

**CANTERBURY CITY COUNCIL
DOVER DISTRICT COUNCIL
THANET DISTRICT COUNCIL**

Agenda

East Kent Services Committee

**Wednesday
22 July 2015
at 10.00 am**

**The Guildhall
Westgate
Canterbury**

Membership of the East Kent Services Committee

Councillors

Councillor S Cook - Canterbury City Council
Councillor Todd - Canterbury City Council
Councillor P Watkins - Dover District Council
Councillor M Conolly - Dover District Council
Councillor C Wells - Thanet District Council
Councillor L Fairbrass – Thanet District Council

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4. If you have any queries regarding items on this agenda, please contact Matthew Archer on 01227 862 175 or email matthew.archer@canterbury.gov.uk or write to the address below.

Canterbury City Council, Military Road, Canterbury CT1 1YW

A G E N D A

Page (s)

1 APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2 APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN

Under the operating arrangements the Chairman for the municipal year 2015/16 will be a representative of Dover District Council and the Vice-Chairman will be a representative of Canterbury City Council.

3 DECLARATION OF ANY INTERESTS

To receive any declarations of interest.

4 SUBSTITUTE MEMBERS

The Chairman to report any notifications received prior to this meeting regarding the attendance of substitutes for the named Members of this Committee.

5 EK SERVICES AND EK HUMAN RESOURCES END OF YEAR REPORT 2014/15

6 - 24

TO CONSIDER - the report of the Director of Shared Services/Director of Collaborative Services

6 ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC

7 ANY OTHER BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH

It may be necessary to exclude the press or public for this item.

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**To: East Kent Services Committee
Wednesday 22 July 2015**

Subject: EK Services / EKHR Combined End of Year Report

**By: Dominic Whelan
Director of Shared Services / Director of Collaborative Services**

Summary

This report will provide an end of year summary of service and financial performance for EK Services and EK Human Resources. The report has been submitted to East Kent Services Board for their approval and is now presented to the Committee for information.

1. Introduction

- 1.1 This annual performance report for EK Services (EKS) and EK Human Resources (EKHR) will provide a high level view of key activities and report against identified performance indicators within the service level agreements. It will also provide detail on annual financial performance.

2. Overview

- 2.1 This has been another successful year for EKS, concluding the first four years of the shared arrangements set out in the original collaboration agreement. To remind EKSB, the original objectives set out at the formation of EKS¹ were, in summary to:

Commit the Authorities to the most economically advantageous and closest coordination possible of the Shared Services across the Authorities administrative areas enabling co-operation to improve efficiency and best value.

- 2.2 The original business case also stated a target of 25% savings from the initial budgets over the first four years (11/12 through to 14/15 inclusive). As at the end of 14/15, the actual reductions in budget over the period since inception have delivered cash savings of £1.9m (15%) but an additional £1.45m has been handed back as one off savings over the same four year period which equates to total cashable savings of 26%. In addition, there has been cost avoidance of a further £0.87m, based upon salary growth and inflation costs on items such as supplies and software maintenance, all of which has been absorbed by EKS (see paragraph for 8.3 more detail).
- 2.3 The arrival of the new Director in December 2014 provides the opportunity to now establish the strategy and shape of the organisation for the next 3-5 years, to ensure it remains appropriate and able to deliver further benefits to the partner councils, beyond those achieved already. Work on this has now commenced in the areas of business strategy development, digital futures, financial modelling and a review of HR. The Director is also engaged in early stages of work preparing for a more fundamental review of service delivery and market opportunities.

¹ Collaboration Objectives as defined in the Three Way Collaboration Agreement commencing 01 Feb 2011

2.4 The Collaboration Agreement between the three partners has now been re-written to include EKHR and to formalise the role of Director of Collaborative Services to enable the Director of Shared Services to have proper delegations for EKHR as well as EKS. The first meeting of the new East Kent Services Committee (Leaders) and the East Kent Services Board (CEXs) took place on 11 February and agreed the new arrangements for a further period of 5 years.

3. Performance

3.1 Overall performance has been high, with only EKHR failing to achieve one of its targets, in regard to the 'issue of offer letters following recruitment' failing to achieve its target of 80% issued within two days. For 2015/16 as part of the review of SLAs and to reflect this high level of performance, a number of the targets have been changed to ensure continued improvement is reflected. More detail on end of year performance is shown in the charts in Appendix 1.

3.2 The number of incidents, calls or jobs logged into the ICT service desk has slightly reduced on the previous year, which is a positive sign, showing a reduction in fault calls and that is despite an increase in the number of devices in use across customers (more laptops, iPads and smart phones). Calls have continued to increase in the Customer Service contact centre, in part due to welfare reform queries (longer and more complex) and an increase in calls during the lead up to the election from residents seeking information. However, these have been managed without an increase in resources, due to the introduction of better call management across the different centres (flowing calls across all sites); improved use of call automation / Interactive Voice Response.

