adequacy and effectiveness.
- Ensuring implications arising from local government reorganisation are reflected appropriately in assessment of risks across the organisation, both corporately and within service directorates.

## **6. Risk Management Principles and Framework**

- 6.1 As an integral part of our management systems, and through the normal flow of information, our risk management framework harnesses the activities that identify and systematically anticipate and prepare successful responses.
- 6.2 The framework is designed to support a comprehensive view of the risk profile, aggregated where appropriate, in support of governance and decision-making requirements. It supports the consistent and robust identification and management of risks within desired levels across the organisation, supporting openness, challenge and innovation in the achievement of objectives.
- 6.3 There are five key principles of risk management that provide the basis on which KCC will manage risk:

**A. Governance and Leadership** – risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.

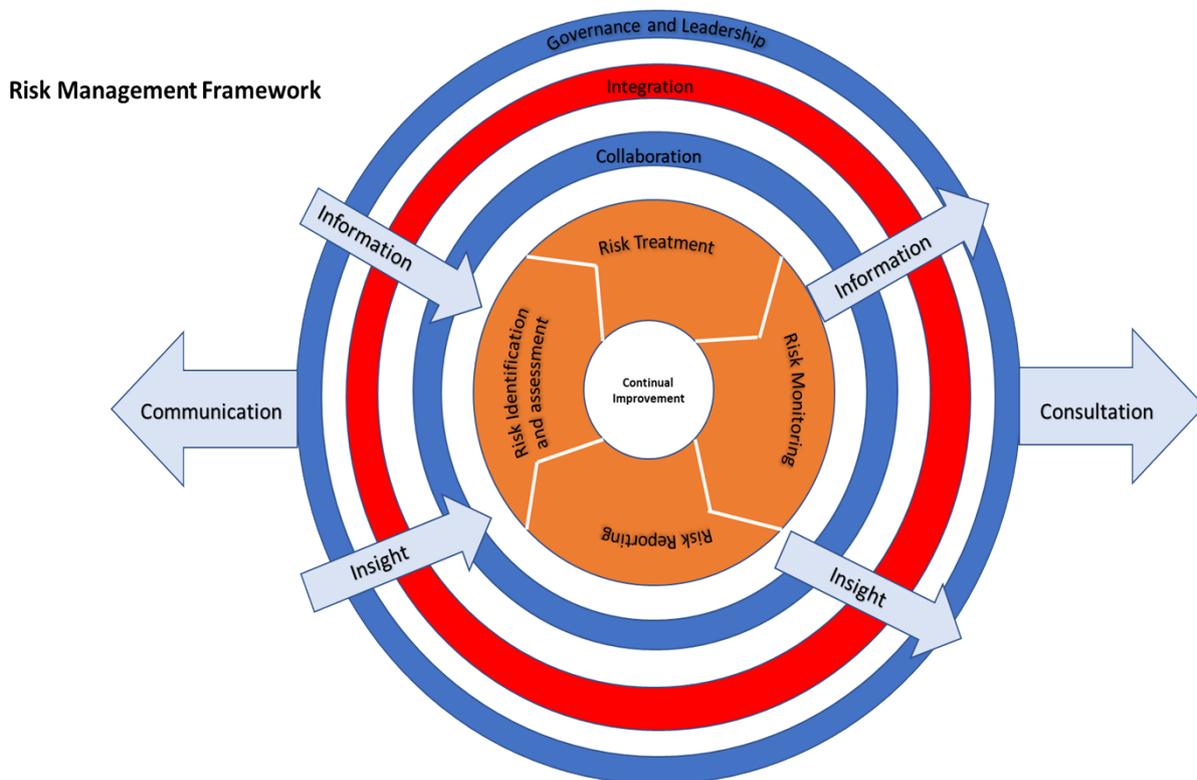
**B. Integration** – risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives.

**C. Collaboration and Best Information** – risk management shall be collaborative and informed by the best available information.

**D. Structured Processes** – risk management processes are recognised as iterative in practice, rather than sequential, and shall be structured to include:

- **Risk Identification and Assessment** – to determine and prioritise how the risks should be managed.
- **Risk Treatment** – the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level.
- **Risk Monitoring** – the design and operation of integrated, insightful and informative risk monitoring.
- **Risk Reporting** – timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

**E. Continual Improvement** – risk management shall be continually improved through learning and experience.



## 7. Risk Management Processes

### Risk Identification and Assessment

- 7.1 The aim of risk identification is to recognise and articulate the risks that may help or prevent KCC to achieve its objectives. It is particularly relevant to

consider new or emerging risks alongside business planning and strategy formulation processes.

7.2 There are several risk perspectives:

Corporate - Those risks, which if they occurred, would have a major impact on the organisation or delivery of its priorities. Corporate risks also include cross-cutting risks that impact across directorates.

Change related (Programme / Project) – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes or deliver predefined outputs that enable us to deliver outcomes and realise benefits.

Operational / Service / Contract – where we are exposed to risks that could affect our control and ability to successfully and continually deliver or commission services to our service users / residents.

7.3 The following factors, and the relationship between these factors, should be considered when identifying risks:

- Changes in the external and internal context
- Causes and events
- Consequences and their impact on objectives
- Threats and opportunities
- Vulnerabilities and capabilities
- Uncertainties and assumptions within options, strategies, plans or initiatives
- Indicators of emerging risks
- Limitations of knowledge and reliability of information
- Time-related factors
- Any potential biases and beliefs of those involved.

7.4 Risks should be identified whether or not their sources are under KCC's direct control, as they have the potential to impact on achievement of objectives, causing great damage or creating significant opportunity.

## **Risk Analysis**

7.5 The aim of risk analysis is to build understanding of the nature of risk and its characteristics, including, wherever possible, the level of risk. It involves consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.

7.6 Risk Analysis considers factors such as:

- the likelihood of events and consequences occurring
- the type and scale of consequences
- complexity, connectivity and volatility
- time-related factors
- the effectiveness of existing controls
- sensitivity and confidence levels

7.7 KCC uses a common set of risk criteria to foster consistent interpretation and application in defining the level of risk, based on the assessment of the likelihood of the risk occurring and the consequences should the event happen. Below is KCC’s 5x5 risk matrix used to determine risk ratings, where the likelihood score is multiplied by the impact score to achieve an overall rating of between 1 and 25:

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			Impact				

7.8 Providing sufficient information is known, during assessment each risk is to be assigned a ‘current’ and ‘target’ risk rating. The ‘current’ risk rating refers to the current level of risk, taking into account any mitigating controls already in place and their effectiveness. The ‘target’ rating represents what is deemed to be a realistic, deliverable level of risk to be achieved once any additional actions have been put in place. Depending on our risk appetite and the level of direct control we have over the risk, the aim may be to contain the risk at the current level.

7.9 Risk assessments and heat maps used for more conventional risks should be complemented by structured, creative discussions across services that bring different and collaborative risk perspectives on a topic. This will help us to better identify emerging risks and understand potential risk trajectories as well as ‘knock-on’ effects.

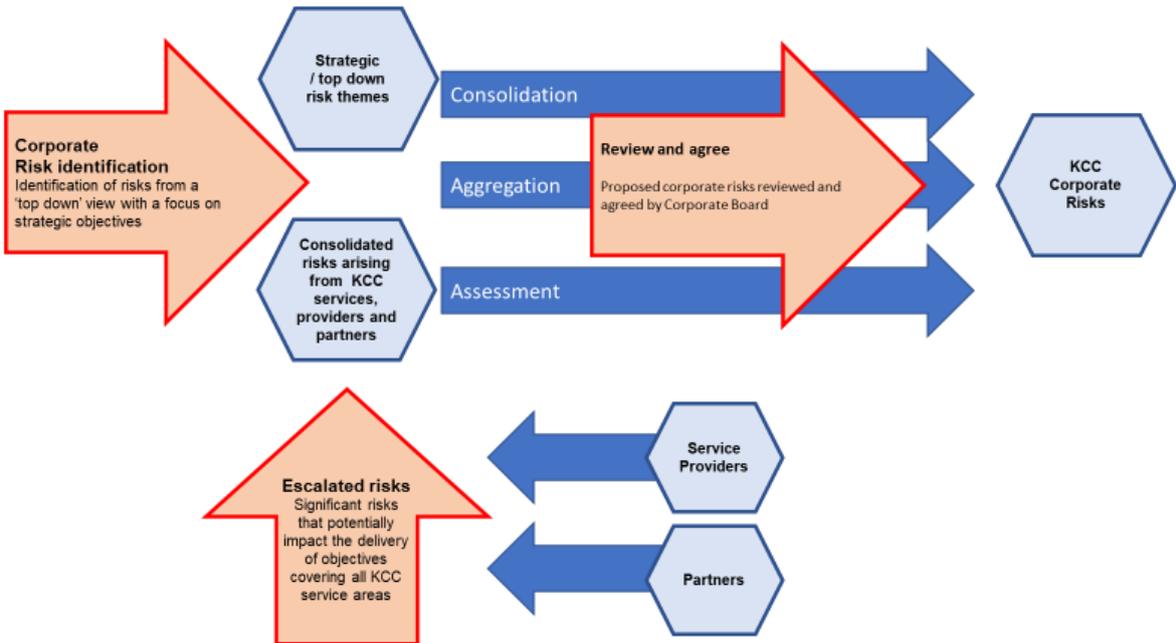
## **Risk Evaluation**

- 7.10 Once analysed, risks will be evaluated to compare the results against the nature and extent of risks that the organisation is willing to take or accept to determine where and what additional action is required.

