

# Statement of Accounts 2020/21

These financial statements replace the unaudited financial statements certified on 21 May 2021 and are certified by the Director, Finance and Corporate Services, as presenting a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at 31 March 2021 and the Authority's income and expenditure for 2020/21.

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Date: 29 September 2021

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# Narrative Report

## Introduction

The purpose of this Report is to provide the reader with:

- An understanding of the Statement of Accounts.
- A review of the Authority's revenue and capital budget outturn for 2020/21.
- An explanation of the Authority's financial position at the end of the financial year.
- An overview of developments which may have an impact on the Authority both now and in the future.
- A commentary on the Authority's financial performance and economy, efficiency and effectiveness in its use of resources in the year which includes:
  - An analysis of the development and the performance of the Authority in the year and its position at the end of the year.
  - Details of the most relevant financial and non-financial performance indicators.

## Accounting Statements

The format of the Accounts for Fire and Rescue Authorities is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is updated annually and is based on International Financial Reporting Standards (IFRS).

The information contained within this Narrative Report is intended to be fair, balanced and concise. The Accounts and the Narrative Report are published on the Authority's website at [www.kent.fire-uk.org](http://www.kent.fire-uk.org).

To provide further detail and more clarity for the reader, each of the main accounts are supported by a number of notes and these follow on from the main statements that are described below.

### **The main statements in these accounts comprise:**

**The Comprehensive Income and Expenditure Statement:** This is in two sections, the first section shows the net surplus or deficit on the provision of services as a result of income received and expenditure incurred over the financial year. The second section shows any other changes in net worth not included in the first section. Examples here will include any surplus or deficit on the current value of property, plant and equipment and the remeasurement of the net defined benefit liability.

**The Movement in Reserves Statement (MIRS):** This statement shows the in-year movement on the reserves held by the Authority. These reserves are divided into two types, usable and unusable, with only the former being able to be applied to fund expenditure. This Statement also shows the change in the General Fund balance and the discretionary transfers that are undertaken to or from earmarked reserves.

**The Balance Sheet:** This sets out the financial position of the Authority at the end of the financial year. The top section of the Balance Sheet provides details of assets and liabilities and the bottom section shows the amounts held in usable and unusable reserves.

**The Cash Flow Statement:** Summarises the inflows and outflows of cash during the year analysed between those arising as a result of the Authority's operations, those arising from investing activity and those attributable to financing decisions.

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**The Firefighters' Pension Fund Account:** Details income and expenditure for the 1992, 2006, 2006 Modified and the 2015 Firefighters' Pension Schemes.

A glossary of the main terms used in the Statements are detailed on pages 73-76.

### Revenue Budget and Expenditure

The Authority's main funding sources are Council Tax, Non-Domestic Rate income and various Government grants which are used to fund the Authority's revenue budget. To ensure that the revenue budget is sustainable over the medium term, the Authority agreed to increase Council Tax by 1.97%, resulting in an annual increase in a Band D property of £1.53 making a Band D Council Tax £79.29 per annum. Local taxation (Council Tax and Non-Domestic Rate income), including the Authority's share of the surplus on Collection Funds, increased the Authority's funding for 2020/21 by £2,028k. Government Grants (Revenue Support Grant and Non-Domestic Rates Top-up Grant) were increased by September 2019 CPI providing an additional £239k of funding for 2020/21. From 2020/21 the Small Business Rate Relief Grant is presented as a funding source rather than an income budget so, although it is not a new grant, the change in presentation increases the net revenue budget by £1,240k. The Authority's budget for 2020/21 was therefore increased to £74,258k, a £3,507k increase when compared to 2019/20.

As well as the pressures faced by the Authority on areas such as pay awards, inflationary prices growth and other commitments totalling £5,692k, an increase of £750k was required to the budgeted transfer to/from the General Reserve (from a £550k transfer from the reserve in 2019/20 to a £200k transfer to the reserve in 2020/21) to maintain the balance at approximately 5% of the net revenue budget, meaning savings of £2,935k were required to balance the 2020/21 revenue budget. Notably, £1,562k of the savings came from reducing the base revenue contribution set aside each year to fund large infrastructure expenditure. In addition savings of; £526k were identified by Budget Managers from within their devolved budget headings; £314k as a result of not allocating an inflationary uplift to areas of discretionary spend; £273k additional government grant income for small business rates relief and; £260k as a result of changes to pay budgets.

The revenue budget outturn for 2020/21 was an underspend of £2,837k. The summary of the revenue budget and the final outturn is shown in the table below:

#### Revenue Budget Outturn 2020/21

All figures shown are in £'000	Original budget	Revised budget	Outturn	Variance
Service Costs	71,657	70,195	60,400	-9,795
Direct Pension Costs	1,889	1,889	2,141	252
Capital Financing Costs	3,382	3,382	3,195	-187
Transfers from(-) / to Reserves	-2,670	-1,208	5,685	6,893
<b>Total</b>	<b>74,258</b>	<b>74,258</b>	<b>71,421</b>	

#### Net Revenue Budget surplus for the Year -2,837

##### Funded from:

Revenue Support Grant	6,422
Non-Domestic Rates	16,566
Council Tax	51,270
<b>Total</b>	<b>74,258</b>

#### Revenue Budget Outturn 2020/21

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A number of budget headings were underspent in the year. A summary of the most significant budget variances is detailed in the following table:

<b>Revenue Budget Variances</b>	<b>£'000</b>
Pay, pensions and other employee costs	-2,234
Bought in services and professional fees	-186
Information Communication Technology	-116
Printing, stationery and general office expenses	-81
Protective Personal Equipment and Workwear	-52
Income	-41
Other net underspends	-127
<b>Net Revenue Budget Underspend</b>	<b>-2,837</b>

At the end of the year £985k was transferred to the Rolling Budget Reserve to fund commitments made in 2020/21, but where the associated costs will not be incurred until after 31 March 2021. During the year £281k was transferred from this reserve to fund expenditure committed in 2019/20 but not incurred until 2020/21, making the 2020/21 net movement on the Rolling Budget Reserve £704k.

### Grant Income

Grant receipts for the year are detailed in Note 20 to the Accounts. In 2020/21 the Authority received £13,148k of revenue grants. As in previous years these grants included funding for New Dimensions and New Threats related work £1,030k, Firelink £624k and its replacement Emergency Services Mobile Communications Programme (ESMCP) £69k, small business rate relief grant of £1,371k and a grant towards the additional cost due to increased employer pension contribution rates £3,536k. The Office of the Rail Regulator paid £57k towards the cost of work carried out by the Authority for the Channel Tunnel Safety Authority, £104k was drawn down from the apprenticeship levy and £8k was received for new burdens in relation to transparency reporting.

In addition, the Authority received new one-off grant funding in 2020/21 to cover costs incurred as a result of the introduction of the Fire Safety Bill (now The Fire Safety Act 2021) following the Grenfell incident. Grant funding, totalling £619k, has been provided to the Authority to support Fire and Rescue Services in making sustained progress in implementing the recommendations from the Grenfell Tower Inquiry Phase 1 report, improving resilience for major incidents (Grenfell Infrastructure Grant), to carry out a review of all high-rise residential buildings over 18m (Building Risk Review Grant), bolster fire protection activity (Protection Uplift Grant) and support the accreditation and recognised prior learning costs of fire protection officers and fire safety engineers (Protection Accreditation Grant). The Authority also received additional ESMCP infrastructure grant totalling £250k and a grant of £97k towards the administrative costs of implementing the remedy for the McCloud/Sargeant pension case. Additionally, a grant totalling £3,175k was confirmed to compensate the Authority for lost business rates income as a result of the additional retail and hospitality reliefs granted by the Government for 2020/21. This grant is offset by a large deficit on the business rates collection fund which will be recovered from the Authority, by District Council's and Medway Council, in 2021/22.

The Authority also received additional grant funding, totalling £1,589k, to cover costs incurred as a result of Covid-19. This funding has been utilised in a variety of ways, for example covering additional staffing costs incurred by providing support to partner organisations, changes required to our estate in order to comply with Covid-19 guidelines, extra costs incurred purchasing IT hardware and software

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in order to facilitate better remote working. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred (estimated at £619k) will be funded by Government Grant.

### Provisions

There are no new provisions this year. The Authority continues to make provision for Insurance with regard to claims notified but not yet settled and general provisions, which total £395k but also for the Authority's share of amounts provided by Kent billing authorities for Non-Domestic Rates appeals of £1,070k.

### Revenue Reserves

At the February 2020 meeting of the Authority, Members agreed to maintain the target level of General Fund balances (also known as the General Reserve) to a level approximately equivalent to 5% of the net revenue budget. In line with this requirement, the General Reserve position at 31 March 2021 has been increased by £200k to £3,710k.

In addition to the General Reserve, the Authority also holds a number of other reserves, earmarked for specific purposes, details of which can be found in Note 15 in the Statement of Accounts. At 31 March 2021, earmarked reserves had increased by £8,322k from the position reported at the end of the previous financial year. The majority of funds held in earmarked reserves are within the Infrastructure Reserve, a significant part of which is planned to be used to fund investment in station and premises improvements and the purchase of light and heavy fleet vehicles in future years. It is therefore expected that the funds held within this reserve will diminish over the medium term, as and when capital spend is incurred.

### Capital Budget and Expenditure

Capital expenditure is defined as the purchase, improvement or enhancement of an asset, where the benefit of the expenditure will last beyond the year in which it was incurred. Capital expenditure for 2020/21 was £3,517k against a revised budget of £3,711k.

Premises works included replacements of generators, boilers and roofs. Major improvement works on the Live Fire rig at Ashford were delayed until 2021/22 (£146k), offset by some increases in expenditure on boilers and generators (- £7k). During the year nine fire engines were delivered and are now just awaiting the fitting of all cameras. Some £7k of expenditure on Mobile Data Terminals has now slipped into 2021/22 awaiting delivery of modems and aerials. Delivery of a number of vehicles were undertaken during the year including, five 9-seater minibuses, a hydrant technician's van and forty eight small vans, which between them were £5k less than budget. A delay in the delivery of the base vehicle for the Dog Van conversion has meant that £42k has now been slipped into 2021/22. The table below gives a breakdown of the net £194k underspend compared to the revised budget.

#### Capital Budget Outturn 2020/21

All figures shown are in £'000	Original Budget	Revised Budget	Outturn	Variance
Station development programme and premises	650	418	279	139
Information and communication systems	175	51	44	7
Vehicles and equipment	7,839	3,242	3,194	48
<b>Total</b>	<b>8,664</b>	<b>3,711</b>	<b>3,517</b>	
<b>Net Capital Budget Underspend</b>				<b>-194</b>

Details of the financing of the capital expenditure can be found in Note 22.

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## Borrowing and Capital Reserves

The Authority did not plan to fund any capital expenditure from borrowing in 2020/21. In line with previous years, the Authority continues to use temporarily surplus cash balances instead of borrowing from external sources to fund unfinanced capital expenditure from earlier years. A loan of £700k matured during 2020/21 so was repaid, reducing the level of outstanding debt as at 31 March 2021 to £1,425k.

The Authority received one capital receipt during the year of £12k and utilised £1,371k to fund capital expenditure so capital reserves reduced to £7,875k and were carried forward at 31 March 2021.

## Treasury Activity

In February 2020, Members agreed the Treasury Management and Investment Strategy for the forthcoming year. In 2020/21 the Authority began investing in Money Market funds to ensure the maximisation of interest earned whilst still maintaining security and liquidity. Interest rates have remained at the historically low level of 0.1%. The Authority has received a reduction in interest rates from a number of banks and has therefore seen a reduction in the average interest rate earned. During the year the Authority earned £103k of interest on cash deposits equating to an average interest rate earned of 0.21%.

The day to day cash management activity is carried out by the Kent County Council treasury team although the Authority uses the services of a Treasury Adviser for independent treasury advice.

## Pension Assets and Liabilities

The presentation of pension assets and liabilities within the accounts is a requirement of the legislation governing the preparation of these accounts. The overall impact of recognising the Authority's true net pension liability of £1,026,856k on the Balance Sheet has led to an overall negative balance of £874,634k.