Key Statistics:

	2012/13	2013/14	2014/15
ICT Logged incidents/jobs (via tel, email or portal)	27,578	32,478	31,891
Contact Centre telephony calls	677,654	888,851	1,004,416
Customer Services (face to face contact)	252,285	244,844	236,773
Council Tax Income	£172.1m	£179.7m	£186.2m
Business Rate Income	£119.3m	£121.8m	£121.7m
Benefit Cases	227,503	230,066	247,161
Housing Benefit (recipients / amount)	33,970 / £152.1m	33,939 / £156.9m	31,952 / £156.0m
Council Tax Support (claimants / amount)	40,880 / £35.1m	40,068 / £33.6m	38,064 / £32.2m

3.3 Ongoing initiatives to 'channel shift' customers onto more online transactions is starting to prove beneficial but there is more to do in this area. The number of Business Rates dealt with online continues to increase, the percentage of accounts using paperless is now: TDC (15%) and DDC (26%). Once the new Civica Open Revenues system is in place in CCC (2015/16), online transactions in Canterbury will be implemented.

- 3.4 Promotion of online billing for Council Tax is also underway in TDC and DDC, albeit take up is currently low. Once the new single revenues and benefits system (Civica Open Revenues) is in place across all three councils, we anticipate that the self-serve functionality will assist in moving more residents onto online billing as part of a more fundamental shift in approach.
- 3.5 Mystery shopping continues across EKS to ensure that our Customer Service Standards are being met; our most recent results indicate 84% of calls are answered within 4 rings.
- 3.6 Internal staff satisfaction is high; a recent staff survey was completed by 233 EKS staff (75% response) and between 80 and 90% said they enjoyed working for EKS; felt they were treated with respect and were able to do their job effectively. The latter helped by 80% of staff saying their 'line manager clearly defines and communicates goals and objectives'. Slightly less than 60% 'understood the strategic priorities and objectives', a gap which should be filled following the completion of the ongoing business strategy work and an effective staff engagement campaign. Of note though, 50% of staff (and 27% not sure) disagreed with the statement that 'it really feels like everyone is on the same team within EKS'. This is a theme picked up by the Director already, that there is still too much silo thinking within EKS and also, in some areas, across the partnership. The Director is seeking to improve the 'all of one company' ethos and tackle this particular concern.

4. Customer Delivery

- 4.1 Customer Delivery completed a re-structure to better align resources and to prepare for the forthcoming transfer of Fraud and Investigation staff to DWP in December 2015. This re-structure also provided some savings via vacancy management and post reductions.
- 4.2 EKS has achieved national recognition for a range of activity and initiatives. The good work we have done on fraud and error reduction resulted in the Assistant Director being invited to provide evidence to the Public Accounts Committee on measures we have implemented. We have also been receiving national acclaim for our work on behavioural change and DWP invited EKS to work with them to improve the use of such techniques across other councils; we received grant funding of £55k to support this work. The Council Tax Support scheme in place across East Kent was recognised as a national 'good practice' case study.
- 4.3 The previous work to align all the three contact centres to enable a 'virtual call centre' that allows the flexing of resources across each organisation has started to prove its benefits allowing the customer services to handle greater demand without increasing resources.
- 4.4 EKS assisted CCC with the successful implementation of the Business Improvement District, working with the council and retailers to achieve a 'yes' vote.
- 4.5 Initiatives to drive channel shift and digital have continued, with more call automation (now around 30%), engagement with the public via YouTube and marketing initiatives helping to increase the number of citizens and businesses adopting online transactions. This also included technical innovation, such as the Migration of Northgate Front Office over to Jadu, saving over £60K per year in maintenance charges and enabling us to move forward with more online and self-serve options for the customer.

- 4.6 The Planning Service was successfully introduced as a new first contact service that could be handled at TDC customer contact centre, with no dip in performance.
- 4.7 The introduction of Appointments, which was piloted at CCC Customer Service centre, has proved successful in reducing wait times and volumes of people coming into the face to face contact centres and we intend to start rolling this out across the other partners.