## **Risk Appetite, Tolerance and Escalation**

- 7.11 Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.
- 7.12 This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. While risks defined as 'high' are to be managed down to a tolerable level wherever possible, it is important that risks across the Authority are not over-controlled.
- 7.13 It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite is expected to be considered and reflected in the development of policies, regulations and strategies of the Council that will need to be reviewed at appropriate intervals. However, examples of risks that would be seen as intolerable are those that are likely to:
- Adversely impact the financial security or resilience of the Council.
  - Negatively affect the safety of our service users, residents or employees.
  - Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).
  - Lead to breaches of laws and regulations.
  - Severely damage the Authority's reputation.
- 7.14 In addition, to aid managers in understanding what risks are acceptable, our appetite for risk is implicitly defined within our standard for determining risk levels (see section 7.7 above). Risks rated as "High" will be deemed to have exceeded tolerance levels and will be subject to escalation by the Risk Owner to the next management level for review and action. The target rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

# Risk Escalation, Consolidation and Aggregation



7.15 Depending on the nature of the risk and availability of objective risk measures, tolerances will be agreed for Key Risk Indicators. Breaching those tolerances will mean increasing or decreasing the risk rating accordingly.

## Risk Treatment

- 7.16 Potential benefits derived in relation to the achievement of objectives are to be balanced against the costs, efforts or disadvantages of implementation.
- 7.17 Justification for the design of risk treatments and the operation of internal control is broader than solely financial considerations and should consider all of the organisation’s obligations, commitments and stakeholder views.

## Risk Monitoring

- 7.18 The frequency of risk assessment, analysis and review should be a function of how fast risks are emerging and the level of their materiality rather than determined by traditional institutional administrative cycles.
- 7.19 However, as a minimum, High and Medium rated risks that are not at their Target residual level should be reviewed every 3 months, with low rated risks reviewed at least annually. Risks rated as High should be subject to more detailed and frequent monitoring.
- 7.20 Risks that are rated Medium or Low and have been managed to their Target residual level are to remain as part of the risk profile and be subject to annual review to ensure existing controls remain effective and no other elements of the risk have changed. Any High rated risks with Target residual ratings set at

High e.g. due to constraints on the Council's ability to mitigate, should still be reviewed every 3 months as a minimum.

- 7.21 It is expected that in addition to the timely reviewing of individual risks by risk owners, key risks are subject to structured collective discussion by management teams, focusing on changes to the existing risk profile, trends and any emerging risks.
- 7.22 The Head of Risk & Delivery Assurance may initiate a review of a corporate risk if it is felt that either external or internal changes are likely to impact on the level of risk exposure for the council.
- 7.23 Ongoing monitoring should support understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended to provide reasonable assurance over the management of risks to an acceptable level in the achievement of organisational objectives.

### **Risk Reporting**

- 7.24 Senior Officers and elected Members must receive unbiased information about the organisation's principal risks and how management is responding to those risks.
- 7.25 Reporting will take into account differing stakeholders and their specific information needs and requirements; cost, frequency and timeliness of reporting; method of reporting; and relevance of information to organisational objectives and decision-making.
- 7.26 As a public service body, it is imperative that we demonstrate transparency and accountability for managing the risks that impact on our staff, service users and residents. Therefore, our corporate risks shall be reported regularly in public forums.
- 7.27 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh, in addition to any occasion where there has been a significant change to the Council's overall risk profile.
- 7.28 The Corporate Risk Register is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes, alongside a summary of directorate risks.
- 7.29 Corporate Risks are subject to "deep dive" reviews by Corporate Board and the Governance & Audit Committee, with those responsible for the management of risks present, at an appropriate frequency, depending on the nature of the risk.
- 7.30 Progress against objectives set out in this Policy and Strategy will be reported to the Governance & Audit Committee annually.

**8. Cultural Factors**

8.1 Human behaviour and culture significantly influence all aspects of risk management at each level and stage. Several vital elements of an effective culture for risk are embedded within our organisational values and cultural attributes that we strive for as an organisation. In particular:

- KCC Values
  - We are brave. We do the right thing, we accept and offer challenge
  - We are curious to innovate and improve
  - We are strong together by sharing knowledge
- KCC Cultural Attributes
  - Flexible/agile – willing to take (calculated) risks
  - Empowering – our people take accountability for their decisions and actions
  - Curious – constantly learning and evolving

**9. Review of this Policy**

- 9.1 It is the responsibility of the Governance and Audit Committee to: *‘provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements’ and monitor ‘the development and operation of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions in the Council’*. Internal Audit will support their role in assuring its effectiveness and adequacy.
- 9.2 Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

**10. Roles and Responsibilities**

<b>Group or Individual</b>	<b>Responsibilities</b>
Elected Members of the County Council	Seek to explore, understand and scrutinise risks in the process of formulating policy and decision making.
Governance & Audit Committee	Ensure that risk management and internal control systems are in place that are adequate for purpose and are effectively and efficiently operated. Includes approval of KCC’s Risk Management Policy & Strategy on behalf of the County Council
Cabinet	Responsibility for the operation of the risk management framework, including the establishment of the Council’s risk appetite.

Cabinet Members	Responsibility for the effective management of risk within respective portfolio areas and ensuring that risks are considered in all decisions they make.
Cabinet Portfolio Holder for Corporate Risk	Ensure effective risk management arrangements are put in place.
Cabinet Committees	To provide pre-decision scrutiny to ensure that due consideration is given to associated risks.
Chief Executive Officer	<p>Ensure that overall management attention, effort and controls are commensurate to risk and opportunity across the Council's functions and activities.</p> <p>Ensure governance arrangements provide appropriate oversight and effective risk management of core programmes and activities to enable the best approach to resource stewardship for the Council.</p>
Corporate Director Finance (Section 151 Officer)	Active involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	<p>Adopt the Risk Management Policy and Strategy, ensuring the Council manages risks effectively.</p> <p>Actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk decision-making.</p> <p>Promote the integration of risk management principles into the culture of the Council and its partners.</p>
Directorate Management Teams (DMTs)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMTs)	Responsibility for the effective management of risk within the division, including risk escalation and reporting to the Directorate Management Team as appropriate.
Head of Risk and Delivery Assurance	<p>Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an effective infrastructure for managing and reporting risk.</p> <p>Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Governance &amp; Audit Committee, Cabinet Members and the Corporate Management Team.</p> <p>Facilitate the risk management process within the Council and</p>

	advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.
Risk and Delivery Assurance function	Act as corporate advisors of risk at a strategic level. Day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support and training and contributing to the ongoing reporting and analysis of risks. Develop oversight, transparency and coordination of major change activity across the Council, including reinforcing KCC's risk management framework throughout major change activity. Continually improve and update corporate risk management procedures based on current best practice and lessons learned.
Internal Audit	Assess the effectiveness of the risk management framework and the control environment in mitigating risk.
Directors and Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to ensure the Council's exposure is at an acceptable level. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
All elected Members and Staff Members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.
<b>In relation to individual risks:</b>	
Risk Owner	Named individual or role who is accountable for the management and control of all aspects of the risks assigned to them, including determining, authorising, implementing and monitoring the selected controls and actions to address the threats and maximise the opportunities.
Control Owner	The individual or group accountable for ensuring or providing assurance that the specified management control is effective and fit for purpose.
Action Owner	A nominated owner of an action to address a risk. Required to manage action on the risk owner's behalf and to keep them apprised of the situation.

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By: Beverley Fordham, Cabinet Member for Education and Skills  
Christine McInnes, Interim Corporate Director of Children,  
Young People and Education

To: Governance and Audit Committee – 25 March 2026

Subject: SCHOOLS AUDIT ANNUAL REPORT- PERIOD APRIL 2024  
TO MARCH 2025

Classification: Unrestricted

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**Summary:** The Council's Chief Finance Officer (CFO) has to certify annually to the Department for Education (DfE) that there is a system of audit for Local Authority (LA) Maintained schools that gives adequate assurance over the standards of financial management and the regularity and propriety of their spending.

## **FOR ASSURANCE**

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### **1. Introduction**

- 1.1 The DfE requires that the CFO, (i.e., the Corporate Director of Finance), signs an assurance statement by the 31 May each year, confirming that there is a system of audit for schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.
- 1.2 The content of this report provides detail of processes, metrics and controls that give the necessary assurance needed for the CFO to sign the annual DfE assurance statement.

### **2. Approach**

- 2.1 The following are processes, metrics and controls that provide assurance over the financial management standards in LA schools, these processes unless stated are carried out by Schools Financial Services (SFS), a service within The Education People:
- 2.2 Financial Compliance Programme – Each LA school will receive a financial compliance visit at least once every four years that consists of 118 targeted questions covering 8 different areas of control including Governance and Leadership, Financial Planning and Monitoring, and Procurement. Of the 118 questions, 48 of them relate to Critical areas and 70 to less significant areas.
- 2.3 During the period April 2024 to March 2025, 63 schools were visited (and report sent) compared to a typical year of between 100 and 105 schools. This was due to staffing capacity as a result of staff turnover and the team operating at 1.5 Compliance Officers instead of three. The compliance programme continues to meet the criteria of a school visit once every four years.
- 2.4 From September 2025 the Returns and Compliance team are now operating at full staffing capacity.