The net pension liability for 2020/21 for firefighter pension schemes has increased by £190,462k to £981,088k. Movements on the pension liability can be quite volatile and are not only dependent on the assumptions used but also there is an impact depending on whether it is a full or roll-forward valuation. The Actuary for the firefighter pension schemes has carried out a full valuation for 2020/21. Changes to the financial assumptions included a reduction in the discount rate and an increase in the expectation of future inflationary pressures, resulting in an overall increase to the value of the defined benefit obligation. The reassessment of the net defined benefit liability has had a significant impact on the Comprehensive Income and Expenditure Statement resulting in a revised remeasurement of £190,882k in 2020/21 compared to (£116,020k) in 2019/20.

Full details of the pension fund assets and liabilities can be seen at Note 25.

## Financial Climate and Impact on Services

**Financial Settlement and Budget for 2021/22** – The Government has stated that it will revisit the priorities for reform of the local government finance system at some point. But as a result of the Covid-19 pandemic in April 2020, it was confirmed that the move to 75% Business Rates Retention would be delayed, the Fair Funding Review would be postponed until at least 2022/23 and the proposed reset of Business Rates Baselines would no longer take place in 2021/22. Understandably, in October 2020, the Government announced that the Spending Review setting departmental budgets would only be for 2021/22. The final settlement confirmed that Government funding would be 'rolled over' from 2019/20 with a marginal uplift applied to the Revenue Support grant. Alongside the regular finance settlement, the Government announced the Covid-19 Support Package. For this Authority,



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the additional government support will fund 75% of irrecoverable losses relating to the collection of 2020/21 council tax and business rates as well as contributing towards the increased costs of providing local council tax support to a higher number of working-age claimants. The Authority also agreed to increase Council Tax by 1.93% in 2021/22, which was within the capped 2% referendum limit.

As no new capital grants from Government have been announced, the Authority is currently planning to fund the 2020/21 and later years' capital plan through a combination of revenue funding, reserves or capital receipts.

The Authority has an outline four year [Medium Term Financial Plan](#) (MTFP) contained within the Budget Book approved at the Authority meeting in February 2021. The MTFP was developed in conjunction with the proposals contained within the [Safety and Wellbeing Plan 2020](#) so as to ensure that future plans are funded and sustainable.

**Safety and Wellbeing Plan** - The Authority works very closely with its partners to ensure Kent and Medway continues to be one of the safest areas to live and work in England. Careful planning and the ability to adapt and respond to change ensures the Authority is able to face the challenges ahead efficiently and effectively. As a result, performance has remained strong and the Authority continues to be one of the best performing authorities in the country.

The most recent Safety and Wellbeing Plan gave an overview of the development of a new suite of corporate strategies and also focused on outcomes delivered for the public.

There were no proposals for any station closures, removal of front-line fire engines, or compulsory redundancies of firefighters contained in the Plan.

The Authority set up and leads the national procurement hub providing officer resource to support national procurement efforts in categories like clothing, property issues and consumables related to Covid-19. Through this hub, more than 3.5m items have been sourced responsibly under the ethos of mitigating modern slavery supply chains.

The Corporate Plan, now known as the Customer and Corporate Plan, which reflects the Authority's focus on the customer, is the primary planning document for the Authority. All other documents, including the Safety and Wellbeing Plan link into this document. It was updated in April 2018 to reflect two new outward focused strategies and six internal strategies, all of which link to the Safety and Wellbeing Plan. The new Corporate Plan for 2021/22, along with six new corporate strategies will be submitted to the July meeting of the Authority for member approval.

The Authority continues to look at ways to operate more efficiently, for example by streamlining processes and making them leaner. The Authority has, for a number of years, made average savings of £2m/£3m per annum, some of which facilitates the funding of increased cost pressures, but other savings are re-invested back into the service to fund improved areas of activity or investment. But the Authority is clear that the requirement to generate savings each year will continue for some time to come. Consequently the Authority is planning to deliver a further £8m of savings over the next four years. The challenge is to make sure the Authority can achieve these savings and still maintain or enhance the services delivered to the public. The Authority will continue to keep the safety of local people, businesses and firefighters as its priority when responding to these challenges.

**Future Issues** - The Home Secretary in a statement on 16 March 2021 entitled Police and Crime Commissioner Review: Concluding part one, stated that a consultative White Paper on fire services reform will be published later this year. The White Paper will be used to set out a reform agenda in further detail and explore the review proposals on fire governance which could include:

- Consulting on whether to mandate the transfer of fire and rescue functions to the Police, Fire and Crime Commissioner mode across England where boundaries are coterminous, unless



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there is an option to transfer fire governance directly to an elected Mayor.

- Consulting on how to address coterminosity challenges, including the south-west
- Legislating to create operational independence for chief fire offers and clearly separate and delineate strategic and operational planning for fire and rescue.

The current Policing and Crime Act allows for the Police and Crime Commissioner, should they so wish, to take on board responsibility for the Fire and Rescue Service or to be a member of the Fire Authority. The Kent Police and Crime Commissioner has opted for the second option and is now a member of the Fire Authority, with the same voting rights as any other member.

**Changes to Building Safety** - Following the tragic fire at Grenfell Tower, the Government commissioned an inquiry led by Sir Martin Moore-Bick. Phase one of the Grenfell Tower inquiry reported on 30 October 2019 and made a number of recommendations for Fire and Rescue Services. The Fire Safety Act has now received Royal Assent and will amend the provisions of the Fire Safety Order 2005.

**Funding** - The Government announced that the proposal to implement the 75% Business Rate Retention Scheme in 2021/22 has been deferred, a final report setting out the full conclusions of the review into the business rates system will be published in 2021. The Fair Funding review that was to look at how money will be distributed to each Fire Authority is to be postponed until 2022/23 at the earliest. The Government intends to carry out another Spending Review during 2021, although the exact timing has still to be confirmed and it is not confirmed as to whether it will be another one year settlement or a multi-year settlement as preferred by many, as it aids stability in funding.

**COVID-19** - The Authority's well-rehearsed business continuity plans were put into action with the onset of the Covid-19 pandemic. The IT infrastructure supported a seamless transition for many corporate support staff to work from home. Our on-going good relationship with SECamb meant we were able to offer support early on by assisting in the delivery of Personal Protection Equipment (PPE) within and across four counties, training a number of our staff to drive ambulances, wherever possible utilising our on-call staff who have lost primary jobs as first volunteers. We were involved in moving some vaccine stocks from Doctor's surgeries, where it was in danger of going out of date to mass vaccination centres so the vaccine was used and not wasted, and have also been involved in the creation of a vaccination centre in Chatham.

Back in March 2020 we made contact with Age UK and other similar charities and offered our help, and also provided support to our local Kent Districts, Medway and Kent County Council. This led to food delivery, prescription delivery, supporting food banks and telephoning and befriending vulnerable people very early on in the crisis.

We have continued to support the Local Resilience Forum (LRF) which co-ordinated the emergency PPE deliveries from the Ministry of Housing, Communities and Local Government for social care as well as assisting with the identification of PPE supply opportunities to Kent partners which helped other smaller agencies within Kent.

Some colleagues were realigned to supporting frontline activities with partner agencies, which provided additional help and support across the county to communities in need. We reviewed our current projects and prioritised those essential projects that needed to be progressed and deferred those that could wait until resources were available to deliver them. Our capital programme is fully funded from earmarked reserves without the need to borrow, so the Authority had the flexibility to defer the planned replacement of a number of the light vehicle fleet which originally would have been

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replaced during 2020/21. The impact of Covid-19 lockdown resulted in a number of suppliers closing for a large part of the year, consequently the purchase of a number of vehicles was deferred until 2021/22.

Our core funding is derived from Council Tax and Business Rates precepts collected on our behalf by the Local District Councils and Medway. We are aware that Kent Districts have seen an impact on cash collection for these income streams and as a consequence closer cashflow monitoring has been key for all concerned.

Whilst the long term economic impact of Covid-19 is unknown, the Authority has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Authority's core funding in the immediate future. In the short term any unexpected shortfall in funding could be met from reserves whilst a longer term review is undertaken to ascertain how any shortfall in funding would be contained. Likewise the long-term impact on the properties from which Business Rates is collected needs also to be considered going forward.

The Pandemic has meant the vast majority of corporate staff have worked from home since 23 March 2020. Whilst this has brought some challenges, as would be expected, it has worked well and as such it will impact the way the organisation plans to work in the future. Discussions are underway with colleagues as to how the future working environment will look and feel, as a more flexible approach to work will be adopted. Plans are currently being developed to reconfigure some parts of the estate whilst improving other areas, particularly at stations and Headquarters and colleagues will be encouraged to be flexible in their considering their work base.

**Electronic Communications Code Consultation** - The Electronic Communications Code regulates the rights of telecommunications operators to install and maintain their apparatus on public and private land. A consultation on proposed changes to the Code was recently issued, with the objective of ensuring that the UK has sufficiently robust electronic communications networks to deliver the coverage and connectivity consumers and businesses need. However, provisions under the new proposals have the potential risk to impact on training capability, access to and use of sites, land disposal and financial income. The Authority has responded to the consultation and awaits the outcome of the consultation and review.

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## The Development and Performance of the Authority in 2020/21 and Financial Position at 31 March 2021.

### Budget Strategy

The Authority's budget for 2020/21 reflected the ongoing implementation of decisions made in the Safety and Wellbeing Plan. The Authority has a prudent approach to budget development ensuring that expenditure plans are fully resourced and that savings proposed are achievable.

A high proportion of the Authority's revenue budget is spent on staffing costs and these are monitored closely. Posts that become vacant are reviewed by senior management to determine whether or not they need to be replaced. This ensures that the post is still necessary and that opportunities are not lost to make further efficiency savings.

Firefighter levels over the last two years and forecast levels into the future are now requiring more regular recruitment to whole-time firefighter posts. Further courses are planned for the future, albeit that the approach to the delivery of training will become more modular over time, moving away from the more costly long term residential training courses. In all areas of staffing, this Authority endeavours to achieve savings without the need for compulsory redundancies, wherever possible to do so. The recruitment of on-call firefighters however, continues to be difficult, so the Authority continues to explore and find more innovative and flexible ways of using the existing resources.

### Reserves

In these financially challenging and uncertain times General and Earmarked Reserves are an important tool to help mitigate against the risk of budget overspend and shortfalls in funding. The use of earmarked reserves is limited to smoothing the impact on revenue of expenditure that falls in peaks and troughs across different financial years or for funding one-off expenditure.

The amount set aside in the Authority's General Reserve is subject to an annual assessment to ensure that the balance should cover the costs of a significant emergency or unforeseen event. The Authority has £3,710k in General Reserves as at the 31 March 2021, which equates to approximately 5% of the net revenue budget.

At 31 March 2021 the Authority's earmarked reserves are healthy, with a balance of £38,221k. The year-end balance includes government funding to be used in 2021/22 to offset the Collection Fund deficit which has arisen due to the expanded business rates relief granted by the Government to businesses in the hospitality and leisure sectors in 2020/21 (£3,175k). The balance also includes a government grant (£619k for this Authority) which has been provided to authorities to cover 75% of the 2020/21 irrecoverable council tax and business rates losses which are to be spread over the 2021/22, 2022/23 and 2023/24 financial years in the Collection Funds. Details of the balances in each reserve and breakdown of government grants to be carried forward are provided in Note 15. Resources have been set aside in the Infrastructure Reserve to fund the Station Development programme, replacement fire appliances, vehicles, operational and IT equipment. As the revenue budget comes under greater pressure opportunities to replenish these balances will diminish as the current cycle of planned works and purchases are completed.

### Cashflows

The Cash Flow Statement in the Accounts details the cashflows for the year and shows that the Authority's cash balances have increased by £7,492k over the year. The Authority uses its temporary surplus cash balances to fund its capital financing requirement (in lieu of borrowing) with the remainder placed in interest bearing deposit accounts or Money Market Funds. At 31 March 2021 cash, deposits and investments totalled £48,122k. This comprises of £41,931k which represents the money set aside in general and earmarked reserves, £7,875k of unused capital receipts less £1,684k being the net of other assets and liabilities at the end of the financial year.