5. ICT

- 5.1 Compliance was a key feature during 2014; the volume of work required in order to gain compliance across the three councils and associated partners was greater than expected. We replaced a range of servers as part of the PSN compliance and began the PCI-DSS compliancy programme.
- 5.2 We worked with the Councils to introduce the Senior Information Risk Officer (SIRO) concept and extended this by spearheading the creation of the Corporate Information Governance group (CIGG); a SIRO led group that considers information security/governance and risk for all councils.
- 5.3 There have been a number of key projects undertaken at each council, including major office move programmes, support to new tenants for network and internet needs, ongoing phased roll out of WiFi, upgrades and expansions of data storage, improved server monitoring, and introduction of a new cross-site backup system for all councils.
- 5.4 The volume of work on web development, applications and software management is increasing and we are in the midst of a restructure in this service area to cater better for demand.
- 5.5 We continue to work hard to improve our front line activity; we have recruited two new members of staff, improved our external communications and are implementing new back office tools to assist with asset management and customer engagement.
- 5.6 There has been a vast improvement in project commissioning processes and we continue to work with council colleagues to refine and improve this area. We are working with Mid Kent Improvement Partnership (MKIP) to help leverage some external resource that MKIP are sourcing to review and establish the most suitable end to end processes for initiating and delivering new work.
- 5.7 We assisted on procurement and selection processes for a range of new partner wide systems including the Telephony replacement project, EKHR single system, Revenues and Benefits single system, single housing system and shared e-forms product. Additionally we contributed to many partner led product and supplier reviews.
- 5.8 In November we launched a new SLA consultation which considered a future technology vision and 7 year financial position for asset renewal and technology spend.
- 5.9 Our annual customer satisfaction survey revealed a satisfaction rating of 92.56%, an improvement on the previous year and a marked improvement on the 56% rating in place prior to EK Services.

6. Business Support

- 6.1 Corporate activity is managed within this area e.g. the EKS Intranet site, Risk Register, Business Continuity coordination and the Corporate Complaints process. The team has continued to provide administrative support to the Income and Payments team and procures hardware/software requests for ICT. Continuous improvement activity continues across the team, resulting in more efficient electronic working which has enabled a further 1FTE reduction, with 2.2 FTE currently held as vacant.
- 6.2 Improvements in corporate risk management have been identified during 2014/15 and have resulted in the production of a new EKS corporate Risk Register and the initiation of a larger review of Business Continuity that continues into 2015/16 in partnership with the three partner councils and supported by Kent Resilience team.

7. EKHR

7.1 Headline Statistics 2014/15²

- 7.1.1 EKHR Advisors handled 8,661 (8,287) calls and 6,699 (8,852) emails along with 87 (93FOI requests).
- 7.1.2 EKHR supported a total of 2,116 (1,852 in 13/14) Cases across the East Kent Partnership including:
- Health and Safety Cases - 363 (319)
 - Absence Management Cases - 248 (192)
 - Individual restructure impact cases - 128 (173).
- 7.1.3 A total of 3,556 administrative activities were managed with 910 (630) course booking relating activities, 1647 (586) Payroll related queries and 2,374 (579) Recruitment and Selection queries.
- 7.2 Employee Relations case work has continued to increase and become more complex and challenging. As service areas and departments within the councils reduce their resources, there has been a gap appearing, in management capability/capacity and with line managers having less time to coach and support their own staff. This has resulted in EKHR team members having to attempt to fill this gap to support the organisation.
- 7.3 There has been a significant (300%) increase in recruitment activity in 14/15 over previous years. This resulted in significant challenges in relation to service level agreements and tested the existing processes as well as the capability of HR and council managers more than previously and has exposed some useful learning points.
- 7.4 Legislative changes in the compulsory use of ACAS, before progressing to Employment Tribunal, is indicating a potential increase in the level of claims that may be expected in 15/16. However the early use of the conciliation process and free settlement agreements have allowed for the expedition of exit plans and protection for the councils in high risk cases, whilst saving cost and time.
- 7.5 Review of the HR structure in response to the customers changing needs has been carried out, with all customer groups consulted at multiple levels. Feedback is aligned for the majority of activities and customers. Options for improvement/change are being prepared for consideration by owning partners.

² Includes service provision for the whole customer base, including the three partner councils as well as EK Housing, where applicable. Figures in brackets are last year statistics.

- 7.6 Payroll project is progressing on plan with excellent support so far by the supplier. The cross functional / District project team is working very effectively.
- 7.7 Internal project highlights include – development of automated forms, improvements to online toolkits (in particular Recruitment), improving access to HR services (call back service face time, improved telephony routing).
- 7.8 Considerable project support has been provided to CCC (paid for in addition) to review and introduce a new Job Evaluation scheme and revised terms and conditions. The other partners are also indicating a focus on their Terms and Conditions going forward.

8. Finance

8.1 A detailed end of year financial position statement is provided at Appendix 2.

8.2 Key areas of work for the Finance Manager in 2014/15, above the routine management accounting for EKS and EKHR has been:

8.2.1 Supporting the HR and Payroll system replacement project with designing various financial models at the initial stages of the project, leading onto budget managing the implementation moving forward.