- 2.5 Appendix A provides an overview of the different areas of the compliance programme, whilst showing which categories had the most recommendations. The spreadsheet also depicts how many of these were critical recommendations and how many were requires action.
- 2.6 Of the 7,434 questions asked in total across all 63 schools:
- 180 questions (5.95% of the Critical questions) came back with critical recommendations, meaning those schools did not fully comply with the Scheme for Financing Schools/Financial Controls.
  - 307 questions (6.96% of the less critical questions) came back with requires action, meaning these areas need attention but were not as urgent or as serious as those classed a critical.
  - This means of the 118 questions asked of the 63 schools – 93.45% were compliant
  - This is slightly down on 2023-24, where 94.33% were compliant.
- 2.7 Where a school receives a critical or requires action recommendation as a result of the compliance visit it receives a detailed report showing areas of non-compliance, the risks attached to continued non-compliance and detailed findings of the areas that need to be corrected. This final compliance school report is sent to the Chair of Governors and the Headteacher in a PDF format.
- 2.8 Following this, depending on the level and severity of non-compliance, schools will be asked to either send in evidence of compliance, or a follow-up compliance visit will take place.
- 2.9 For schools with critical recommendations, the main issues fell within the category of “Procurement” and not adhering to policy. In particular, question 5.01b of the Compliance Visit asks, “was the order authorised before the order was placed?”, 39 of the 63 schools asked failed on this one question. The second area of concern was with findings from the Schools Finance Policy. In the main, schools were using out of date policies.
- 2.10 As result of this, to help keep schools informed of policy and process, both procurement and financial controls (including Finance Policy) were covered at these events:
- “What is Good Financial Management” workshop at the TEP Show November 2024, presented by Emma Baldock, SFS Service Lead.
  - The Procurement Act presentation at the Finance Information Group, June 2025. Presentation by Michael Bridger, Strategic Commercial and Procurement Lead and Clare Maynard, Head of Commercial and Procurement Division, both KCC.
  - Statutory Finance Update on Financial Controls and Finance Policy, given at the October 2025 Finance Information Group.
  - Emails to all Kent Maintained Schools regarding updates to the Model Finance Policy and Financial Controls on 23 September 2025.
- 2.11 Within the requires action recommendations, the area with most concern was “Finance Policy and Assets”, although a number of other categories were also not compliant.
- 2.12 In light of findings from the compliance programme, we regularly provide topical updates and training in these areas. Examples being:
- Updates to all Kent Schools via the E-Bulletin or SFS Update emails on subjects which aid schools’ leaders and finance staff in being compliant with funding, statutory returns and the STPCD.
  - Training for Headteachers, Governors and finance staff on all aspects of school’s finance, all of which refers back to the Scheme for Financing Schools and Financial

Controls.

- Advice and guidance via our Helpdesk on all compliance and statutory related issues.

2.13 Schools Financial Value Standard (SFVS)- Schools complete an annual self-assessment which is agreed by governors and is sent to SFS as part of schools' statutory returns. This document is referred to when conducting a compliance visit and is referenced within the report against any recommendations made. All 291 LA schools (1 Nursery, 247 primary, 17 Secondary, 21 Special, 5 PRU) submitted a return that met the required deadline.

2.14 The Service Lead and Returns and Compliance Manager from SFS have begun working with Jody Catterall-James, Schools, High Needs and Early Years Manager, KCC, on creating greater accountability of schools on and around the SFVS Return. This is something which is being developed and will provide greater assurance to Kent County Council.

2.15 Budget and monitoring statutory returns – LA schools have to provide annually a 3 Year Budget Plan by the 31 May, 6 and 9 month monitoring during the year and year end outturn. All other schools have been compliant in providing these returns. SFS robustly scrutinise financial returns including using trend analysis, so that schools can be identified at the earliest opportunity if there is any sign of financial difficulties.

2.16 Traded financial services - SFS provides two types of financial service to schools, the benefit of this is twofold, the first is that it supports good financial management in schools and the second is that a gross profit margin is achieved which contributes towards the cost of statutory services, for example the School Support Team who assist schools in or facing financial difficulty. The two types of traded services are:

- An individual school specific bursarial service for around 105 schools at any point in time throughout the year.
- A Help Desk service providing guidance and support on school specific finance related matters, where around 380 schools subscribe. For the period April 2024 to March 2025 there were 15,225 (phone calls 5,041, emails 10,184) logged and completed incidents.

2.17 Training- There is a comprehensive finance training programme for Headteachers, senior leaders, bursars and governors as well as Finance Information Groups for bursars and other finance staff. During 2024-25 there were 48 training courses attended by 583 delegates and 3 Finance Information Groups attended by over 769 delegates from Kent maintained schools and academies.

2.18 For the majority of 2024-25 the training team was operating at only two-thirds of its normal staffing capacity, hence the training attendance numbers were down compared to 2023-24. Additionally, SFS now charge for finance training, and this could be having an impact on attendance. As of January 2025, the team are back to 100% and work is now beginning on a new suite of training for schools.

2.19 School Finance Systems Support – A key component in maintaining financial management standards in schools is to ensure that schools have the appropriate financial systems and tools to achieve this. KCC (via SFS) currently support a monitoring and budgeting system called Business Planning Software provided by a company called TES and a financial accounting system called Financial Management

System 6 (FMS6) provided by The Parent Pay Group. In 2023-24 SFS became accredited to work with and support Bromcom. There are currently 22 schools who use Bromcom, 3 who use Arbor and 266 who still use FMS6.

Throughout 2025-26 SFS have been carrying out their due diligence on the Arbor finance system to ensure it is a system that will be fit for purpose for Kent Maintained Schools. From January 2026 SFS staff will undertake the Arbor training and by Spring 2026 hopefully accreditation. Work continues with Arbor developers to ensure the reports from the system meet KCC's statutory needs. This is all in readiness for when schools will need to renew their finance system license (April 2027).

2.20 KCC annual audit of accounts – Following the recommendation from Grant Thornton that all schools must reconcile their bank account at year-end up to the 31<sup>st</sup> March, SFS successfully got the majority of schools (two schools reconciled up to 28<sup>th</sup> March 2025) to do this for financial year-end 2024-25. There were no recommendations for schools following the 2024-25 audit.

2.21 Deficit Schools – The level of schools in financial deficit has remained consistent over recent years, with three Kent Maintained Schools ending in deficit for 2024-25. They were:

2024-25

DFE	Name	Revenue position
3328	Bapchild & Tonge CEP School	£3,710
3055	Churchill CEP School, Westerham	£16,514
2574	Downs View Infant School	£28,501
		<b>£48,725</b>

In 2023-24 there were also three schools which ended in deficit, with the total value of deficits being £472,878.

For schools in deficit, Kent continues to remain well below the national average, as this table indicates:

Percentage of LA schools with a negative revenue balance (deficit)	2021-22	2022-23	2023-24	2024-25
LA National average published by the DfE	8%	13.10%	15.30%	TBC
Kent %	1.6% (5 Schools)	1.3% (4 Schools)	1% (3 Schools)	1% (3 Schools)
Total number of Kent Maintained Schools (KMS)	312	304	297	291
Number of KMS's if National average %	25	39	45	TBC

Although it is not the only indication of good financial management in Kent schools, it is a stable marker. However, it is important to note that schools' budgets are under increasing pressure with these not increasing in line with inflation, being expected to absorb unfunded pressures, and as KCC increases the levels of de-delegation and top-slicing it seeks for services it provides to maintained school. Combined with falling rolls in the primary sector, an increasing number of schools are finding it challenging to set and deliver balanced budgets without local authority advice and

guidance.

### **3. Summary of Findings**

- 3.1 Alongside the compliance programme, the analysis of returns, training programme and traded activities with schools, SFS regularly liaise and work with other colleagues who support schools. This includes meetings with Assistant Directors of Education, School Improvement Officers, and Governors Service Officers to ensure KCC have a complete picture of a school, so that support can be provided to the Headteacher, finance staff and governors to ensure the school is financially well managed.
- 3.2 SFS continue to develop and build working relationships with KCC Officers. There has been more joint working in 2025 than before; for example, Jody Catterall-James was asked to be one of the hiring managers alongside the SFS Service Lead for the Returns and Compliance Manger vacancy. The successful candidate starts on 5<sup>th</sup> January 2025.
- 3.3 Developments and improvements have been made between KCC and SFS around the collection of Balance Control Mechanism (BCM) data and scrutiny. This will result in greater accuracy of reporting to the Director for Education and the Schools Funding Forum.
- 3.4 SFS continues to collaborate with relevant KCC Officers to ensure the Scheme for Financing Schools and Budgetary controls are kept up to date, edited and communicated with key changes when necessary.
- 3.5 The comparative data shows favorably the number of schools in deficit and the value of the deficits, which strongly suggests that financial management controls in place and non-financial support network are robust and effective for Kent LA schools.

### **4. Opinion**

- 4.1 It is considered that the comprehensive compliance programme analysis of statutory returns, financial training programme, support for schools in deficit and preventing them going into deficit, traded work completed in schools and the schools' own self assessments provide suitable assurance for the CFO to sign the annual DfE assurance statement.

### **5. Recommendations**

- 5.1 Members are asked to note the contents of this report for assurance.

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# **COUNTER FRAUD**

## **PROGRESS REPORT 2025-26**

### **October 2025 to December 2025**

## Introduction

The roles of the Counter Fraud function are to:

- Receive, track and, where required, investigate financial irregularities (fraud and error) that occur within Kent County Council;
- Provide advice and support to management in mitigating the risk of financial irregularities occurring within their area; and
- Provide awareness and assess the risk of financial irregularities with management and front-line staff.

The Counter Fraud team (CFT) work alongside Internal Audit as one function to support work in providing an independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives.

The Governance and Audit Committee are asked to:

- Note the Counter Fraud progress report including reported irregularities from 01 April 2025 to 31st December 2025;
- Note the progress of the Counter Fraud Action Plan for 2025/26 (Appendix B);

## Key Messages

- Kent Intelligence Network (KIN) outcome for the first 3 quarters of 2025/2026 has identified **£4,066,930** of savings, with KCC benefiting **£487,505** from this activity;
- Identified irregularities for quarter 1, 2 & 3 amount to **£305k** of savings identified subject to full financial recovery;
- Delivery of proactive work has increased this financial year with over 1000 staff receiving training on fraud, bribery and corruption risks;
- Counter Fraud Plan: Updates on progression against the Counter Fraud Plan can be found within the report and at **Appendix B**.