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Over the next four years £1.425m of the Authority's loans from the Public Works Loan Board will be repaid and with over half of the Authority's reserves planned to be used for the Infrastructure Programme and other expenditure commitments, cash balances are expected to reduce over this timeframe.

### **The Authority's Financial and Non- Financial Performance Indicators**

#### **Financial Performance**

Every year External Audit assesses the Authority's financial statements. The External Auditor's Findings Report for 2019/20 was reported to the Authority meeting in October 2020. The report confirmed that the Authority has a history of sound financial management with a strong financial planning framework and sound arrangements for developing, updating and implementing its Medium Term Financial Plan (MTFP). The Authority has a significant medium term capital programme, with an adequate level of reserves to address unforeseen risks and support future spending plans. Reporting of financial planning information to Members is comprehensive and transparent, with early scene-setting information provided ahead of the annual budget process. Integrated reporting of the annual budget with the Medium Term Financial Plan (MTFP) is provided with a detailed analysis of both the annual budget and future planning information in order to achieve the service priorities.

The Authority's external auditors, Grant Thornton, issued their Independent Auditor's Report on the 2019/20 accounts on 13 November 2020. The Auditor confirmed that an unqualified opinion had been issued on the 2019/20 accounts and had included an Emphasis of Matter in relation to the effects of the Covid-19 pandemic on the valuation of land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020.

#### **Governance Assurance Statement**

The Authority is required to undertake an annual review of its governance processes and to publish a Statement setting out the results of the review. The Statement, which is available on the Authority's website, shows how the Authority demonstrates good governance in its actions and also how it meets the requirements of the National Framework for Fire and Rescue Services. This Governance Statement also includes an assessment on Operational Assurance.

#### **Transparency**

The Authority publishes extensive performance and financial information on its website including transparency data on all spending over £250, all expenditure incurred on purchasing cards, a register of contracts and the pay of senior managers. This allows the public to see how well the Authority is performing and provides evidence of value for money.

#### **Inspection**

In July 2017 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) extended its remit to include inspections of England's fire and rescue services. The inspection focuses on how well the Service prevents, protects against and responds to fires and other emergencies, and also how well the service looks after its staff.

On 20 June 2019 HMICFRS published the results of our first inspection. This rated Kent Fire and Rescue Service as 'Good' across the three inspection pillars of Effectiveness, Efficiency and People. Of the 45 Fire and Rescue Services inspected during 2018/19, the Authority is one of only 16 to have been awarded 'Good' in all three pillars.

The second round of inspections was due to take place for KFRS in late September / October 2020. However, due to the Covid-19 pandemic, the planned inspection activity was postponed and instead

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a Covid-19 themed inspection took place in early September. This differed from a normal inspection by being run remotely and was not scored or rated. Key members of the Authority were interviewed online and Covid-19 specific data was gathered and submitted, as well as a self-assessment of our plans and response to the pandemic. The results of this themed inspection were published on Friday 22 January 2021 in the form of a letter as opposed to the usual detailed and scored report, a copy of the letter can be found on the HMICFRS website. The letter confirmed that the Authority had adapted well in responding to impact of the pandemic and that there was a constructive relationship across the service which enabled the service to move quickly to provide a new range of support outside of core activities.

### **Non-Financial Performance**

#### **Asset and Fleet Strategy**

The Asset and Fleet strategy is one of eight strategies agreed by the Authority in support of its Customer and Corporate Plan 2018-22. It sets out how the Authority aims to protect the environment of Kent and Medway in terms of buildings and the vehicles that are used in delivering the service. Environmental improvements have been made across the estate, including the installation of new energy efficient boilers and heating systems, as well as photovoltaic (PV) panels on 37 buildings including Headquarters. Other improvements to buildings have been made through better insulation, double-glazing and heating controls have also contributed to the reduction in energy use and improved efficiencies.

New buildings have been designed to meet current standards for energy efficiency and include building management systems and controls, insulation, LED lighting, and natural ventilation rather than using air conditioning. In addition, there is an ongoing programme to re-roof buildings, replace windows and appliance bay doors, all of which will improve insulation.

As part of our commitment to reducing our CO<sub>2</sub> emissions we recently committed to developing a climate action plan, as part of a drive to be carbon neutral by 2030. As an example, we have undertaken a biodiversity audit across the estate and introduced 12 hybrid vehicles into our diverse fleet. All of these vehicles are pool cars and their hybrid system combines the use of a petrol engine and an electric motor, improving fuel efficiency and reducing exhaust emissions. Being conscious of the environmental impact caused by cars, these hybrid pool vehicles allow us to make our journeys more sustainably.

We have installed CCTV in all of our fire engines and blue light response vehicles alongside telematics in the majority of our vehicles. This has resulted in a number of benefits, including a saving of £60k on our vehicle insurance premiums as well as a more effective insurance claims process. Better management information is now being obtained about our fleet, including improving driving styles in order to reduce fuel consumption and the associated environmental impact and to enable us to make informed decisions about the size of our fleet, based upon overall usage data.

#### **Service Performance**

The Authority has a comprehensive set of performance indicators some of which are considered to be strategic due to their importance in monitoring the performance of the Authority. Members approve the targets that are set for all the strategic indicators and regular reports are provided to Members to keep them updated of performance against these indicators.

The Authority attended 4,439 fires in 2020/21 (4,141 in 2019/20) which was higher than the performance in 2019/20, however it was consistent with the level in the previous two years. The three-year average outturn for the 2018-21 period is 4,326 fires, which is higher than the target of 4,091. The higher levels of fires can be attributed to outdoor fires and rubbish fires, both of which were high as a result of the prolonged period of dry weather and significantly lower levels of rainfall.



## Narrative Report

Accidental dwelling fires (ADFs) accounted for 20% of all the accidental fires attended in 2020/21. Historically, the Authority has performed very well in this area and has been amongst the top performers nationally for more than ten consecutive years. In 2020/21 545 incidents were attended which is higher than the levels seen in the previous two years (+20) but was still lower than the target. The three year average performance for the medium term period (2018-21) was 531 which is 2.9% better than the target of 547.

Reducing the number of road traffic collisions (RTCs) across Kent and Medway and the number of people killed or seriously injured (KSI) as a result continues to be a priority for the Authority. In 2020/21 the Authority attended 673 RTCs which is 291 fewer than in 2019/20. A reduction in RTCs was seen in each month in 2020/21 compared to the previous year which includes a large reduction during the lockdown periods; the months of April and May had only a third of the expected levels of activity for those months and November and January had half the expected levels. The Authority continues to work with its partners to promote road safety across the county.

A large number of on-call stations and some officers respond to immediately life-threatening medical emergency calls, such as suspected heart attacks, in support of the ambulance service. Under this arrangement, the Authority's staff are sent to a medical incident as the quickest resource and are always backed up by the ambulance service. During 2020/21 the Authority attended 2,266 of these incidents which is lower than the amount attended in the previous year (4,496).

The Authority's response times to life-threatening incidents has not changed significantly compared to previous years. In 2020/21 72.7% of life-threatening incidents were reached within 10 minutes and 83.9% within 12 minutes. Overall performance is higher than the targets set for these indicators; 71% and 82% respectively.

In addition to responding to emergency calls, the Authority carries out a number of activities to support our customers and business safety. Despite Covid-19 restrictions in 2020/21, the Authority's Customer Safety teams have still delivered 8,412 Safe and Well Visits to customers across the County. In addition to these visits some 1,287 telephone assessments have been carried out. Our business safety teams audited 1,653 buildings in 2020/21. In addition the Authority has carried out 1,254 building regulation consultations in the last year.

The detail of the progress against all of the Authority's key performance indicators is reported regularly to Members of the Authority, and a copy of the report is available on the Authority's website.

### Customer Service

Results of a recent survey completed by 268 Kent and Medway residents and conducted by the Institute of Customer Service, revealed that the Authority is providing an exceptional level of customer service across the board, including emergency response, safe and well home visits and building fire safety inspections. When benchmarked against other local public services in the institute's UK Customer Satisfaction Index, the Authority scores compare exceptionally well across the areas measured; experience, customer ethos, emotional connection, ethics and complaint handling. The Authority also compared well against the all sector UK Customer Satisfaction Index average, which includes private sector organisations. For overall customer satisfaction, we achieved a score of 95.3 out of 100 in the survey of its customers, compared to the public service UK Customer Satisfaction Index average of 75.3 and the all sector average of 77.

An internal survey was completed by Authority staff to understand how customer focused the organisation is and it was positive to see that the results of this survey showed that the Authority is better on average than its local public sector benchmark group. An application has now been submitted for Service Mark, a highly sought after accreditation by the Institute of Customer Service in recognition of our excellent customer service.

# Narrative Report

## Use of Resources Summary

The Authority has continued to make changes to the way that frontline and corporate services are delivered. Investment continues to be made in electronic systems to reduce administration and simplify internal processes. Working closely with partners is still important to the Authority, so we continue to look for efficiencies, wherever possible to do so, through joint procurement or joint working.

Last year the Authority delivered £2.9m of base revenue budget savings as set out in the budget for 2020/21 and over the next four years the Authority has the challenge to make approximately £8m of further savings which need to be both sustainable and deliverable so that a high quality and effective service can continue to be delivered.

The Authority publishes an annual Efficiency Statement, and as such this is incorporated in the Customer and Corporate Plan to be agreed by the Authority in July this year. The Authority remains in a strong financial position and plans to invest in its infrastructure will continue, by utilising its earmarked reserves and capital receipts. As always longer term sustainable planning continues to be a prerequisite going forward.

For further information on the accounts please contact the Director, Finance and Corporate Services, on 01622 692121 ext. 8262 or write to the Director, Finance and Corporate Services, KFRS Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.



# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director, Finance and Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Director, Finance and Corporate Services' Responsibilities

The Director, Finance and Corporate Services, is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Director, Finance and Corporate Services, has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director, Finance and Corporate Services, has also:-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

In my view, the accounts which follow give a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

Nick Chard

**Nick Chard**  
**Chairman of the Authority**  
**Kent and Medway Towns Fire Authority**

Alison Kilpatrick

**Alison Kilpatrick**  
**Director, Finance and Corporate Services**  
**Kent and Medway Towns Fire Authority**

**29 September 2021**

# Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Kent and Medway Towns Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and the notes to the Statement of Accounts, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Corporate Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Corporate Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

## **Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance and Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance and Corporate Services with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Corporate Services and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Director of Finance and Corporate Services is responsible for the other information. The other information comprises the Annual Governance Statement and the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

## **Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority**

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance and Corporate Services and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities for the Statement of Accounts [set out on page 14], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Services. The Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an

## Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority

unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and Pension Scheme (England) Order 2006. We also identified the following additional regulatory frameworks in respect of the firefighters/ police pension fund; the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Authority concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Authority whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance and Corporate Services has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

## **Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority**

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE; and
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

### **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

#### **Responsibilities of the Authority**

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

#### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



## Report Independent auditor's report to the members of Kent and Medway Towns Fire and Rescue Authority

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Kent and Medway Towns Fire and Rescue Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle

John Paul Cuttle  
Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

30 September 2021



## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year for providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax. The Authority raises Council Tax to fund expenditure in accordance with regulations and this may be different from the accounting cost basis. The Council Tax position is shown in the Movement in Reserves Statement.