8.2.2 Development of a Reserves Policy (still in draft) that aims to formalise the levels and management of the existing reserves that have built up over the period, since EKS was created.

8.2.3 Preparation for the financial modelling activity planned for 2015/16 that will create a new activity based costing model in order to provide councils with greater granularity of their EKS support costs by service area.

8.3 As at end of 2014/15 the financial savings in management fee budgets compared against initial budgets at inception of EKS; the totals of additional savings handed back each year above the management fee reductions and the absorbed costs for growth resulting in cost avoidance are as follows:

Year	Savings in management fees against initial budgets	% savings since start, management fees only	Additional (one off) money handed back each year	% savings since start including management fee savings	Cost Avoidance through absorbed costs (non-budgeted) for growth
11-12	1,237,000		400,000		204,000
12-13	266,000		336,680		194,550
13-14	400,000		331,750		254,230
14-15	5,000	14.7%	382,160	26%	218,320

8.4 There were also additional surpluses generated that have been retained for reinvestment in EKS, details of which can be found in Appendix 2.

9. Audit, Scrutiny & Reporting

- 9.1 The Director has worked with the councils' lead officers to tighten up the reporting regime. The performance reports continue to be discussed at monthly meetings with each client but a more common approach to quarterly performance has now been introduced. Financial monitoring is still completed each month but previously this was only presented at the end of year; financial reports will now be taken to S151 officers for monitoring each quarter and to EKSB at half year.
- 9.2 EK Audit Partnership (EKAP) has conducted a number of audits into areas of the EKS service as agreed in the EKAP work plan. A separate annual audit report has been produced by EKAP and this has been circulated to each Council. In summary, EKAP conducted 15 assessments on EKS over the year with ten reviews (91%) achieving substantial or reasonable assurance; two reviews were work in progress at year end and a further two reviews were not liable to be graded. This left one area, ICT Change Control receiving Limited Assurance during 2014/15. However, this has already been subject to follow up action and a recent report (June 2015) has now applied Reasonable Assurance on this area. One other area, which was graded as Limited Assurance in a previous years report (2013/14) remains outstanding. This is for ICT Software Licensing and action is in hand to rectify this issue which is in regard to the need to procure a suitable software asset management tool to assist with management of the licences. This is due to be followed up during 2015/16.
- 9.3 The full Annual Internal Audit Report for EKS is attached at Appendix 3 for information, should any member of EKSB wish to review the full detail.
- 9.4 EKS provided an Assurance Statement to feed into each Councils Annual Governance Statement

Report author

Dominic Whelan

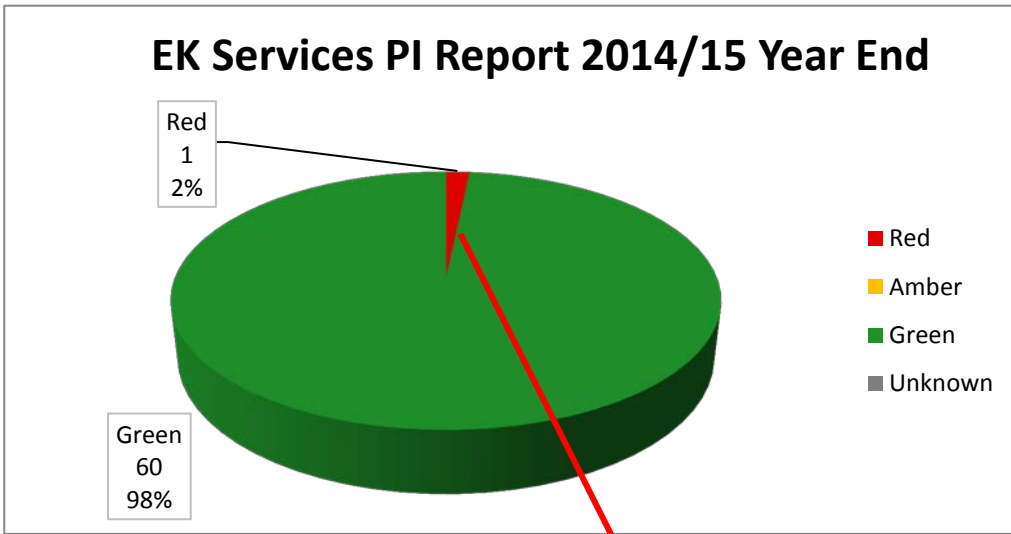
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Appendices:

1. EK Services Performance Report – Annual Outturn 2014/15
2. EK Services End of Year Financial Position 2014/15
3. EKAP Annual Internal Audit Report for EK Services 2014/15