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## Proactive Work – October 2025 to December 2025

### Awareness Campaigns – October 2025 to December 2025.

All five Department Management Teams (DMT) have received a fraud risk update and reminder of financial managerial responsibilities. Fraud awareness training has been offered as well as Fraud Risk Assessment for any area of service. Highways within GET have requested several fraud awareness sessions for Q4.

The Counter Fraud Team have delivered the following key proactive work through the first three quarters of 2025/26:

- 19 fraud related training sessions delivered to 1050 individuals;
- Delivered training and assistance to Tunbridge Wells Parking team by holding a Blue Badge Enforcement Day;
- Creation of a Procurement Fraud Risk Assessment tool, to help officers evaluate a potential supply chain partners counter fraud provision as part of the Economic Crime and Corporate Transparency Act ;
- Creation of a Desk Top Fraud Risk Assessment tool, to provide control recommendations to services and projects;
- Embedded within major project teams for the tendering of residential care, supported living, home care, financial service support for direct payments;
- Fraud, Bribery and Corruption Awareness Week ran in November to coincide with International Fraud Awareness Week.

The Counter Fraud Team was shortlisted for the Public Finance Awards 2025 in the outstanding fraud prevention, detection and recovery category. The team received a Highly Commended for its activity.

### Anti Corruption and Promoting Integrity Evaluation:

The site visit has been completed which both members and officers interviewed by evaluators to assess how Anti Corruption and Promoting Integrity is operating at KCC. Initial feedback was supportive of our approach, a full report with recommendations is expected in the next 6 months.

### Supporting Adult Social Care

The Counter Fraud Team are supporting Adult Social Care & Health in the development of the Invoice Validation Team. This is to ensure an evidenced based audit of care and support delivery matches the amount invoiced by providers.

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## Irregularity Referrals – April 2025 to December 2025 Overview

435 irregularity referrals were received from April 2025 to December 2025. This is an increase of 30 referrals (**7%**) against the number of referrals received against the same period in 2024/2025. An increase in referrals is a good indication of awareness of the need to report irregularities to Internal Audit and Counter Fraud to assess where an investigation is required, ensure risks are assessed and mitigated, identifying lessons to be learnt and financial recovery occurs.

As shown in the subsequent slides and **Appendix A**, there has been increases in irregularities relating to:

- Contract Management – Invoice of services not delivered/ overpayments due to data inputting errors;
- Blue Badge misuse – Use of stolen and deceased badges in particular, as well as reports of forged Kent issued badge;
- Theft – related to IT equipment (laptops) belonging to KCC, recovery rates are high following counter fraud engagement;

The types and volumes of irregularities reported are shown in **Appendix A**

Work continues with management to challenge and support their processes to ensure that there are proportionate checks in place to evidence that the delivery of goods and services have been delivered to support the payment of invoices.

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## Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health

There has been a further 7 irregularities (excluding blue badges) reported to Internal Audit and Counter Fraud between October 2025 to December 2025.

### Direct Payments

- There have been 1 further irregularities (£2,197) within direct payments within this reporting period bring the total of referrals to 7. Total savings amount to date is £147,853. All amounts are subject to full financial recovery.

### Personal Budget / Residential Care Home – National Fraud Initiative (NFI)

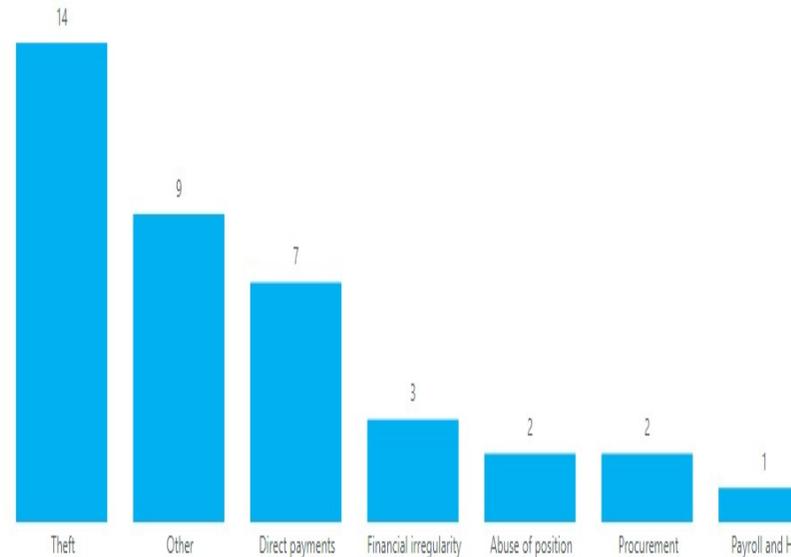
The outturn of the NFI Mortality data match has been cleared. KCC received 355 personal budget and 48 residential to mortality data matches.

- ASCH business support have reviewed the matches and have confirmed that KCC were already aware, therefore no overpayments have been identified.
- This is in part due to the NFI delaying the data match by 2 months. This provides positive assurance that the process of updating

### Procurement

- A further irregularity referral relating to invoicing for Adult Social Care amounting to £105,000 is being reviewed by management with support from the Counter Fraud Team.

Adult Social Care and Health



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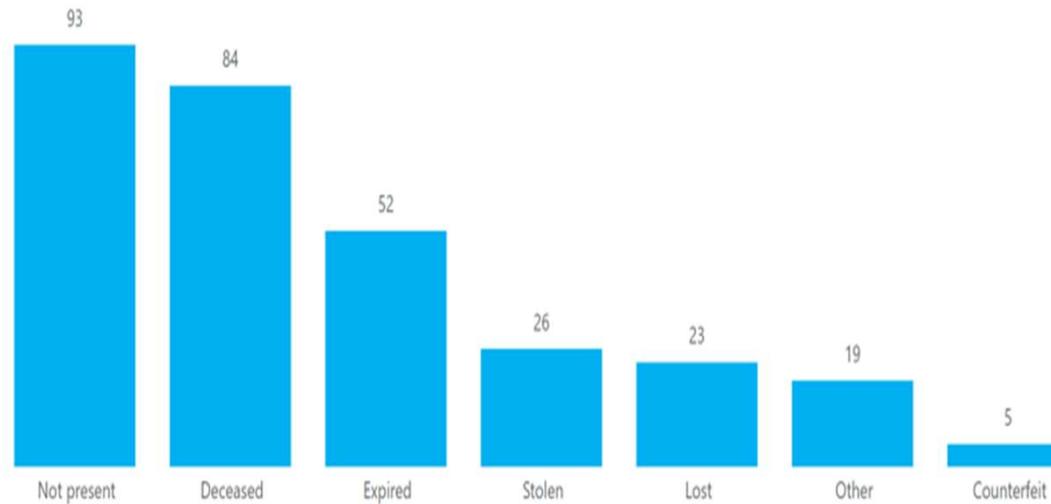
## Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health - Continued

### Blue badges:

There have been a further 90 referrals relating to blue badges received bring the total reported to date to 302, which is 74 (a 27.9% increase) in referrals received in the same period for 2024/2025. The outcomes of these referrals are:

- 245 Penalty Charge Notices being issued across Kent resulting in an estimated £7,320 of additional parking revenue.
- 260 Warning Letters to remind users of the appropriate use.
- 85 badges removed from being misused again.

There has been an increase in referrals from Swale Borough Council over this period, showing more enforcement activity occurring in this area.



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## Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education

### Direct Payments:

There has been 1 referral received, bring the total number reported to date to 6 for direct payment irregularities, with savings amounting to £11k. All amounts are subject to full financial recovery.

Advice has been provided on 1 case of abuse of position within a direct payment where activity was being done outside of the care and support plan.

### Home to School Transport (included in 'Financial Irregularity'):

A further 39 irregularities relating to home to school transport invoicing have been reported by management, with savings of £84,892 being identified. This brings the total savings to date to £120,339.

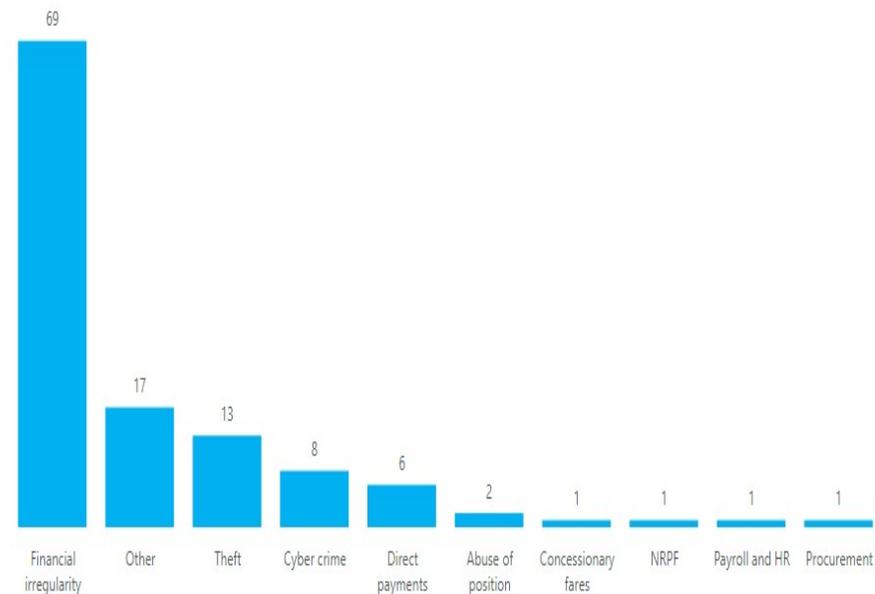
### Cyber Crime:

There have been 4 further referrals relating to cyber crime, bring the total reported to date to 8. Referrals have been received from schools in Kent, who continue to be targeted with spear-phishing attempts. There has been an actual loss of £14,302 and prevented losses of £1,157. Alerts have been issued to Kent Schools.

### Theft:

1 laptop has been reported to the Counter Fraud Team, as part of the escalation process to ensure KCC recovers assets belonging to them. Following engagement by the Counter Fraud Team this has been recovered.