All figures are in £'000		2019/20			2020/21		
Gross Expenditure	Gross Income	Net		Note	Gross Expenditure	Gross Income	Net
43,975	-3,542	40,433	Operational Response		42,251	-2,819	39,432
5,749	-128	5,621	Customer and Business Safety		5,676	-612	5,064
8,814	-3,195	5,619	Operational Policy and Resilience		7,927	-3,781	4,146
32,176	-1,228	30,948	Organisational Support		29,871	-1,948	27,923
3,007	-	3,007	Pensions, Financing and Other Costs		2,445	-	2,445
<b>93,721</b>	<b>-8,093</b>	<b>85,628</b>	<b>Cost of Services</b>	7	<b>88,170</b>	<b>-9,160</b>	<b>79,010</b>
			<b>Other Operating Expenditure</b>				
32	-	32	Loss on disposal of non-current assets		69	-	69
			<b>Financing &amp; Investment Income &amp; Expenditure</b>				
115	-	115	Interest payable and similar charges	7	80	-	80
21,773	-	21,773	Net interest on the defined benefit liability		19,091	-	19,091
-	-335	-335	Interest and Investment income	7	-	-103	-103
-	-10	-10	Gain(-)/Loss on financial instruments carried at fair value through profit or loss	7	-	43	43
			<b>Taxation and Non-Specific Grant Income</b>				
-	-49,269	-49,269	Council Tax income	7	-	-49,959	-49,959
-	-14,881	-14,881	Non-domestic rates and top-up grant	7	-	-11,873	-11,873
-	-7,757	-7,757	Non ring-fenced grants	7	-	-13,208	-13,208
-	-14,449	-14,449	Government grant payable to pension fund	28	-	-10,936	-10,936
		<b>20,847</b>	<b>Deficit on Provision of Services</b>				<b>12,214</b>
		3,055	Surplus(-)/Deficit on revaluation of property plant and equipment	16			-2,903
		-116,020	Re-measurements of the net defined benefit liability	25			190,882
		<b>-112,965</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>187,979</b>
		<b>-92,118</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>200,193</b>

## **Movement in Reserves Statement**

The Movement in Reserves Statement which follows, shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those reserves that can be applied to fund expenditure or reduce the requirement for future Council Tax) and other reserves. The Code requires the previous year's figures to be disclosed in this Statement, hence both years are shown below. The note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all receipts of the Authority are required to be paid and from which all liabilities are met, except to the extent that statutory rules might provide otherwise. These rules can specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

### **Earmarked Reserves**

The Authority holds a number of discretionary Earmarked Reserves to fund future expenditure or to meet potential future budget pressures. If an Earmarked Reserve is no longer required for its designated purpose the funds will be returned to the General Fund.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### **Unapplied Capital Grants Reserve**

The Capital Grant Unapplied Account (reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. The Authority does not currently hold any unapplied capital grants.

## Movement in Reserves Statement

The Net Increase/Decrease before the Transfers to Earmarked Reserves line in the table below shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves are undertaken by the Authority. The 2020/21 Movement in Reserves Statement follows on from the 2019/20 Statement below:

2019/20		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
All figures are in £'000	Notes						
<b>Balance at 31 March 2019 brought forward</b>		<b>-4,060</b>	<b>-29,360</b>	<b>-8,884</b>	<b>-42,304</b>	<b>808,863</b>	<b>766,559</b>
Movement in reserves during 2019/20:							
Deficit on the provision of services	6	20,847	-	-	20,847	-	20,847
<i>Other Comprehensive Income and Expenditure</i>							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-106,231	-106,231
Changes to injury scheme		-	-	-	-	-9,789	-9,789
Revaluation gains	16	-	-	-	-	-11,950	-11,950
Revaluation losses charged to revaluation reserve		-	-	-	-	15,005	15,005
<b>Total Comprehensive Income and Expenditure</b>		<b>20,847</b>	<b>-</b>	<b>-</b>	<b>20,847</b>	<b>-112,965</b>	<b>-92,118</b>
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-45,066	-	-	-45,066	45,066	-
Gain in relation to Government grant payable to the pension fund	25	14,449	-	-	14,449	-14,449	-
Employer's contribution to pension schemes	16	11,279	-	-	11,279	-11,279	-
Amount by which Council Tax and non-domestic rate income is different from the amount taken to the General Fund	16	-282	-	-	-282	282	-
Amount by which the employee benefit adjustment different from the amount taken to the General Fund	16	256	-	-	256	-256	-

## Movement in Reserves Statement

2019/20 continued

All figures are in £'000	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
<i>Reversal of entries included in the deficit on the Provision of Services, in relation to Capital Expenditure, to the Capital Reserves</i>							
Depreciation and impairment of non-current assets	8	-4,969	-	-	-4,969	4,969	-
Revaluation gains on property, plant and equipment	8	831	-	-	831	-831	-
Revaluation losses on assets held for sale		-	-	-	-	-	-
Assets sold written out as part of the gain/(loss) on disposal	8	-382	-	-	-382	382	-
Transfer of cash sale proceeds as part of loss on disposal		350	-	-350	-	-	-
<i>Adj between Revenue and Capital Resources</i>							
Statutory provision for the repayment of debt	16	189	-	-	189	-189	-
Voluntary provision for the repayment of debt	16	780	-	-	780	-780	-
Capital expenditure funded from revenue contribution	16	1,729	-	-	1,729	-1,729	-
<b>Net increase/decrease before transfer to Earmarked Reserves</b>		<b>11</b>	<b>-</b>	<b>-350</b>	<b>-339</b>	<b>-91,779</b>	<b>-92,118</b>
Transfers to/from Earmarked Reserves		539	-539	-	-	-	-
(Increase)/Decrease in 2019/20	16	550	-539	-350	-339	-91,779	-92,118
<b>Balance at 31 March 2020</b>		<b>-3,510</b>	<b>-29,899</b>	<b>-9,234</b>	<b>-42,643</b>	<b>717,084</b>	<b>674,441</b>

## Movement in Reserves Statement

2020/21		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
<b>All figures are in £'000</b>							
	Notes						
<b>Balance at 31 March 2020 brought forward</b>		<b>-3,510</b>	<b>-29,899</b>	<b>-9,234</b>	<b>-42,643</b>	<b>717,084</b>	<b>674,441</b>
Movement in reserves during 2020/21:							
Deficit on the provision of services	6	12,214	-	-	12,214	-	12,214
<i>Other Comprehensive Income and Expenditure</i>							
Re-measurements of the net defined benefit liability	25	-	-	-	-	185,795	185,795
Changes to injury scheme		-	-	-	-	5,087	5,087
Revaluation gains	16	-	-	-	-	-3,123	-3,123
Revaluation losses charged to revaluation reserve	16	-	-	-	-	220	220
<b>Total Comprehensive Income and Expenditure</b>		<b>12,214</b>	<b>-</b>	<b>-</b>	<b>12,214</b>	<b>187,979</b>	<b>200,193</b>
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-37,491	-	-	-37,491	37,491	-
Gain in relation to Government grant payable to the pension fund	25	10,936	-	-	10,936	-10,936	-
Employer's contribution to pension schemes	16	12,166	-	-	12,166	-12,166	-
Amount by which Council Tax and non-domestic rate income is different from the amount taken to the General Fund	16	-4,763	-	-	-4,763	4,763	-
Amount by which the employee benefit adjustment different from the amount taken to the General Fund	16	-122	-	-	-122	122	-

## Movement in Reserves Statement

2020/21 continued		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
<b>All figures are in £'000</b>							
	Notes						
<i>Reversal of entries included in the deficit on the Provision of Services, in relation to Capital Expenditure, to the Capital Reserves</i>							
Depreciation and impairment of non-current assets	8	-4,687	-	-	-4,687	4,687	-
Revaluation gains on property, plant and equipment	16	95	-	-	95	-95	-
Revaluation losses on assets held for sale	16	84	-	-	84	-84	-
Assets sold written out as part of the gain/(loss) on disposal	8	-81	-	-	-81	81	-
Transfer of cash sale proceeds as part of gain on disposal		12	-	-12	-	-	-
Capital Receipts Applied	22		-	1,371	1,371	-1,371	-
<i>Adj between Revenue and Capital Resources</i>							
Statutory provision for the repayment of debt	16,22	151	-	-	151	-151	-
Voluntary provision for the repayment of debt	16,22	818	-	-	818	-818	-
Capital expenditure funded from revenue contribution	16,22	2,146	-	-	2,146	-2,146	-
<b>Net increase/decrease before transfer to Earmarked Reserves</b>	15	<b>-8,522</b>	<b>-</b>	<b>1,359</b>	<b>-7,163</b>	<b>207,356</b>	<b>200,193</b>
Transfers to/from Earmarked Reserves		8,322	-8,322	-	-	-	-
(Increase)/Decrease in 2020/21	16	-200	-8,322	1,359	-7,163	207,356	200,193
<b>Balance at 31 March 2021</b>		<b>-3,710</b>	<b>-38,221</b>	<b>-7,875</b>	<b>-49,806</b>	<b>924,440</b>	<b>874,634</b>

## Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: usable and unusable reserves. Only the usable reserves represent resources available to the Authority to spend on services, the purchase of assets or to repay debt. Unusable reserves cannot be used by the Authority.

31 March 2020	All figures are in £'000	Notes	31 March 2021
	Property, Plant and Equipment		
92,960	Land and buildings	8	92,469
11,939	Vehicles, plant and equipment	8	11,164
1,422	Assets under construction	8	3,656
1,365	Surplus assets not held for sale	8	-
<b>107,686</b>	<b>Long Term Assets</b>		<b>107,289</b>
34,564	Short Term Investments	9	31,300
425	Assets Held for Sale	12	2,654
117	Inventories		128
9,160	Short term Debtors	10	11,399
9,330	Cash and Cash Equivalents	9,11	16,822
<b>53,596</b>	<b>Current Assets</b>		<b>62,303</b>
-700	Short Term Borrowing	9	-424
-10,683	Short Term Creditors	13	-13,468
-1,330	Provisions	14	-1,465
<b>-12,713</b>	<b>Current Liabilities</b>		<b>-15,357</b>
-1,425	Long Term Borrowing	9	-1,001
	Other Long Term Liabilities:		
-	Long Term Creditors	13	-1,012
-790,626	Firefighters' pension liability	25	-981,088
-30,959	Net LGPS pension liability	25	-45,768
<b>-823,010</b>	<b>Long Term Liabilities</b>		<b>-1,028,869</b>
<b>-674,441</b>	<b>Net Assets</b>		<b>-874,634</b>
	Usable Reserves:		
-3,510	General reserves	15	-3,710
-29,899	Earmarked reserves	15	-38,221
-9,234	Usable capital receipts		-7,875
717,084	Unusable Reserves	16	924,440
<b>674,441</b>	<b>Total Reserves</b>		<b>874,634</b>



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of Council Tax and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, i.e. borrowing to the Authority.

31 March 2020	All figures are in £'000	Notes	31 March 2021
	<b>Operating Activities</b>		
	<b>Cash Outflows</b>		
60,378	Cash paid to and on behalf of employees	7	60,908
117	Interest paid	7	85
18,302	Cash paid to suppliers of goods and services	7	15,301
<b>78,798</b>	<b>Cash outflows generated from operating activities</b>		<b>76,294</b>
	<b>Cash inflows</b>		
-49,603	Precepts received	7	-51,270
-6,319	Revenue support grant	7	-6,422
-6,515	Business Rates	7	-6,812
-8,378	Business Rate top-up grant	7	-8,514
-8,645	Other revenue grants	7,20	-8,889
-2,140	Cash received for goods and services	7	-2,101
-288	Interest received	7,27	-247
-502	Other operating cash receipts	7	-655
<b>-82,390</b>	<b>Cash inflows generated from operating activities</b>		<b>-84,910</b>
<b>-3,592</b>	<b>Net cash inflow from operating activity</b>		<b>-8,616</b>
	<b>Investing Activities</b>		
1,658	Purchase of property, plant and equipment	22	3,657
-350	Proceeds from sale of property, plant and equipment		-12
-155	Temporary investments		-3,221
<b>1,153</b>	<b>Net cash flows generated from investing activity</b>		<b>424</b>
	<b>Financing Activities</b>		
300	Repayment of amounts borrowed	9	700
<b>300</b>	<b>Net cash flows from financing activities</b>		<b>700</b>
<b>-2,139</b>	<b>Net increase in cash and cash equivalents</b>		<b>-7,492</b>
7,191	Cash and cash equivalents at 1 April	11	9,330
<b>2,139</b>	<b>Movement in year</b>		<b>7,492</b>
9,330	Cash and cash equivalents at 31 March	11	16,822

# Notes to the Statement of Accounts

## 1. Accounting policies

Detailed below are the general accounting policies of the Authority. Other policies which refer to specific financial statement lines are detailed with the relevant note to the accounts. The policy is shown shaded in the relevant note.