EK Services Performance Report – 2014/15 Final Outturn

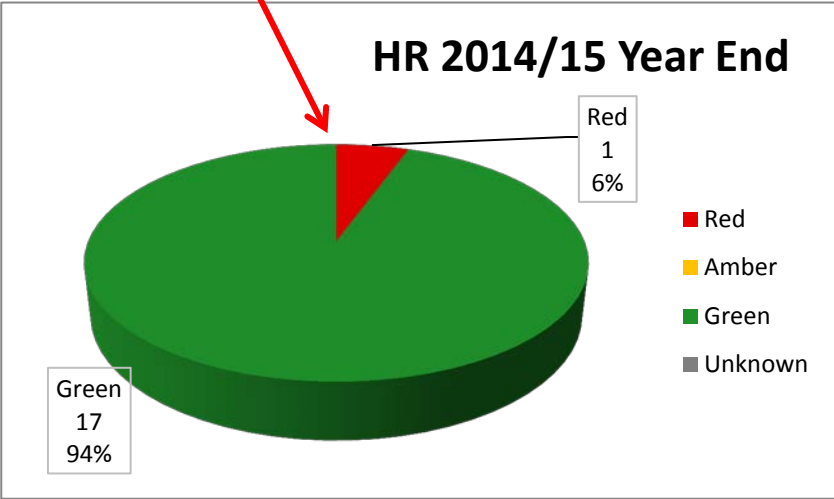


Across all three councils, there are a total of 61 separate performance indicators.

All achieved target with exception of one which was:

EKHR 07C - HR Offer Letters issued within 2 days.

Target 80%
Achieved 68%



		Status	Year end actual	Target
EKHR01c	HR Canterbury - Calls answered within 15 seconds	✓	85.00%	80.00%
EKHR01d	HR Dover - Calls answered within 15 seconds	✓	85.00%	80.00%
EKHR01t	HR Thanet - Calls answered within 15 seconds	✓	85.00%	80.00%
EKHR02c	HR Canterbury - Customer overall satisfaction	✓	100.00%	80.00%
EKHR02d	HR Dover - Customer overall satisfaction	✓	100.00%	80.00%
EKHR02t	HR Thanet - Customer overall satisfaction	✓	100.00%	80.00%
EKHR04c	HR Canterbury - Calls answered at first point of contact	✓	96.00%	80.00%
EKHR04d	HR Dover - Calls answered at first point of contact	✓	96.00%	80.00%
EKHR04t	HR Thanet - Calls answered at first point of contact	✓	96.00%	80.00%
EKHR05c	HR Canterbury - Emails responded to within 3 days	✓	99.00%	80.00%
EKHR05d	HR Dover - Emails responded to within 3 days	✓	100.00%	80.00%
EKHR05t	HR Thanet - Emails responded to within 3 days	✓	100.00%	80.00%
EKHR06c	HR Canterbury - Contract of employment within 4 weeks	✓	100.00%	80.00%
EKHR06d	HR Dover - Contract of employment within 4 weeks	✓	100.00%	80.00%
EKHR06t	HR Thanet - Contract of employment within 4 weeks	✓	100.00%	80.00%
EKHR07c	HR Canterbury - Offer letter within 2 days	✗	68.00%	80.00%
EKHR07d	HR Dover - Offer letter within 2 days	✓	84.00%	80.00%
EKHR07t	HR Thanet - Offer letter within 2 days	✓	81.00%	80.00%
EKS01c	ICT Canterbury - % of Service Desk calls resolved within agreed target response time	✓	95.00%	95.00%
EKS01d	ICT Dover - % of Service Desk calls resolved within agreed target response time	✓	98.00%	95.00%
EKS01t	ICT Thanet - % of Service Desk calls resolved within agreed target response time	✓	95.00%	95.00%
EKS02c	ICT Canterbury - % of Service Desk calls resolved within one day	✓	74.00%	50.00%
EKS02d	ICT Dover - % of Service Desk calls resolved within one day	✓	72.00%	50.00%
EKS02t	ICT Thanet - % of Service Desk calls resolved within one day	✓	69.00%	50.00%
EKS04c	ICT Canterbury - % Availability of email service	✓	100.00%	95.00%
EKS04d	ICT Dover - % Availability of email service	✓	100.00%	95.00%
EKS04t	ICT Thanet - % Availability of email service	✓	100.00%	95.00%
EKS05c	ICT Canterbury - % Availability of the corporate website	✓	99.97%	99.50%
EKS05t	ICT Thanet - % Availability of the corporate website	✓	99.98%	99.50%
EKS24c.1	ICT Canterbury - % Availability of finance system	✓	100.00%	95.00%
EKS24c.2	ICT Canterbury - % Availability of info@work	✓	100.00%	95.00%
EKS24c.3	ICT Canterbury - % Availability of Citrix	✓	100.00%	95.00%
EKS24d.1	ICT Dover - % Availability of Finance System	✓	100.00%	95.00%
EKS24d.2	ICT Dover - % Availability of Anite	✓	100.00%	95.00%
EKS24t.1	ICT Thanet - % Availability of Finance System	✓	100.00%	95.00%
EKS24t.2	ICT Thanet - % Availability of Civica W2	✓	100.00%	95.00%