Children, Young People and Education



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## Irregularity Referrals by Directorate and Fraud Type – Growth, Environment and Transport

### Avoidance of charges (other):

One case of avoidance of charges at a household waste centre has been referred to management for investigation.

### Blue Badges:

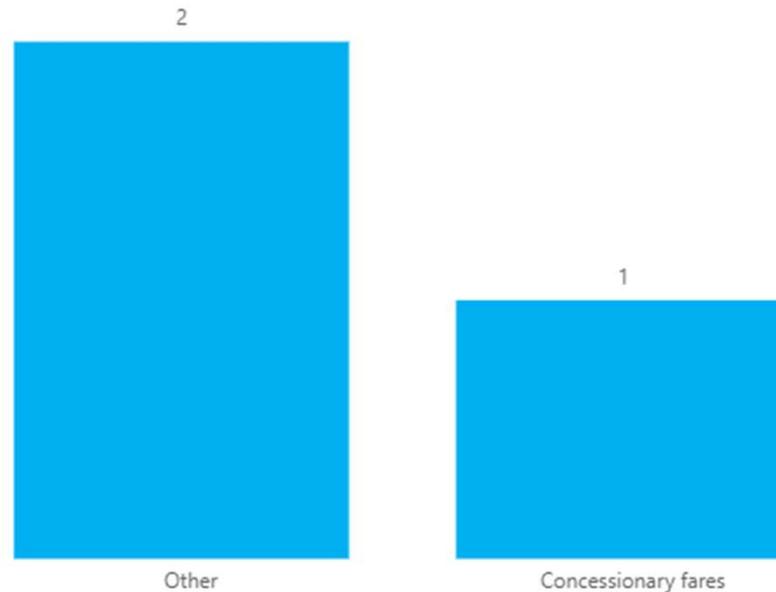
Although the Blue Badge scheme is administered by ASCH, the majority of misuse occurs within on-street parking bays, thus having an impact on the amount District/ Borough Councils receive from this income and in turn the amount they could potentially return to KCC.

### Home to School Transport:

Although a risk for CYPE as budget holders, the Public Transport department as part of a verification process identify irregularities.

Invoices are reconciled against school attendance and other information. Any overclaims are netted off against future payments or via invoice if this is not possible.

Warnings are issued to suppliers and contracts are terminated where appropriate. Suppliers may be prevented from engaging in further contracts if subsequent instances are identified.



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## Irregularity Referrals by Directorate and Fraud Type – Chief Executive/ Deputy Chief Executive Departments

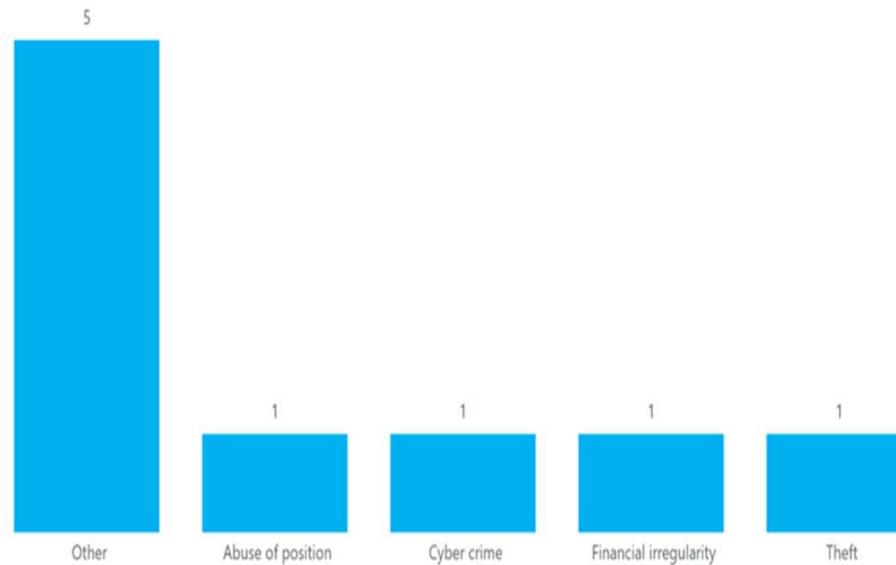
### Other:

There has been 3 minor irregularities reported during this reporting period.

A financial irregularity of £70 within the Kent Support and Assistance Service has been identified and reported to management who prevented a further £280 being paid.

A financial irregularity of £2,900 has been detected within the homes for Ukraine scheme.

One case of expenses fraud has been resolved with no case to answer.



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## Kent Intelligence Network (KIN) Overview – 01 April 2025 to 31 December 2025

The KIN continues to provide valuable financial support to KCC, Police, Fire Authority and District Councils and the outcomes for the period 1 April 2025 to 31 December 2025, set out below, show the results and financial returns achieved.

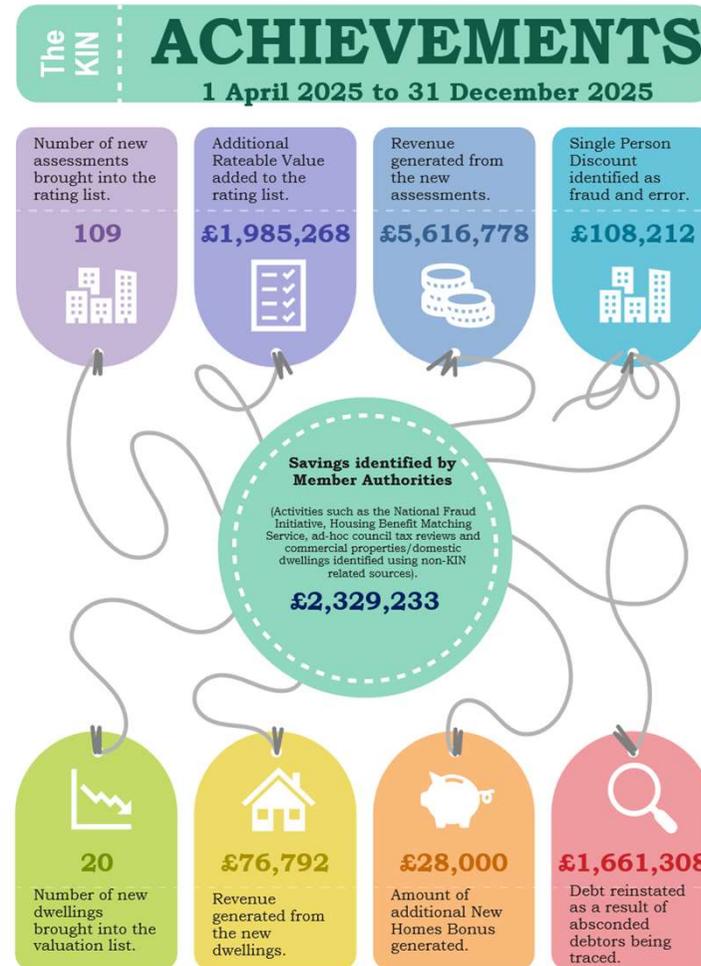
### Business Rates:

109 commercial properties, amassing a combined rateable value of £1,348,243 (£1,985,268 including Medway), have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the businesses occupying these properties are now liable for business rates.

The additional business rates revenue generated from the identification of these missing properties is £3,853,926 (£5,616,778 including Medway), of which broadly 9% (£346,853) comes to KCC, once collected, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £1,616,192 (£2,375,522 including Medway); and
- A 'future loss prevention' provision of 3 years of £2,237,734 (£3,241,256 including Medway). This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

It is also pertinent to highlight that on 31 December there were 131 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 182 cases which are currently under investigation by billing authorities.



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# Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 December 2025

## Council Tax

The KIN also helped to identify dwellings missing from the valuation list and an additional 20 dwellings have been identified in this financial year.

The additional council tax revenue generated from the identification of these missing properties is £76,792, of which broadly 73% (£56,058) comes to KCC, once collected, is a combination of the following:

- The total amount of council tax billed for both the current financial year, and previous financial years is £19,392; and
- A ‘future loss prevention’ provision of 3 years of £57,400. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

It is also pertinent to highlight that on 30 December there were 75 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 327 cases which are currently under investigation by billing authorities.

Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts and KCC. It is estimated that the 20 dwellings identified will generate £28,000, of which 20% (£5,600) comes to KCC.

In respect of the £1,661,308 that has been traced from absconded council tax debtors, this will generate additional income for KCC, depending on the amount that is collected. Even if a bad debt provision of 30% is applied to the amount of debt brought back into recovery, KCC would broadly receive 73% of £1,162,915, once collected, and this would amount to £848,927.

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## Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 December 2025

Finally, the proactive work being done in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £108,212, of which broadly 73% (£78,994) comes to KCC, once collected.

In total, the financial benefit to KCC from the KIN related initiatives and successes detailed above amounts to £1,336,432.

It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:

- A grant of £432,334 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.
- A grant of £24,164 towards a product that helps to trace absconded council tax debtors.

Solely in respect of KIN-related work, the financial investment of £456,498 made by KCC in 2025/26 has, in the first 9 months, already provided a return-on-investment of nearly 3:1.

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# Counter Fraud Action Plan 2024/2025

Updates to the 2024/25 Counter Fraud Action Plan are set out in Appendix B.

The balance between pro-active and re-active work continues to be a challenge within resource levels. Resource levels below include staff working within the shared service with Tonbridge and Malling Council ( 0.2 FTE Counter Fraud Manager, 1 FTE Counter Fraud Technician & 0.8 FTE Intelligence Officer).

The Action Plan is being delivered for 2025/26 with an increase of awareness being seen through more irregularities being reported, this helps inform areas of risk and where needed inform audits in these areas.