### General Principles

The accounts of the Fire and Rescue Authority have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS) and other approved accounting standards. The accounts have been prepared with the objective of providing financial information that is useful to a wide range of users in making decisions about providing resources to the Authority and assessing the stewardship of the Authority's management.

Accounting policies are the principles, bases, and practices applied when preparing accounts, that specify how the effects of transactions and other events are to be reflected in the Statement of Accounts through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. When selecting and applying accounting policies the qualitative characteristics of financial information such as relevance, materiality and a faithful representation are taken into account.

#### 1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment. They are prepared on a going concern basis.

The particular policies adopted by the Authority are shown below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue from contracts for the sale of goods or provision of services is recognised in the financial year when the goods are sold or when the services are provided in accordance with the performance obligations of the contract.

Revenue relating to Council Tax and Non-Domestic Rates (NDR) shall be measured at the full amount receivable (net of any impairment losses). A debtor/creditor position between billing authorities and Kent Fire and Rescue as the precepting body is required to be recognised for the cash collected by the billing Council from Council Tax and Non-Domestic Rates debtors that belongs proportionately to the billing council and preceptors such as Kent Fire, Police and Kent County Council. The effect of any bad debts written off or adjustment in provisions are also shared proportionately.

Expenditure on goods and services (including services provided by employees) are recorded as expenditure in the financial year that they are received. Adjustments are made at the end of the financial year if a significant portion of goods received will not be used until the following year, i.e. fuel stock.

Interest receivable on deposits and payable on loans is accounted for as income and expenditure respectively, on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contracts.

## Notes to the Statement of Accounts

Where income or expenditure has been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The balance on debtors may be written down by a provision to reflect an estimate of the amount of any debts that may not be recovered.

### 1.2 Critical accounting, judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, officers are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates, but the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods, if the revision affects both current and future periods.

#### 1.2.1 Critical judgements in applying accounting policies

The Authority is required to disclose any critical judgements, apart from those involving estimations that officers have made in the process of applying the Authority's accounting policies. See Note 3 for details.

### 1.3 Other expenses

Other operating expenses, such as for goods and services, are recognised in the accounts in the financial year in which the goods are delivered or the services received. The exception to this is for utility bills where the accounts may include a twelve month charge for certain utilities but the charge is not necessarily adjusted to match the financial year as it is not considered material nor always practical to do so, but, where appropriate, it does represent a charge for a twelve month period. Any material change with regard to utility accounts will be monitored through the Authority's budget monitoring report and adjusted in the event of a material change at the end of the financial year to ensure costs are reflected in the correct financial year.

### 1.4 Income

Income is accounted for in the financial year that services are provided in accordance with the performance obligations of the contract. Income includes contract income for the provision of firefighting services in the Channel Tunnel, contributions from third parties towards joint-funded projects, insurance recoveries and income from the sale of obsolete vehicles and equipment. Debtors are shown net of any provision made for bad or doubtful debts.

### 1.5 Government Grants and Contributions

Where the condition of a grant or contribution has been satisfied for any grant or contribution received or where there is reasonable assurance it will be received, the amount of the grant or contribution will be included in the Comprehensive Income and Expenditure Statement. Conditions are defined as stipulations that specify the terms under which a grant or contribution is to be used.

If the conditions have not yet been met then any grant or contribution received would be shown in the Balance Sheet as a receipt in advance within creditors. When conditions for a grant or contribution have been satisfied, the grant or contribution is credited to the relevant service line (within gross income) or as Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

## Notes to the Statement of Accounts

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 1.6 Revenue expenditure funded from capital under statute

This is expenditure which qualifies as capital for control purposes, but which does not result in the acquisition, creation or enhancement of a property, plant or equipment asset. These costs are charged direct to revenue expenditure and any related capital grant will also be credited to revenue income.

### 1.7 Treatment of Value Added Tax

VAT paid and received is accounted for separately and is not included as income or expenditure of the Authority, except where it is not recoverable.

### 1.8 Redemption of Debt

The Authority is required to set aside an amount each year for the redemption of debt. There is a statutory requirement for the Authority to charge the Council Tax payer with a minimum revenue provision (MRP) which represents 4% of the outstanding borrowing liability for historic debt. In addition, the Authority makes additional voluntary provisions which aligns the charge to the Council Tax payer with the life of the asset. All new debt has a minimum revenue provision (MRP) set aside calculated on the asset life.

### 1.9 Prior Period Adjustments

These adjustments are only made when there are changes in accounting policies required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions or other events and conditions on the Authority's financial position. Where a prior year adjustment is made it adjusts the opening balances and comparative amounts for the period as if the new policy had always been applied.

## 2. Accounting Standards that have been issued but have not yet been adopted

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by the Code for 2021/22. These changes relate to accounting amendments to IFRS 3 Definition of a Business and Interest Rate Benchmark Reform (phase 1 and 2) affecting IFRS9, IAS39, IFRS7 and for phase 2 only IFRS4 and IFRS 16. These changes are not expected to have a material impact on the Authority's Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a certain amount of uncertainty about future levels of Government funding. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and

## Notes to the Statement of Accounts

reduce levels of service provision and therefore impact on note 8 with regard to property, plant and equipment.

- The Authority engages an external valuer to undertake the valuation of property annually. Valuations are undertaken at the 31 March 2021. Last financial year due to the uncertainty and unprecedented set of circumstances as a result of the withdrawal from the European Union and the onset of the Covid-19 pandemic our valuers advised that their valuations were reported on the basis of 'material valuation uncertainty'. Which meant that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case and would require valuations to be kept under regular review. Having undertaken their valuations this year they have now removed their narrative with regard to 'material valuation uncertainty' as the withdrawal from the European Union has now passed and the country now begins its recovery from Covid-19 pandemic.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Authority had to make cuts to its spending and was unable to sustain its current spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.

The carrying value of depreciating assets at 31 March 2021 is £70.4m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property plant and equipment assets would increase by £291k for every year that useful lives had to be reduced.

#### Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The carrying amount of the defined benefit obligation on all Pension Schemes at 31 March 2021 is £1,106,990k.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Pension Scheme liabilities of £20,584k.

Furthermore, a one year increase in the life expectancy assumptions across all schemes would give rise to an increase in the liability of £54,480k.

The table on page 67 provides further details on the assumptions used and their financial impact.

Last year the Kent Pension Fund disclosed a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund, due to the level of

## Notes to the Statement of Accounts

uncertainty since the outbreak of Covid-19. We have not been advised that this is the case for this financial year.

### Impairment of Debtors

The debtors figure included in the accounts for Council Tax and Business Rates (NNDR) includes an estimation for those debts that may not be recovered. The bad debt calculation is completed by each billing authority (12 Districts and 1 Unitary) and returned to us as the precepting authority to enable us to account for our share. An impairment allowance of £2.78m has been set aside in relation to Council Tax debts that may not be received and £264k in relation to Business Rates debts that may not be received. A provision of £1.07m has been set aside for business rate appeals that have yet to be determined. Any variation in actual recovery would affect the final collection fund surplus/deficit position. This in turn would impact on future year's budgets when recognised in line with statutory requirements.

### 5. Events after the reporting Period

There are no events to report.

## Notes to the Statement of Accounts

### 6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis note shows how annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making between the Authority's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

All figures are in £'000

2019/20

	Outturn as reported to Authority	Adjustments	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
				See note 6a	
Operational Response	31,418	-12	31,406	9,027	40,433
Customer and Business Safety	4,728	4	4,732	889	5,621
Operational Policy and Resilience	4,395	52	4,447	1,172	5,619
Organisational Support	26,527	745	27,272	3,676	30,948
Pensions, Financing and Other Costs	3,196	-1,321	1,875	1,132	3,007
<b>Net Cost of Services</b>	<b>70,264</b>	<b>-532</b>	<b>69,732</b>	<b>15,896</b>	<b>85,628</b>
Other Income and Expenditure			-69,721	4,940	-64,781
<b>Surplus (-) or Deficit (+)</b>			<b>11</b>	<b>20,836</b>	<b>20,847</b>
Opening General and Earmarked Reserves Balance			33,420		
Plus Surplus on General Fund in the year			-11		
<b>Closing General and Earmarked Reserves Balance</b>			<b>33,409</b>		



## Notes to the Statement of Accounts

All figures are in £'000

2020/21

	Outturn as reported to Authority	Adjustments	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
				See note 6a	
Operational Response	32,805	53	32,858	6,574	39,432
Customer and Business Safety	4,669	-412	4,257	807	5,064
Operational Policy and Resilience	3,510	-94	3,416	730	4,146
Organisational Support	26,493	-1,133	25,360	2,563	27,923
Pensions, Financing and Other Costs	3,944	-1,689	2,255	190	2,445
<b>Net Cost of Services</b>	<b>71,421</b>	<b>-3,275</b>	<b>68,146</b>	<b>10,864</b>	<b>79,010</b>
Other Income and Expenditure			-76,668	9,872	-66,796
<b>Surplus (-) or Deficit (+)</b>			<b>-8,522</b>	<b>20,736</b>	<b>12,214</b>
Opening General and Earmarked Reserves Balance			33,409		
Less Deficit on General Fund in the year			8,522		
<b>Closing General and Earmarked Reserves Balance</b>			<b>41,931</b>		

## Notes to the Statement of Accounts

### 6a Expenditure and Funding Analysis – Adjustments Between Funding and Accounting Basis

For internal reporting and budget monitoring purposes, the revenue budget is in a different format from the presentation required by the CIPFA Code for the Comprehensive Income and Expenditure Statement. The table below provides a reconciliation of the final revenue budget underspend on services compared to the deficit shown on the Comprehensive Income and Expenditure Statement.

2019/20					2020/21				
Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments	
All figures are in £'000									
3,037	6,252	-262	9,027	Operational Response	3,816	2,738	20	6,574	
1	893	-5	889	Customer and Business Safety	91	693	23	807	
106	1,089	-23	1,172	Operational Policy and Resilience	156	563	11	730	
993	2,649	34	3,676	Organisational Support	445	2,050	68	2,563	
-	1,132	-	1,132	Pensions, Financing & Other Costs	-	190	-	190	
<b>4,137</b>	<b>12,015</b>	<b>-256</b>	<b>15,896</b>	<b>Net Cost of Services</b>	<b>4,508</b>	<b>6,234</b>	<b>122</b>	<b>10,864</b>	
<b>-2,665</b>	<b>7,323</b>	<b>282</b>	<b>4,940</b>	<b>Other Income and Expenditure from the Funding Analysis</b>	<b>-3,046</b>	<b>8,155</b>	<b>4,763</b>	<b>9,872</b>	
1,472	19,338	26	20,836	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Deficit	1,462	14,389	4,885	20,736	

## Notes to the Statement of Accounts

### 7. Expenditure and Income Analysed By Nature

The following table provides a breakdown of expenditure and income by type that is included in the calculation of the deficit on the provision of services. These costs include notional charges which are reversed when identifying the amount to be charged to taxation.

All figures are in £'000	2019/20	2020/21
Employee expenses	61,402	62,895
Other operating expenses	16,422	14,411
Depreciation	4,969	4,687
Revaluations gains(-) / loses(+) on property, plant and equipment	-831	-179
IAS19 adjustment	12,015	6,234
Employee leave accrual adjustment	-256	122
<b>Expenditure charged to Cost of Services</b>	<b>93,721</b>	<b>88,170</b>
Government grants and contributions	-5,439	-6,385
Fees, charges and other service income	-2,654	-2,775
<b>Income credited to Cost of Services</b>	<b>-8,093</b>	<b>-9,160</b>
<b>Net expenditure charged to Cost of Services</b>	<b>85,628</b>	<b>79,010</b>
Interest payments	115	80
Pensions interest cost	23,277	20,479
Expected return on pensions assets	-1,541	-1,438
LGPS administration expenses	37	50
Loss on disposal of assets	32	69
<b>Expenditure charged to Provision of Services</b>	<b>21,920</b>	<b>19,240</b>
Pension fund top-up grant	-14,449	-10,936
Interest and investment income	-335	-103
Gain(-)/Loss on financial instruments carried at fair value through profit or loss	-10	43
Income from Council Tax	-49,269	-49,959
Income from Business Rates and top-up grant	-14,881	-11,873
Non-ringfenced Government grants	-7,757	-13,208
<b>Income credited to Provision of Services</b>	<b>-86,701</b>	<b>-86,036</b>
<b>Expenditure and Income charged to Provision of Services</b>	<b>-64,781</b>	<b>-66,796</b>
<b>Deficit on Provision of Services</b>	<b>20,847</b>	<b>12,214</b>

## Notes to the Statement of Accounts

### 7a. Revenue from Contracts with Service Recipients

#### Policy:

The Authority recognises revenue from contracts with service recipients in accordance with the provisions of IFRS 15 Revenue from Contracts with Customers, as reflected in the Code of Practice. Revenue is recognised in the financial year that services are provided in accordance with the performance obligations of the contract.