		Status	Year end actual	Target
EKS09c	CS Canterbury - Average face-to-face waiting time in minutes		4.70	12.30
EKS09d	CS Dover - Average face-to-face waiting time in minutes		6.62	11.16
EKS09t	CS Thanet - Average face-to-face waiting time in minutes		6.97	10.00
EKS10c	CS Canterbury - % of non-switchboard abandoned calls		4.14%	7.50%
EKS10d	CS Dover - % of non-switchboard abandoned calls		7.45%	31.90%
EKS10t	CS Thanet - % of abandoned calls		7.57%	12.10%
EKS11c	CS Canterbury - Customer Satisfaction Level		97.93%	95.00%
EKS25c	CS Canterbury - % of calls dealt with by automation		28.64%	20.00%
EKS25d	CS Dover - % of calls dealt with by automation		21.12%	20.00%
EKS25t	CS Thanet - % of calls dealt with by automation		29.59%	20.00%
EKS26c	CS Canterbury - Average call waiting time in minutes		0.41	0.77
EKS26d	CS Dover - Average call waiting time in minutes		1.24	1.75
EKS26t	CS Thanet - Average call waiting time in minutes		0.86	1.00
EKS13c	RB Canterbury - Average time taken to process all new claims and change events in HB and CTB (days)		4.25	8.98
EKS13d	RB Dover - Average time taken to process all new claims and change events in HB and CTB (days)		4.84	13.92
EKS13t	RB Thanet - Average time taken to process all new claims and change events in HB and CTB (days)		7.03	9.43
EKS14c	RB Canterbury - % of correct HB and CTB decisions		97.69%	97.00%
EKS14d	RB Dover - % of correct HB and CTB decisions		95.51%	89.16%
EKS14t	RB Thanet - % of correct HB and CTB decisions		96.81%	95.90%
EKS18c	RB Canterbury - % of Council Tax collected		98.80%	98.71%
EKS18d	RB Dover - % of Council Tax collected		97.85%	97.79%
EKS18t	RB Thanet - % of Council Tax collected		96.15%	96.00%
EKS19c	RB Canterbury - % of Business Rates collected		100.01%	99.50%
EKS19d	RB Dover - % of Business Rates collected		98.83%	98.10%
EKS19t	RB Thanet - % of Business Rates collected		98.53%	98.05%

EKS & EKHR FINANCIAL OUT TURN REPORT 2014/15

1.0 Introduction

- 1.1 This report enables the East Kent Strategic Board to take an informed view of the financial out-turn of EKS and EKHR for 2014/15.

2.0 **EKS - 2014/15 Budget (start position)**

- 2.1 The budget for EKS set at the start of the year was based upon the following areas of income:

2014/15 Budget - Revenue Stream			
Type of Income	EK Partners	EK Housing	Ashford (Business Rates)
TDC Management Fee	£4.225m		
CCC Management Fee	£3.729m		
DDC Management Fee	£3.033m		
Other Income		£0.607m	£0.032m
Sub Totals	£10.987m	£0.607m	£0.032m
Total Budgeted Income	£11.626m		

- 2.2 **EKS - 2014/15 – Income (Non-Forecasted)**. In addition to the agreed budget for the year, EKS generated further income through the following areas:

Revenue Source	Amount
TDC Commission on Debt Recovery above target	£16k
Corporate Income additional work for TDC	£30k
Benefits & Business Rates services to Tonbridge & Malling Borough Council	£13k
Empty Homes Audit for Shepway District Council	£6k
Benefits training provided to Shepway District Council	£3k
Business Rates BID levy administration	£12k
Government Digital Grant (FERIS)	£55k
Total Income (non-forecasted)	£135k

3.0 **EKS - Summary of Outturn.**

- 3.1 EK Services were underspent for financial year 2014-15 by £727k. This was primarily due to a larger than expected underspend in Vacancy Post Management, greater savings in 3rd party contracts following a review of Support & Maintenance budgets; a variety of underspends across department budgets and growth in revenue from income streams that had not been accounted for at budget setting stage (see table in paragraph 2.2).