## Counter Fraud Resources

Position	Current number of employees
Interim Head of Counter Fraud	1
Interim Deputy Counter Fraud Manager	1.8
Counter Fraud Specialists	1
Counter Fraud Technician	2
Intelligence Officer	0.8
Intelligence Assistant	1

Two of the team have returned from maternity leave, with maternity cover ending, a thank you to the two members of the team who provided maternity cover for their hard work over the last 12 months.

Resources also includes 2.2 FTE staff providing services to Tonbridge and Malling Borough Council under a shared services provision. As well as resources to provide services to Global Commercial Services Group and Kent Fire and Rescue.

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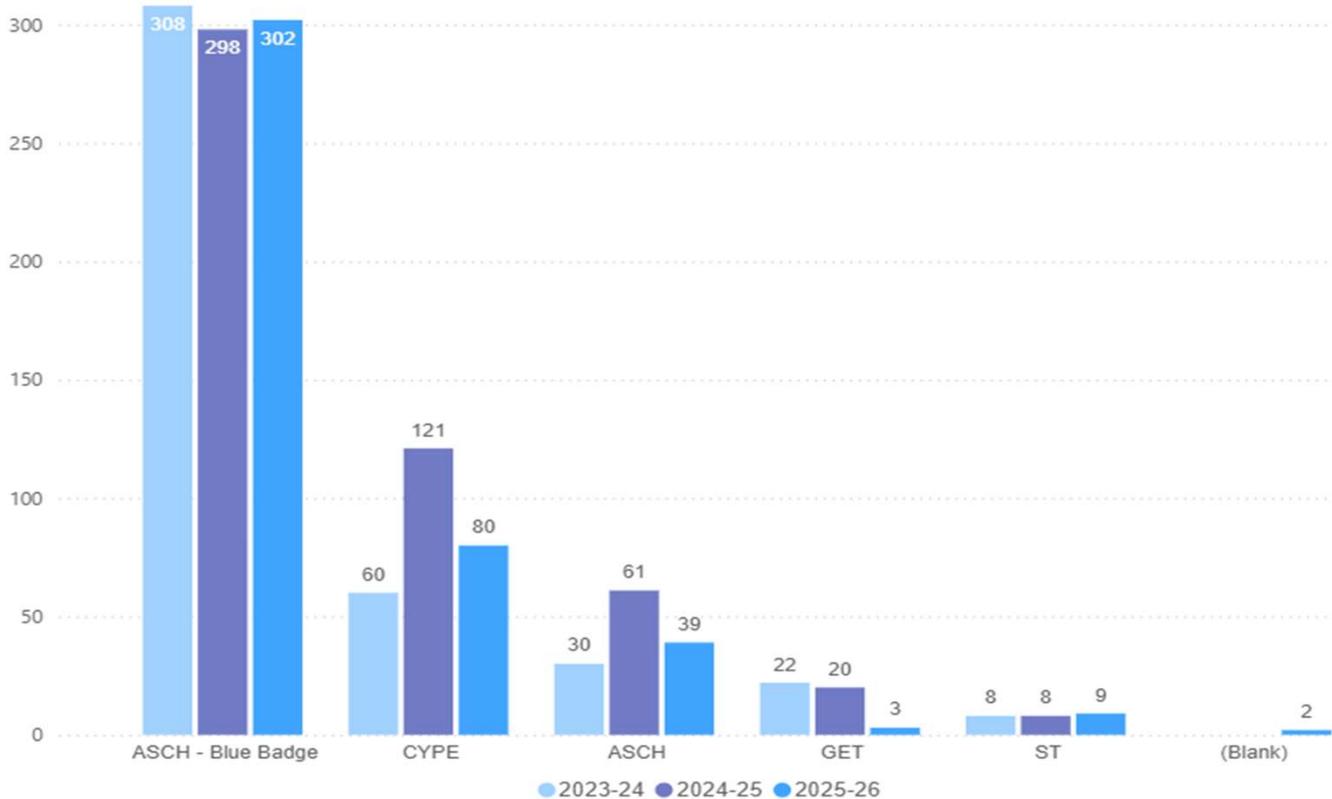
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## Appendix A - Year on Year Comparison – by Directorate

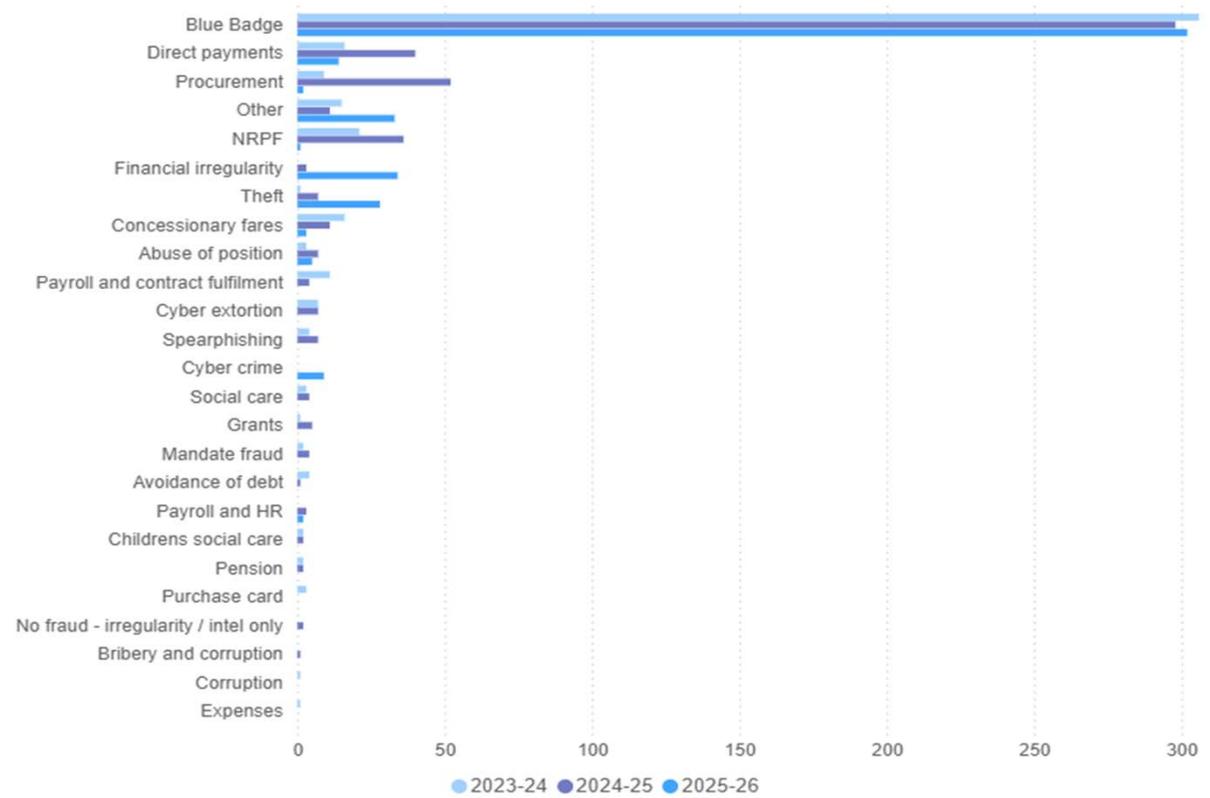
Blue Badge cases still represent the largest number of referrals the Counter Fraud service receives. However, there has been a decrease of referrals in relation to CYPE, compared with this time last year. During the same period in 2024/25 there were just over 121 referrals from CYPE, compared to around 80 this year. This is a 33% decrease, which can be attributed to destitution checks previously undertaken by Counter Fraud relating to No Recourse to Public Funds now the responsibility of CYPE. Nonetheless, ASCH and CYPE represent the highest proportion of our caseload.



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# Appendix A - Year on Year Comparison – by Fraud Type

This slide demonstrates that Direct Payments have historically been the biggest risk of fraud after blue badges. This year however, the number of theft and ‘other’ related referrals received has a greater financial risk to KCC.



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# Appendix A - Year on Year Comparison – by Month Received