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with Service recipients:

All figures are in £'000s	2019/20	2020/21
Revenue from contracts with service recipients:		
Operational Policy and Resilience – provision of fire cover	2,063	2,101
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>2,063</b>	<b>2,101</b>

Amounts included in the Balance Sheet for contracts with service recipients:

All figures are in £'000s	2019/20	2020/21
Receivables, which are included in debtors net of VAT (Note 10)	346	351
<b>Total included in Net Assets</b>	<b>346</b>	<b>351</b>

The value of revenue that is expected to be recognised in the future related to performance obligations (as set out in the contract) that are unsatisfied at the end of the year is:

All figures are in £'000s	2019/20	2020/21
Not later than one year	2,099	2,119
Later than one year and not later than eight years	13,694	11,553
<b>Amounts of transaction price fully unsatisfied</b>	<b>15,793</b>	<b>13,672</b>

Revenue relates to the recovery of staffing costs. The performance obligations of the contract are met when services are rendered. An invoice is raised for a fixed amount each month for services provided in the preceding month.

# Notes to the Statement of Accounts

## 8. Property, Plant and Equipment

### Policy:

Valuation - Where Property, Plant and Equipment has physical substance and they are held for the production or the supply of goods and services or administrative purposes and are expected to provide a benefit for more than one year, they are classified as capital assets. Expenditure in relation to these assets is recognised on an accruals basis and all expenditure on vehicles and building components is capitalised. There is a de-minimis limit of £10k for all other individual items of capital expenditure. Items that form part of the initial equipping of a new operational vehicle or in the setting up of a new building are capitalised as part of that project irrespective of their individual cost.

Assets that are undergoing work which results in them not being completed or becoming operational at the year-end results in the asset being carried forward in "assets under construction".

Assets are initially measured at cost and then carried on the Balance Sheet using the following measurement bases:

- Fire stations and other specialised buildings – Current value estimated using a depreciated replacement cost methodology utilising the concept of the modern equivalent asset.
- Houses and other non-specialised buildings – Current value based on existing use.
- Vehicles and equipment – Current value estimated using depreciated historic cost.
- Assets under construction – Actual cost.
- Surplus assets – Fair value based on the price that would be received on the sale of the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Authority reviews the revaluing of its land and building portfolio every year using the services of an External Valuer. A component valuation approach is used for specialised assets such as Fire Stations, with the most significant elements of a building being separately valued and the remaining useful life assessed for each element. On appointment the Valuer carried out a physical inspection of all property for the valuation prepared at 31 March 2020. The highest value fire stations and service headquarters have a full physical inspection and valuation each year, as does 25% of the remaining estate on a four year rolling basis. For the rest of the estate values are reviewed and an adjustment made for any impairment or increase in valuation as appropriate, to reflect any significant changes in values during the year. Material additions to the premises estate are valued at the date of acquisition or when the capital works to the property are completed and the property brought into use. It is planned that all property will be subject to a full physical inspection again in 2024/25.

Valuations are updated for specific properties where significant improvements or modifications are made. Other minor replacements or works below £100k are included within additions at actual cost unless the actual value is expected to be materially different.

Revaluation gains are taken to the revaluation reserve and revaluation losses are written-off against any balance on the revaluation reserve for that asset or to the Comprehensive Income and Expenditure Statement if the balance on the revaluation reserve is less than the loss.

Depreciation - The charge for depreciation is calculated on a straight line basis over the estimated useful life of the asset taking into account the residual value of the asset. Estimated useful lives and residual values for property and plant are reviewed periodically, whereas the life and residual values of vehicles are reviewed annually. Depreciation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement from the date that the asset is completed. Where a large asset, such as a fire station, includes a number of components which have significantly different asset lives and are of a material value, the components are treated as separate assets and depreciated over their own useful economic life. Property, plant, vehicles and equipment under construction are not depreciated.

## Notes to the Statement of Accounts

At the end of the financial year a review is undertaken to see whether any asset has suffered an impairment loss. When impairment losses are identified they are charged to the revaluation reserve up to the amount of the accumulated gain. Where there is no balance or an insufficient balance on the revaluation reserve the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. When an impairment loss subsequently reverses, the relevant service line is credited with the reversal up to the amount of the original loss, adjusted for the depreciation that would have been charged if a loss had not been recognised.

At the 31 March 2021 the Authority had capital commitments of £955k in relation to new vehicle purchases, mobile data terminals and some premises expenditure (£3,165k at 31 March 2020).

This is the range of useful asset lives used in the calculation of depreciation for each class of asset.

<b>Class Of Asset</b>	<b>Asset life for depreciation purposes</b>
Buildings	10 to 65
Roofs	5 to 50
Drill towers	5 to 45
Bay doors	10 to 20
Generators	10 to 25
Fire appliances	13 to 15
Cars and vans	5 to 7
Other operational vehicles	5 to 20
IT Equipment	3 to 10

In addition to land and buildings the Authority has a fleet of fire appliances, specialist vehicles and cars. This table provides an analysis of property assets at 31 March. During June/July 2020 the Authority demolished the old Thanet Fire Station which had become surplus to requirements with the newly built Ramsgate Station and the land is now held for sale.

	<b>Operational</b>	<b>Surplus</b>	<b>Held for sale</b>
Fire Stations	56	-	2
Headquarters	1	-	-
Residential houses	20	-	7
Technical Rescue Centre	1	-	-
Training Centre	1	-	-
Other	1	-	-

### Revaluations

The Authority's External Valuers, GVA Grimley Limited t/a Avison Young, carried out a full valuation of the Authority's entire land and building portfolio at 31 March 2020. The highest value fire stations and service headquarters have a full physical inspection and valuation each year, as does 25% of the remaining estate on a four year rolling basis. For the rest of the estate values are reviewed and an adjustment made for any impairment or increase in valuation as appropriate, to reflect any significant changes in values during the year. The valuations have been carried out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The valuations are in accordance with International Valuation Standards (IVS) and the

## Notes to the Statement of Accounts

requirements of the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2020 (the Red Book).

The majority of the properties are classified as property, plant and equipment. The Authority's fire stations, Technical Rescue Centre, Equipment Store and training facilities are specialised operational properties and as such are valued at current value using the depreciated replacement cost method with a consideration of the assumed modern equivalent asset. The Authority's houses, which are occupied for operational purposes, and the Headquarters building are valued at their current value in existing use, and assets held for sale are valued at fair value.

Vehicle, plant and equipment assets are initially included at historical cost as a proxy for current value. The value and remaining life of fire appliances are subject to an annual review by the Engineering Team.

Prior to 2020 the accounting policy with regards to valuations was to undertake a full inspection and valuation every 5 years, with values reviewed and adjusted for any impairments or increase in valuation to reflect significant change in values in the intervening years. The revised accounting policy allows for a full inspection and valuation each year for those properties that are material in value to the financial statements and thereby provide more reliable estimations on their value and also reduce the possibility of not identifying significant changes in value to the property portfolio. By undertaking a full inspection and valuation on the remaining 25% of properties across the Kent portfolio it allows for the valuers to gain assurance and evidence for the assumptions applied across the remaining estate, thereby providing more reliable estimates and a better understanding of the condition and maintenance regime of our current properties.



## Notes to the Statement of Accounts

2019/20	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
All figures are in £'000					
<b>Cost or Valuation at 1 April 2019</b>	<b>97,456</b>	<b>33,092</b>	<b>119</b>	<b>1,360</b>	<b>132,027</b>
Additions	92	333	1,304	-	1,729
Revaluation increases recognised in the revaluation reserve	-2,238	161	-	-977	-3,054
Revaluation increases recognised in the deficit on the provision of services	1,206	-24	-	-351	831
De-recognition – disposals	-	-740	-	-	-740
Assets reclassified	-1,827	-22	-	1,424	-425
Assets under construction completed in year	-	-	-1	-	-1
Other movements in cost or valuation	-1,729	-1,200	-	-91	-3,020
<b>Cost or Valuation at 31 March 2020</b>	<b>92,960</b>	<b>31,600</b>	<b>1,422</b>	<b>1,365</b>	<b>127,347</b>
Accumulated Depreciation and Impairment at 1 April 2019	-	-18,420	-	-	-18,420
Depreciation/impairment charge	-2,879	-2,077	-	-13	-4,969
Downward revaluation recognised in the deficit on the provision of services	-	-	-	-	-
De-recognition – disposals	-	708	-	-	708
Other movements in depreciation and impairment	2,879	128	-	13	3,020
<b>Accumulated Depreciation and Impairment at 31 March 2020</b>	<b>-</b>	<b>-19,661</b>	<b>-</b>	<b>-</b>	<b>-19,661</b>
<b>Net Book Value at 31 March 2020</b>	<b>92,960</b>	<b>11,939</b>	<b>1,422</b>	<b>1,365</b>	<b>107,686</b>
Net Book Value at 31 March 2019	97,456	14,672	119	1,360	113,607

## Notes to the Statement of Accounts

2020/21

All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
<b>Cost or Valuation at 1 April 2020</b>	<b>92,960</b>	<b>31,600</b>	<b>1,422</b>	<b>1,365</b>	<b>127,347</b>
Additions	205	920	2,392	-	3,517
Revaluation increases/(decreases) recognised in the revaluation reserve	2,795	57	-	51	2,903
Revaluation increases recognised in the deficit on the provision of services	96	-1	-	-	95
De-recognition – disposals	-35	-405	-	-	-440
Assets reclassified	-750	-	-	-1,395	-2,145
Assets under construction completed in year	158	-	-158	-	-
Other movements in cost or valuation	-2,960	-130	-	-21	-3,111
<b>Cost or Valuation at 31 March 2021</b>	<b>92,469</b>	<b>32,041</b>	<b>3,656</b>	<b>-</b>	<b>128,166</b>
Accumulated Depreciation and Impairment at 1 April 2020	-	-19,661	-	-	-19,661
Depreciation/impairment charge	-2,967	-1,703	-	-17	-4,687
Downward revaluation recognised in the deficit on the provision of services	-	-	-	-	-
De-recognition – disposals	3	357	-	-	360
Other movements in depreciation and impairment	2,964	130	-	17	3,111
<b>Accumulated Depreciation and Impairment at 31 March 2021</b>	<b>-</b>	<b>-20,877</b>	<b>-</b>	<b>-</b>	<b>-20,877</b>
<b>Net Book Value at 31 March 2021</b>	<b>92,469</b>	<b>11,164</b>	<b>3,656</b>	<b>-</b>	<b>107,289</b>
Net Book Value at 31 March 2020	92,960	11,939	1,422	1,365	107,686

# Notes to the Statement of Accounts

## 9. Financial Instruments

### Policy:

#### Financial assets

Financial assets are recognised within the Statement of Accounts when the Authority becomes party to the contractual provisions of the instrument or, in the case of debtors, when the contract obligations have been met. Financial assets are classified into three types; each type based on the business model for holding the instruments and the expected cashflow characteristics of them:

- Amortised Cost – These represent instruments held to collect contractual cashflows, e.g. fixed term bank deposits and loans where repayments of interest and principal take place on set dates and at specified amounts.
- Fair Value Through Other Comprehensive Income – These represent instruments held that are measured at Fair Value and held to both collect contractual cash flows and sell the financial asset on specified dates, such as Money Market funds
- Fair Value through Profit or Loss – These represent Instruments held whose objectives are all other combinations of business model and contractual cash flows.

Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred.

The Authority reviews its financial assets annually. Expected losses are calculated annually for assets that have a significant credit risk using a provision matrix based on historic write off of debt, whilst expected credit losses for investments are calculated based on the historic risk of default for each counterparty provided by the Authority's Treasury advisors, Debtors in the Balance Sheet are reduced by the impairment allowance. The subsequent impairment/loss allowance (if material) is then treated according to the Asset class:

- Assets valued at Amortised cost are reduced by the value of the expected losses (impairment) and reflected in their carrying amount.
- Assets carried at Fair Value through Other Comprehensive Income have the movements in their fair value reflected in the Financial Instruments Revaluation Reserve.
- Assets carried at Fair Value through Profit or Loss have their loss allowance recognised in the Surplus or Deficit on Provision of Services.

#### Financial liabilities

Financial liabilities are recognised in the Statement of Accounts when the Authority becomes party to the contractual provisions of the financial instrument, or, in the case of creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is the liability has been paid or otherwise discharged.

Financial liabilities are initially recognised at fair value and are carried at their amortised cost. For creditors this will be the invoice amount.

The Authority has liabilities in relation to loans borrowed from the Public Works Loans Board and non-Public Works Loans Board creditors all of which are recognised at amortised cost.

## Notes to the Statement of Accounts

Interest payable is charged to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement in the year to which it relates.

### Fair Value Hierarchy

Valuation techniques used to measure fair value are categorised into Levels 1, 2 and 3 where

- Level 1 has an active market with quoted prices for similar instruments
- Level 2 has some directly observable market information other than Level 1 inputs
- Level 3 has no market information and valuation requires significant judgement by management.

### Categories of Financial Instruments

The categories of financial instruments that are carried in the Balance Sheet are shown in the table that follows:

All figures are in £'000	Long Term		Short Term	
	31 March 2021	2020	31 March 2021	2020
<b>Investments</b>				
Current Investments <sup>1</sup>	-	-	-	17,734
Short term investments <sup>2</sup>	-	-	31,300	16,830
Cash and cash equivalents <sup>2</sup>	-	-	16,822	9,330
<b>Debtors</b>				
Long term debtors <sup>2</sup>	-	-	-	-
Short term debtors <sup>2</sup>	-	-	5,244	885
<b>Borrowings</b>				
Long term borrowing <sup>2</sup>	-1,001	-1,425	-	-
Short term borrowing <sup>2</sup>	-	-	-424	-700
Cash and cash equivalents <sup>2</sup>	-	-	-	-
<b>Creditors</b>				
Short term creditors <sup>2</sup>	-	-	-2,717	-2,542

<sup>1</sup> at fair value through profit and loss using a Level 1 valuation technique

<sup>2</sup> carried at amortised cost

The fair value of loans borrowed from the Public Works Loan Board (PWL) is £1,550k compared to their book value of £1,425k (£2,271k: £2,125k in 2019/20). The fair value of the loans is higher than the carrying amount because the Authority's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the market. However, a supplementary measure of the additional debt that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates from the PWLB as at 31 March 2021. If a value was calculated on this basis the carrying amount of £1,425k would be valued at £1,460k. However, if the Authority were to seek to make early repayment of the loans to the PWLB, the PWLB would charge a penalty which is calculated by comparing the interest rate being paid on the loans to current borrowing rates. The penalty charge at 31 March 2021 if the loans were repaid on that date would be £106k.

## Notes to the Statement of Accounts

### 10. Debtors

All figures are in £'000	31 March	
	2021	2020
Central government bodies <sup>1</sup>	4,784	456
Other local authorities <sup>1</sup>	183	48
Collection Fund	2,780	3,600
Pension Fund	2,003	3,413
Other entities and individuals <sup>1</sup>	1,649	1,643
<b>Total Debtors</b>	<b>11,399</b>	<b>9,160</b>

<sup>1</sup> Part is included in the amount shown as short term debtors in Note 9.

Collection Fund debtors at 31 March 2021 are shown net of provisions for bad and doubtful debts £3,052k (£2,184k at 31 March 2020).

### 11. Cash and Cash Equivalents

#### Policy:

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions that are immediately repayable without penalty of notice not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

All figures are in £'000	31 March	
	2021	2020
Bank current accounts and cash held by the Authority	51	50
Short term deposits	16,771	9,280
<b>Total Cash and Cash Equivalents</b>	<b>16,822</b>	<b>9,330</b>

### 12. Assets Held for Sale

#### Policy:

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and they meet the criteria contained in the Code. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less disposal costs. Fair value is the open market value including alternative uses.

The profit or loss arising on the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statement as a gain or loss on disposal. Where a non-current asset is sold for £10k or more the amount is credited to income and then transferred to usable capital receipts in the Balance Sheet where it is available to fund new capital expenditure.

Non-current assets that are to be scrapped or demolished do not qualify for recognition as held for sale. They are retained as property, plant and equipment or surplus assets and their economic life will be adjusted accordingly. Depreciation is not charged on assets held for sale.

## Notes to the Statement of Accounts

### Assets Held for Sale (continued)

All figures are in £'000	2020/21	2019/20
Balance at start of year	425	350
Assets newly classified as held for sale	2,145	425
Revaluation gains	95	-
Revaluation losses	-11	-
Assets transferred to surplus	-	-
Assets sold in year	-	-350
<b>Total Assets Held For Sale</b>	<b>2,654</b>	<b>425</b>

### 13. Creditors

All figures are in £'000	31 March	
	2021	2020
Central government bodies <sup>1</sup>	1,818	3,035
Collection fund receipts in advance	1,376	1,098
Collection Fund creditor <sup>3</sup>	4,525	836
Other local authorities <sup>1,2</sup>	718	845
Other entities and individuals <sup>1,2</sup>	6,043	4,869
<b>Total Creditors</b>	<b>14,480</b>	<b>10,683</b>

<sup>1</sup> Includes part of the amount shown as short term creditors in Note 9.

<sup>2</sup> Includes part of capital creditors totalling £38k (£194k at 31 March 2020).

<sup>3</sup> Includes Collection Fund long term creditors of £1,012k

### 14. Provisions

#### Policy:

It is the policy of the Authority to make provisions in the accounts where there is an obligation to make a payment but where the amount or timing is uncertain. Provisions are charged to expenditure when the Authority becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made, they are charged direct to the provision. The level of the provision is kept under review and if the provision is not required it is reversed and credited back to expenditure in that financial year.

#### Insurance and General Provision

The Authority has external cover for insurance claims. At 31 March 2021 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be maintained to fund these and any other potential claims. Whilst many claims are settled within a year some do take a number of years to be resolved.

#### Non-Domestic Rate Appeals

This provision is the Authority's share of amounts provided for by Kent billing authorities for Non-Domestic Rates appeals.

# Notes to the Statement of Accounts

## Provisions (Continued)

All figures are in £'000	Insurance and General Provision	Non-Domestic Rates Appeals	Total
Balance at 1 April 2020	237	1,093	1,330
Movements in 2020/21:			
Additional provisions made	389	1070	1,459
Amounts used	-53	-1093	-1,146
Unused amounts reversed	-178	-	-178
<b>Balance at 31 March 2021</b>	<b>395</b>	<b>1,070</b>	<b>1,465</b>

## 15. Usable Reserves

### Policy:

The Authority maintains a general fund balance equivalent to approximately 5% of the net revenue budget and also a number of Earmarked Reserves which are held for specific policy purposes or future expenditure. The Authority makes use of Earmarked Reserves in order to smooth the impact of peaks of expenditure and also to ensure resources are available to meet known commitments and liabilities.

Reserves are created by appropriating amounts out of the general fund balance in the Movement in Reserves Statement. When expenditure to be funded from the reserve is incurred it is charged to the appropriate service line in year. The reserve is then appropriated back into the general fund balance in the Movement in Reserves Statement so that there is no charge in that year to the Council Tax payer.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The relevance and balance of each reserve is reviewed annually, the purpose of each of the Earmarked Reserves is described below.

### Government Grants

This reserve contains unspent Government grants that are being rolled forward for use in future years.

### Infrastructure

This reserve is used to fund expenditure on infrastructure assets (premises, environmental improvements, IT and communications equipment, as well as vehicles and operational equipment) and includes a significant programme of investment in station improvements / redevelopments and vehicle purchases over the medium term.

### Insurance and Resource

This reserve is used to smooth the impact of insurance claim volatility between financial years. It also provides an additional resource, should it be needed, to meet excessive costs in any one year, arising from the new Insurance Mutual Company arrangements. Given the volatility of the financial and economic markets, this reserve is also used to resource any one-off in year increases in costs that may arise at relatively short notice.

### Rolling Budgets

This reserve is used to fund committed expenditure where the goods or services will not be received or delivered until the following financial year.



## Notes to the Statement of Accounts

### Service Improvement and Productivity

This reserve is used as a one-off funding resource to help pump-prime new initiatives or improvements to the Service. It will also help support collaborative initiatives with other blue light services and partner agencies.

This table below sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2021/22.

All figures are in £'000	Balance at 1 April 2020	Net Reserve Transfers 2020/21	Balance at 31 March 2021
<b>General Fund Balance</b>	<b>3,510</b>	<b>200</b>	<b>3,710</b>
<b>Earmarked Reserves:</b>			
- Government Grants	748	4,867	5,615
- Service Improvement and Productivity	850	52	902
- Infrastructure	26,183	862	27,045
- Insurance and Resource	1,748	1,837	3,585
- Rolling Budgets	370	704	1,074
<b>Total Earmarked Reserves</b>	<b>29,899</b>	<b>8,322</b>	<b>38,221</b>
<b>Total General and Earmarked Reserves</b>	<b>33,409</b>	<b>8,522</b>	<b>41,931</b>

Additional breakdown of Government Grant Reserve balance:

All figures are in £'000	Balance at 31 March 2021
New Dimensions and New Threats	435
Building Risk Review and Protection Uplift	512
Emergency Services Mobile Communications Programme (ESMCP)	347
Pensions Administration for McCloud / Sargeant Remedy	97
2020/21 Additional Retail, Hospitality and Leisure Business Rates Reliefs	3,175
Covid-19 Support	430
Local Tax Income Guarantee Grant	619
<b>Total Government Grants Reserve</b>	<b>5,615</b>

# Notes to the Statement of Accounts

## 16. Unusable Reserves

### Policy:

The Balance Sheet includes a number of reserves that are maintained to manage the accounting processes for non-current assets, retirement and employee benefits, available for sale financial assets and the collection fund adjustments. These reserves are not distributable and cannot be used to support spending.

This table summarises the items included within unusable reserves. Details of movements on the various reserves are in the paragraphs that follow.

All figures are in £'000	2020/21	2019/20
Revaluation reserve	-42,408	-41,171
Accumulated Absences account	537	415
Pensions reserve	1,026,856	821,585
Collection Fund Adjustment account	4,190	-573
Capital Adjustment Account	-64,735	-63,172
<b>Total unusable reserves</b>	<b>924,440</b>	<b>717,084</b>

**Revaluation Reserve** - The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

All figures are in £'000	2020/21	2019/20
<b>Balance at 1 April</b>	<b>-41,171</b>	<b>-46,050</b>
Upward revaluation of assets	-3,123	-11,950
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	220	15,005
Difference between fair value depreciation and historical cost depreciation	1,636	1,550
Accumulated gains on assets sold or scrapped	30	274
<b>Balance at 31 March</b>	<b>-42,408</b>	<b>-41,171</b>

### Accumulated Absences Account

#### Policy:

Salaries, wages and employment-related payments, including the value of leave earned but not yet taken, are recognised in the period that the service is received from employees. An accrual will be

## Notes to the Statement of Accounts

made for the cost of any unused leave entitlement which has been carried into the following year. The accrual is based on the amount of holiday pay that would be paid for each day owed and includes an estimate for any related on-costs that would also be payable, such as national insurance. The calculation is reviewed every three years or in the event of a known material change.