3.2 In regard to Vacant Post management, this was due to a combination of certain posts being held vacant, staff turnover in Customer Services, a struggle to recruit to the Web Development team in ICT and also due to the restructure within Customer Delivery which slowed up recruitment. The ICT maintenance budget savings were identified after completing a review of all contracts held by the partners and rationalising where possible.

3.3 The table below shows the areas from which these underspends were generated:

Activity / Type of cost	Underspend	Reason
Vacant Post Savings	£282k	
ICT maintenance (software and hardware)	£169k	Rationalisation across the partners
Employers Liability Insurance	£35k	
Operational Support software maintenance	£11k	
Various external income	£80k	Income generation (see table 2.2 above, excluding FERIS funding)
Other service underspends	£150k	<i>such as:</i> less spend than expected on various equipment, computer hardware & software purchases; stationery; a reduction in Training and Development spend and less legal, land registry and search fees
Total Underspend	£727k	

3.4 Out of the £727k underspend, EKS have retained £345k to move into Reserves to fund some key projects and ongoing activity planned over the next 12 months. This was done following discussion with S151 officers. We have also returned £382k to the partners as savings.

3.5 An area of weakness this year has been the forecasting of the outturn, which in February 2015 was only predicting an outturn of £441k underspend. Greater effort will be made to ensure the savings and income targets are more accurately predicted to prevent last minute changes to forecasts.

4.0 **EKS Savings to partners 2014/15**

4.1 The following savings have been passed back to the partners at the end of the year:

	TDC £k	CCC £k	DDC £k	Total £k
ICT	38.7	47.6	28.4	114.7
Customer Services	4.4	2.8	25.7	32.9
Income & Payments	97.3	73.0	64.3	234.6
Total Savings	140.3	123.4	118.4	382.2

5.0 **EKS Reserve/Balance Movements 2014-15**

5.1 This table shows the movements made to the balances held during the year:

EKS Reserve opening balance	790,475.71
Drawn down during year:	
<i>Additional CRM replacement costs</i>	(49,100.00)
<i>New Director recruitment</i>	(20,000.00)
<i>ICT Telephony Project Manager (6 months)</i>	(40,000.00)
<i>ICT Telephony project feasibility study</i>	(8,520.00)
<i>ICT Projects</i>	(97,000.00)
<i>Single System Project Manager</i>	(18,900.00)
Movements to reserve	345,000.00
Other carry forwards	100,208.00
Balance held at year end	1,002,163.71
Reserve apportionments owned by each council as follows:	
CCC	400,372.00
DDC	299,197.30
TDC	302,594.41

6.0 **EKS Reserve/Balance Allocation**

6.1 The balances held at the end of the year are earmarked as follows:

Service Improvement	130,000.00
Employees Insurance	70,475.71
Staffing Risk and Contingency	60,000.00
ICT system rationalisation	85,380.00
Corporate Information Governance	110,000.00
Revs & Bens single system project	221,100.00
Business & Digital Improvement	165,000.00
Disaster Recovery	60,000.00
Other carry forwards	100,208.00
Balance held at year end	1,002,163.71

7.0 EKHR - 2014/15 Budget (start position)

7.1 The budget for EKHR set at the start of the year was based upon the following areas of income, after containing the income lost from Shepway District Council ³:

	2014/15 Budget - Revenue Stream		
Type of Income	EK Partners	EK Housing	Payroll
	£	£	£
TDC Management Fee	447,240		92,880
TDC additional funding for HR Business Partner	67,000		
CCC Management Fee	338,840		66,150
DDC Management Fee	194,200		30,480
Other Income		141,920	
Sub Total Income	1,047,280	141,920	189,510
Total Budgeted Income	1,378,710		

8.0 EKHR - 2014/15 – Income (Non-Forecasted). In addition to the agreed budget for the year, EKS generated further income through the following areas:

Revenue Source	Amount
Health & Safety support to East Kent College and Sandwich Town Council	£6k
Reward project work for CCC	£36k
Total	£42k

9.0 EKHR - Summary Outturn

9.1 EKHR are carrying forward £127k in underspends into 2015-16. This has been retained by EKHR in order to meet various projects such as, dual running of payroll, a new case management system and increased HR training.

9.2 S151 Officers agreed to hold this within DDC accounts on the following split:

	£'000s
CCC	45.7
DDC	27.1
TDC	54.3
Total	127.1

³ EKSB will recall that when Shepway District Council withdrew from the partnership, they agreed to fund £150000 over two years as a form of compensating payment. The last payment of which was in 2013/14 and therefore the EKHR budget 2014/15 has had to absorb this difference.