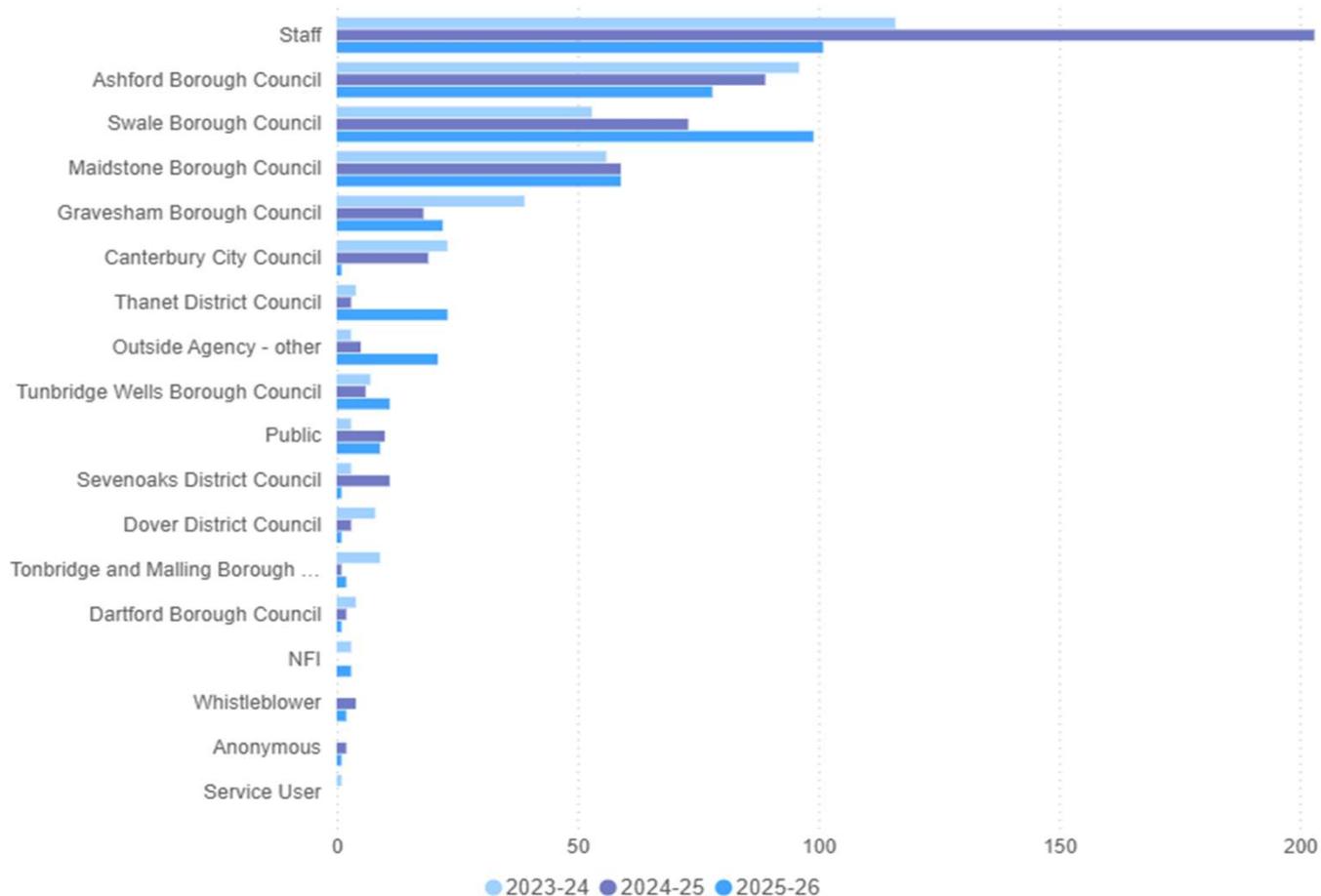
Referrals from April 2025 to December 2025 are averaging over 48 per month, compared to 42 for the same period in 2024/25 and 36 in 2023/24. This amounts to an increase in referrals received by 12% compared to last year, and 25% to the year before. The increase in referrals received by Counter Fraud is indicative of greater awareness of financial irregularities within KCC and the efficacy of proactive fraud work.



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## Appendix A - Year on Year Comparison – by Source of Referral

Relationship management/ awareness continues to work, as in most cases, the number of referrals received from KCC staff and Parking Enforcement Officers is increasing.



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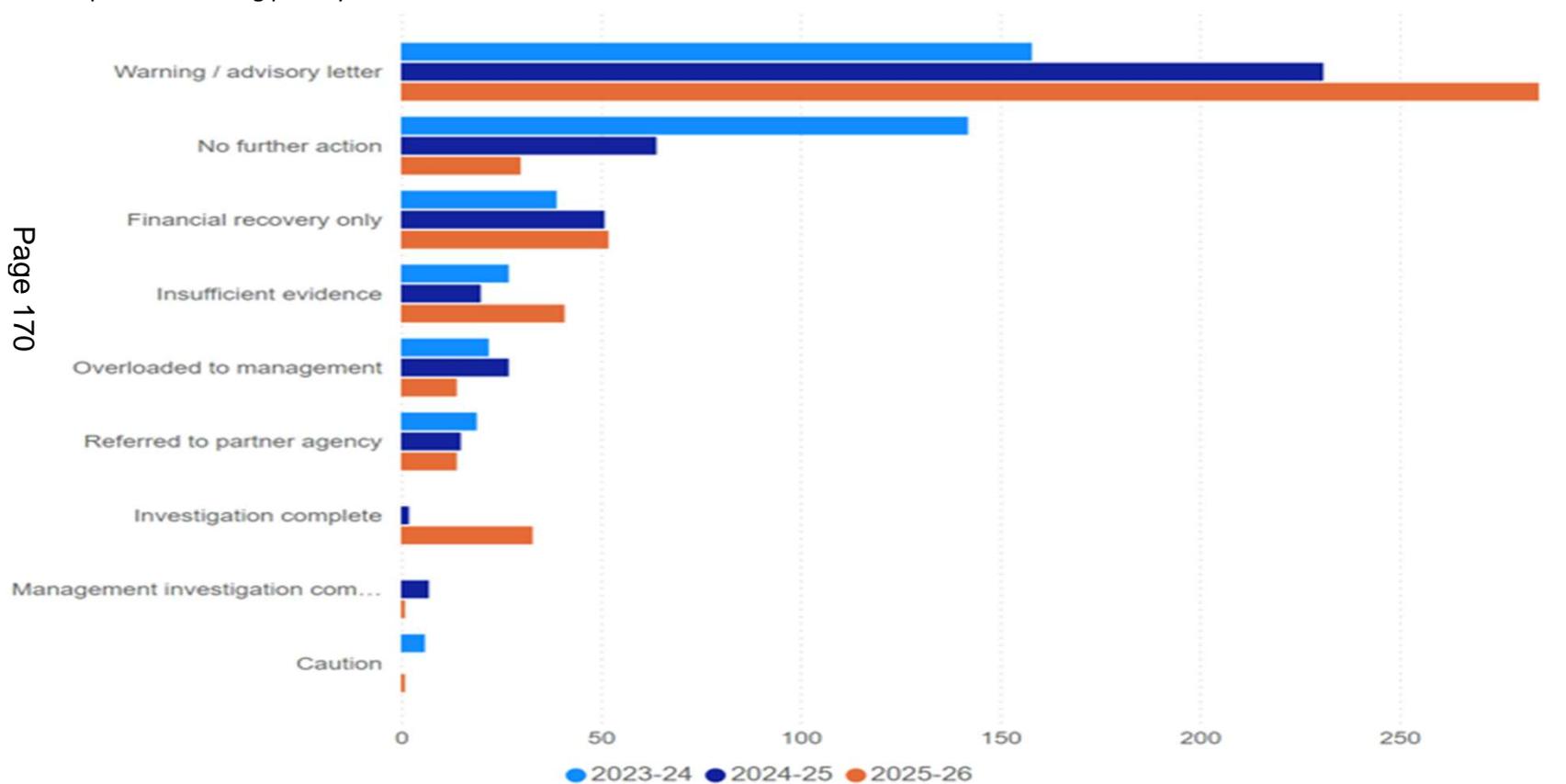
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# Appendix A - Year on Year Comparison – by Outcome

The increase in the number of referrals, in particular blue badge referrals, has resulted in some referrals not being progressed due to work on more complex cases taking priority.



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## Appendix A - Blue Badge Referrals – by Type and Referring Parking Team

Swale Borough Council is detecting the highest number of blue badge misuse compared with other District/Borough Councils. We have seen marked increases in detection from: Maidstone Borough Council, Swale Borough Council and Thanet District Council.

Overall, the total number of referrals for blue badges has increase by 74 (32%) compared to the same period, in the last financial year.

Blue Badge

Parking Enforcement Area	Referrals
Swale Borough Council	98
Ashford Borough Council	78
Maidstone Borough Council	59
Gravesham Borough Council	22
Thanet District Council	22
Tunbridge Wells Borough Council	11
Public	3
Staff	2
Canterbury City Council	1
Dartford Borough Council	1
Dover District Council	1
NFI	1
Outside Agency - other	1
Sevenoaks District Council	1
Tonbridge and Malling Borough Council	1
<b>Total</b>	<b>302</b>

Blue Badge

Misuse Type	Referrals
Not present	93
Deceased	84
Expired	52
Stolen	26
Lost	23
Other	19
Counterfeit	5
<b>Total</b>	<b>302</b>

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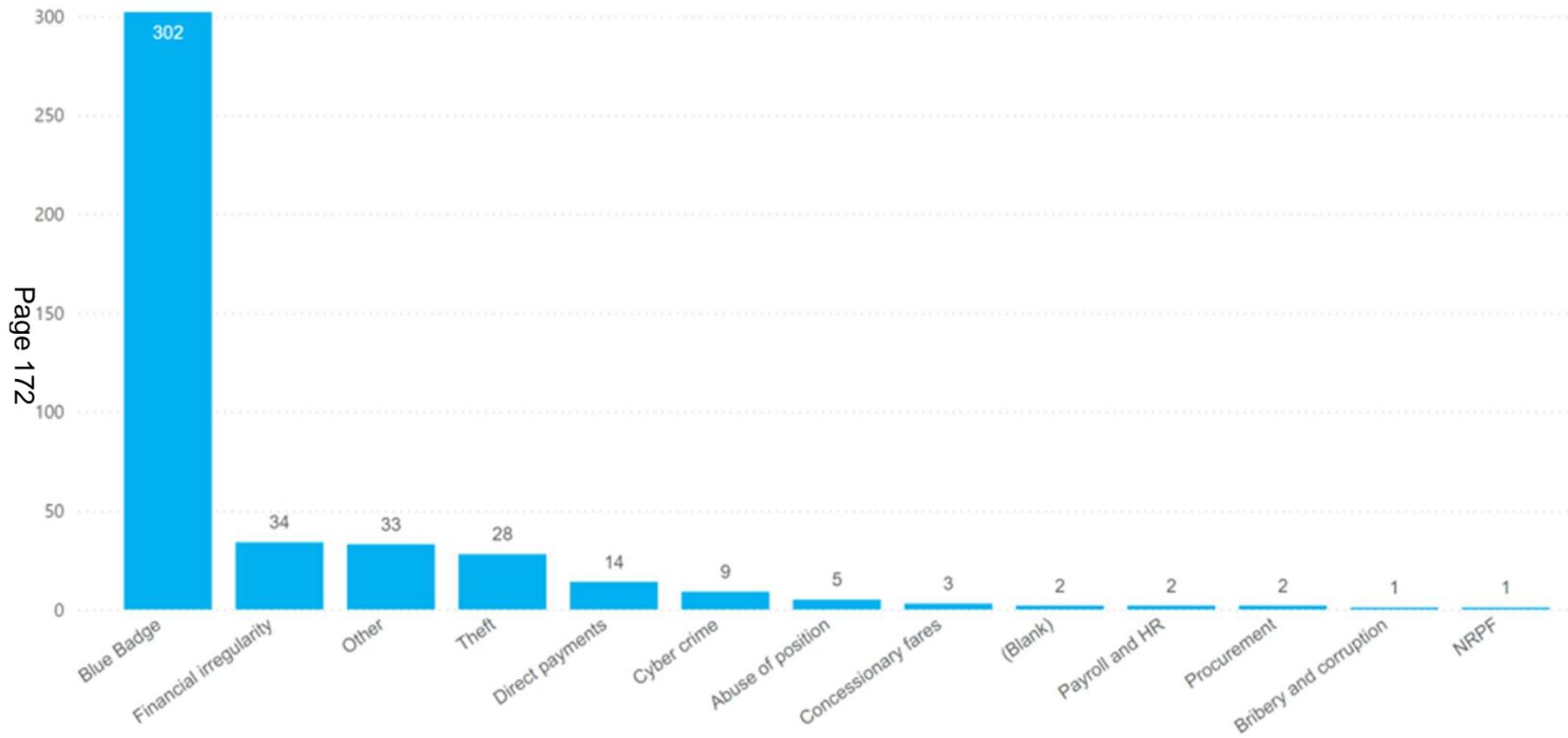
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## Appendix A - Fraud and Irregularity Referrals by Fraud Type April 2025 to December 2025



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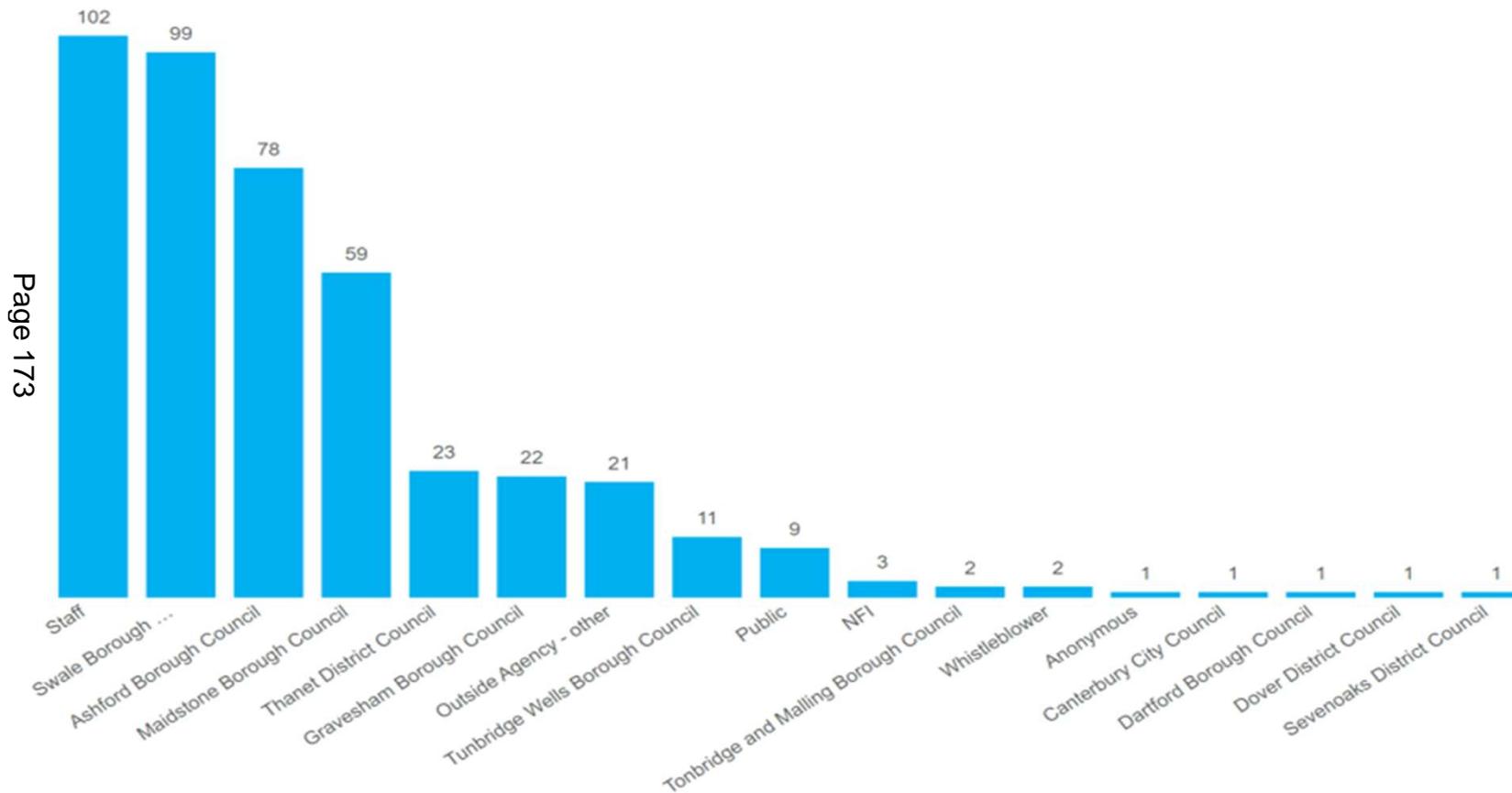
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## Appendix A - Fraud and Irregularity Referrals by Source April 2025 to December 2025



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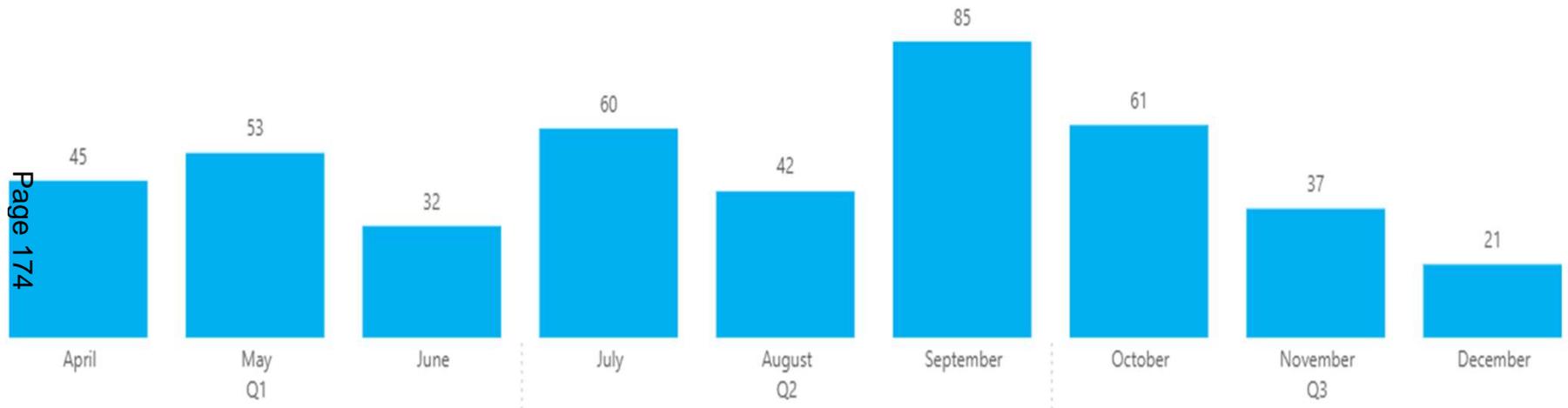
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## Appendix B - Fraud Action Plan 2025/26

Pillar	Activity	Detail	Update
<b>Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.</b>	Counter Fraud Update, Audit Committee	A quarterly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	<p>March 2026 Governance and Audit Committee provided with activity for Quarter 3.</p> <p>November 2025 Governance and Audit Committee provided with activity for Quarter 1 &amp; 2.</p>
	<b>Know - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.</b>	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.
<b>Know - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.</b>	Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). To work with Governance and Law to embed fraud risk assessments within the Key Decision process.	On- going – part of the relationship management meetings with DMT's
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.	Ongoing – see proactive work
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.	On-going

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## Appendix B - Fraud Action Plan 2025/26

Pillar	Activity	Detail	Update
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture (including failure to prevent fraud) and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.	In progress – See proactive update
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.	In Progress – Draft Engagement Plans are review by Counter Fraud to inform fraud and error risks
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.	Completed
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.	Completed – Some non-compliance to policy (Declarations of interests) but no conflicts of interest identified.
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents.	In progress – See KIN update
	Artificial intelligence – Counterfeit/ Forgery	To explore the use of AI as a directional tool to identify counterfeit/ forged documents used to access services.	To be completed
	Anti – Corruption Audit	To support on the Group of States against Corruption (GRECO) audit on Anti-Corruption controls at KCC.	In progress - Initial evidence submitted, field work completed in January 2026. Await report.

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Pillar	Activity	Detail	Update
<b>Pursue</b> Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps	Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; <ul style="list-style-type: none"> <li>that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice</li> <li>the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee</li> <li>Appropriate sanctions are applied.</li> </ul>	Peer review completed November 2025. Premise to assess the Counter Fraud Teams processes against the Government Counter Fraud Professional (GCFP) Standards. Conclusion – The KCC CFT provides an excellent service to Kent. Assured that the KCC CFT is an effective and knowledgeable counter fraud function. All standards achieved the requirement of the GCFP Cat C Investigator and Fraud Manager Standards.
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.	In progress – KIN meetings progressing, liaison with Kent Police established and on-going, Southern Investigators Groups attended.

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