Annual Internal Audit Report for EK Services 2014-15

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31st March 2015. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered an 8.4% saving against budget. The saving accrued to EK Services is £4,193 and it has been agreed that this will be used to purchase 14.63 additional audit days as required in 2015-16.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2014-15, 23 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	10	44%
Medium	9	39%
Low	4	17%
TOTAL	23	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports. During 2014-15 the EKAP has raised 23 recommendations, and whilst 83% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, this provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 15 pieces of work commissioned for EK Services over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	7	64%
Reasonable	3	27%
Limited	1	9%
No	0	0%
Work in Progress at Year-End	2	-
Not Applicable	2	-

NB: 'Not Applicable' is shown against quarterly benefit checks.

Taken together 91% of the reviews account for substantial or reasonable assurance, whilst 9% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a 'limited' or 'no' assurance audit opinion during the year are detailed in the following table, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due/ Result
ICT Change Controls	Limited	Quarter 1 2015-16

2.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- "closed" as they are successfully implemented, or
- "closed" as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) "closed" as management has decided to tolerate the risk, or the circumstances have since changed.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

Five follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2014-15 will continue to be reported at the appropriate time.

The results in the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 5	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	1	3
Revised Opinion	0	1	1	3

There are no fundamental issues of note arising from the audits undertaken in 2014-15. The one follow up resulting in no improvement is Software Licensing and this is due to a delay in the purchasing of a Software Asset Management system. Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress report for these reviews will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Ctte)	Progress Report
ICT Software Licensing	Limited / June 2013	Quarter 1 2015-16
ICT Change Controls	Limited / June 2014	Quarter 1 2015-16

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2014-15 there have been no fraud investigations conducted by the EKAP on behalf of EK Services but there were two responsive reviews at the request of management concerning Housing Benefit Verification and the review of the Procurement of the Software Asset Management system.

2.4 Completion of Strategic Audit Plan

The analysis shows the individual reviews that were completed during the year. As at 31st March 2015 delivery was slightly ahead of plan and EKAP had delivered 200.94 days against 191.15 required (105.12%). The 9.79 days carried over will be adjusted in 2015-16 as part of the rolling three-year plan process.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.90	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
2014-15	160	31.15	191.15	200.94	105.12%	+40.94
Total	649			658.79	101.51%	+9.79

3.0 Significant issues arising in 2014-15

From the work undertaken during 2014-15, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

There was one area in 2014-15 regarding ICT Change Controls where a limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. This will be subject to further review to identify progress in Q1 2015.

The one other area that was identified previously (in 2013) as Limited Assurance, was in regard to ICT Software Licensing. This was subject to a follow up review this year and this item remains as Limited Assurance. This will be followed up again in 2015-16, however a management update from the Head of ICT on this is as follows;

"We are issuing tender invites this week (w/c 26/05/2015) as a start to the procurement process having received final approvals from Thanet procurement. The SAM system is being purchased alongside two other key products; a replacement for the Service Desk system and the Introduction of a new Software Contract Management system. We are seeking all products as a combined software suite under a single tender. The implementation of the suite will be complex but we are hopeful that full procurement and staged go live will be completed by the end of this financial year with the SAM system taking priority. In the interim we are using an inventory module within the existing software to keep track of software licenses aided by manual procedures for ensuring license purchases are managed".

The reason for delay in raising the assurance level up from limited is due to the fact that the original procurement of a Software Asset Management tool was subject to a failed procurement. If this had not occurred the new software would have addressed the concerns raised in the Software License audit. However, due to the necessity for a re-procurement, the assurance level will remain as Limited until such time the new software, mentioned in the paragraph above, is implemented.

4.0 Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2014-15, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2014-15 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Performance against the Agreed 2014-15 Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03 - 2015	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	14.80	Completed - Substantial
Housing Benefits Payments	15	16	16.14	Completed - Substantial
Council Tax	30	16	16.72	Completed - Substantial
Customer Services	15	15	15.51	Completed - Substantial
ICT File Controls / Data Protection / Back ups	12	12	18.11	Completed - Reasonable
ICT Internet & Email	12	18	17.64	Completed - Reasonable
ICT Physical & Environment	12	17	20.23	Completed - Reasonable
Corporate/Committee/follow-up	9	10	15.37	Finalised for 2014-15
DDC / TDC HB reviews	40	40	34.51	Finalised for 2014-15
ICT SAM Procurement		11	11.60	Completed - Reasonable
Finalisation of 2013-14 audits:				
Housing Benefit Verification	0	5	4.59	Completed
Reviews Carried Over from 2013-14	0	16	15.72	Completed
Days under delivered in 2013-14	31.15	0	0	Allocated
Total	191.15	191.15	200.94	105.12%

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