The cost of the accrual for holiday pay and overheads is charged to the Surplus or Deficit on the Provision of Services and reversed out through the Movement in Reserves Statement so that the charge has no effect on the Council Tax payer.

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave owed. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

All figures are in £'000	2020/21	2019/20
<b>Balance at 1 April</b>	<b>415</b>	<b>671</b>
Settlement or cancellation of accrual made at the end of the preceding year	-415	-671
Amounts accrued at the end of the current year	<u>537</u>	<u>415</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	122	-256
<b>Balance at 31 March</b>	<b>537</b>	<b>415</b>

**Pensions Reserve** - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or as it eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

All figures are in £'000	2020/21	2019/20
<b>Balance at 1 April</b>	<b>821,585</b>	<b>918,266</b>
Re-measurements of the net defined benefit liability	190,882	-116,020
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	26,555	30,618
Employer's pensions contributions and direct payments to pensioners payable in the year	-12,166	-11,279
<b>Balance at 31 March</b>	<b>1,026,856</b>	<b>821,585</b>

## Notes to the Statement of Accounts

**Collection Fund Adjustment Account** - The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income and Non-Domestic Rate income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non Domestic Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

All figures are in £'000	2020/21	2019/20
<b>Balance at 1 April</b>	<b>-573</b>	<b>-855</b>
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income for the year in accordance with statutory requirements	1,310	335
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income for the year in accordance with statutory requirements	3,453	-53
<b>Balance at 31 March</b>	<b>4,190</b>	<b>-573</b>

## Notes to the Statement of Accounts

**Capital Adjustment Account** -The Capital Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains gains recognised in relation to donated assets that have yet to be consumed by the Authority and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 when the Reserve was created to hold such gains. The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

All figures are in £'000	2020/21	2019/20
<b>Balance at 1 April</b>	<b>-63,172</b>	<b>-63,169</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	4,687	4,969
Revaluation (gains) / losses on property, plant and equipment	-95	-831
Revaluation losses on assets held for sale	-84	-
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	51	107
Adjusting amounts written out of the Revaluation Reserve	-1,636	-1,550
<i>Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</i>		
Use of Capital Receipts Reserve to finance new capital expenditure	-1,371	-
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
Statutory provision for the financing of capital investment charged against the General Fund	-969	-969
Capital expenditure charged against the General Fund Balance	-2,146	-1,729
<b>Balance at 31 March</b>	<b>-64,735</b>	<b>-63,172</b>

## Notes to the Statement of Accounts

### 17. Officers' Remuneration

This table provides details of actual remuneration for 2020/21 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2019/20 is also shown below. Details of the Senior Officer structure and related salary is published on the Authority's website at <http://www.kent.fire-uk.org>

Post Holder Information	Salary and Allowances	Pension Contributions	Total Remuneration inc Pension Contributions
All figures are in £'000			
<b>2020/21</b>			
Chief Executive – A Millington	158.7	21.4	180.1
Director Operations – C Colgan	128.6	48.0	176.6
Director Finance and Corporate Services	128.8	17.4	146.2
Director Prevention, Protection, Customer Engagement and Safety (New post July 2020)**	95.4	12.9	108.3
Assistant Director Operational Response*	97.0	30.6	127.6
Assistant Director Resilience*	97.0	27.9	125.0
Assistant Director Customer Engagement and Safety (Promoted to new post - Director Prevention, Protection, Customer Engagement and Safety July 2020)**	24.9	3.4	28.3
Assistant Director Customer and Building Safety (from July 2020)**	67.6	19.4	86.9
Assistant Director HR and Learning	97.0	13.1	110.1
Assistant Director Corporate Services	97.0	13.1	110.1
	<b>992.0</b>	<b>207.2</b>	<b>1,199.2</b>

\*Change in role title during 2020/21

\*\*Assistant Director Customer Engagement and Safety was promoted to the new post of Director Prevention, Protection, Customer Engagement and Safety in July 2020. A new Assistant Director was appointed to the vacant post in July 2020 when the post was retitled Assistant Director Customer and Building Safety.

## Notes to the Statement of Accounts

Post Holder Information	Salary and Allowances	Pension Contributions	Total Remuneration inc Pension Contributions
All figures are in £'000			
<b>2019/20</b>			
Chief Executive – A Millington	156.4	19.5	175.9
Director Operations – S Bone-Knell	126.9	47.2	174.1
Director Finance and Corporate Services	126.8	15.9	142.7
Assistant Director Response (to March 2020)*	95.6	35.6	131.2
Assistant Director Response (from November 2019)*	39.9	10.9	50.8
Assistant Director Operational Resilience and Development (post deleted September 2019)	43.6	16.2	59.8
Assistant Director Channel Tunnel and Resilience	95.6	27.4	123.0
Assistant Director Customer Engagement and Safety*	95.6	12.0	107.6
Assistant Director HR and Learning	95.6	12.0	107.6
Assistant Director Corporate Services*	95.6	12.0	107.6
	<b>971.6</b>	<b>208.7</b>	<b>1,180.3</b>

\*Change in role title during 2019/20

The table below shows the other employees, in addition to those senior officers detailed above, who are receiving more than £50,000 remuneration for the year (excluding employer pension contributions but including any benefits in kind):

Remuneration Band	Number of Employees	
	2020/21	2019/20
£50,000 - £54,999	76	52
£55,000 - £59,999	26	41
£60,000 - £64,999	16	12
£65,000 - £69,999	17	17
£70,000 - £74,999	3	3
£75,000 - £79,999	-	4
£80,000 - £84,999	4	2
£85,000 - £89,999	1	-
<b>Total</b>	<b>143</b>	<b>131</b>



## Notes to the Statement of Accounts

### 18. Members' Allowances

The Authority paid the following amounts to Members of the Authority during the year. Details of allowances paid to Members are advertised in the local press and are published on the Authority's website at [www.kent.fire-uk.org](http://www.kent.fire-uk.org).

All figures are in £'000	2020/21	2019/20
Allowances	79	77
Expenses	-	1
<b>Total</b>	<b>79</b>	<b>78</b>

### 19. External Audit Costs

The following external audit costs were incurred in the year.

All figures are in £'000	2020/21	2019/20
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year	27	27
Additional Audit Fee	-	5
Refund from Public Sector Audit Appointments of retained earnings transferred from the Audit Commission and surplus funds	-	-3
<b>Total</b>	<b>27</b>	<b>29</b>

An increased charge to the audit fee for 2019/20 has since been agreed by the Public Sector Audit Appointments for extra work required by the Financial Reporting Council in relation to pensions and property, plant and equipment (£5k) and a further charge in relation to increased costs due to Covid19 (5k), increasing the 2019/20 audit costs from £27,418 to £37,418. The External Auditor has advised that for 2020/21 they anticipate a further £16k above the base contract fee of £27,418, this increase has still to be agreed.

### 20. Grant Income

This table shows the grants and contributions credited to the Comprehensive Income and Expenditure Statement in the year.

All figures are in £'000	2020/21	Restated 2019/20
<b>Credited to Taxation and Non-Specific Grant Income:</b>		
Revenue Support Grant	6,422	6,318
Small Business Rate Relief	1,371	1,169
S31 Compensation for Expansion of Business Rate Relief	3,175	-
Enterprise Zone Relief Grant	24	-
Local Tax Income Guarantee Scheme	619	-
Transparency Code Set-Up Grant	8	8
Covid-19 Grant	1,589	262
<b>Credited to Services:</b>		
From UK Government:		
New Dimension	972	972
Fire Link	624	600
ESMCP and ESMCP Infrastructure	319	63
Grenfell Infrastructure	132	-
Building Risk Review	60	-
Protection Uplift	382	-
Protection Accreditation	45	-

## Notes to the Statement of Accounts

New Threats	58	78
Firefighter Employer Pension Contributions	3,536	3,536
Firefighther Pensions Administration	97	-
Apprenticeship Levy Draw-Down	104	190
Office of Rail Regulation - Channel Tunnel Safety Authority	57	63
<b>Total</b>	<b>19,594</b>	<b>13,259</b>

\*2019/20 restated to include Revenue Support Grant

### 21. Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The necessary disclosures are detailed below:-

**Central Government** - Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government departments are detailed in Note 20 and amounts due to are detailed in Note 10 and amounts owed are detailed in Note 13

**Senior Officers and Members** - The total remuneration paid to senior officers is shown in Note 17 and details of Members' allowances paid in 2020/21 are shown in Note 18.

Members and senior officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Members and senior officers of the Authority are required to declare whether they or any of their close family have been involved in any such related party transactions.

**Kent County Council** - The Authority contracts with the County Council for the provision of various services and the amount paid for 2020/21 was £165k (£171k in 2019/20). The services purchased include pension and treasury administration, IT network services and internal audit. The Monitoring Officer for the Authority is provided by the General Counsel and they are also the Monitoring Officer for KCC. However, from April 2021 the Authority's Monitoring Officer function will be provided by Medway Council.

**Pensions** - During the year amounts were paid to the Local Government Pension Scheme managed on behalf of the Authority by Kent County Council. Details of the amounts paid are shown in Note 25

**SECamb** – The trust continues to utilise Kent Fire and Rescue Service to co-respond to a number of incidents and to assist with gaining access at incidents where patients are in locked or inaccessible areas. There are a number of stations where SECamb are able to use KFRS facilities without charge in line with the Authority's charging policy.

## Notes to the Statement of Accounts

### 22. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

All figures are in £'000	2020/21	2019/20
<b>Opening Capital Financing Requirement</b>	<b>3,767</b>	<b>4,736</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	3,517	1,729
<b>Sources of Finance:</b>		
Capital Receipt	-1,371	-
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-2,146	-1,729
Minimum Revenue Provision	-151	-189
Voluntary Revenue Provision	-818	-780
<b>Closing Capital Financing Requirement</b>	<b>2,798</b>	<b>3,767</b>
<i>Explanation of movements in year:</i>		
Decrease in underlying need to borrow	-969	-969
<b>Change in Capital Financing Requirement</b>	<b>-969</b>	<b>-969</b>

### 23. Leases

#### Policy:

Leases are classified as finance leases and recognised on the balance sheet where the terms of the lease transfer substantially all the risk and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases and are charged to service revenue accounts.

The Authority is the lessee of a number of operating leases, these include managed service arrangements for the provision of personal and protective equipment (PPE) for firefighters, watercoolers, lone worker devices and rental space for the control room.

The future minimum operating lease payments due under non-cancellable leases in future years are:

	2020/21	2019/20
Not later than one year	776	775
Later than one year and not later than five years	4,092	4,349
Later than five years	633	1,639
<b>Total</b>	<b>5,501</b>	<b>6,763</b>

## Notes to the Statement of Accounts

### 24. Termination Benefits

#### Exit Packages by Cost Band

Cost Band £	2020/21				2019/20			
	Compulsory Redundancies		Other Departures Agreed		Compulsory Redundancies		Other Departures Agreed	
	No.	£'000	No.	£'000	No.	£'000	No.	£'000
0k - 20k	-	-	6	50	1	9	5	37
20k - 40k	-	-	1	25	3	97*	2	53
40k - 60k	-	-	-	-	-	-	-	-
60k - 80k	-	-	-	-	-	-	-	-
80k - 100k	-	-	-	-	-	-	-	-
100k -150k	-	-	-	-	1	120	-	-
<b>Total</b>	-	-	<b>7</b>	<b>75</b>	<b>5</b>	<b>226*</b>	<b>7</b>	<b>90</b>

\*Comparative amended to reflect final payments in 2020/21 being £4.6k higher than accrued in 2019/20

The cost of exit packages includes pension strain costs, redundancy costs and notice period salary costs if on garden leave. The total cost of exit packages (£75k) which has been reflected as expenditure in 2020/21 was all paid out in 2020/21.

### 25. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

##### Policy:

The Authority accounts for its pension costs in accordance with the provisions of IAS 19 – Employee Benefits as reflected in the Code of Practice. As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these are not actually payable until an employee retires, the Authority has a commitment to make the payments in the future. This commitment is accounted for in the year that the employee earns the right to receive a pension at some time in the future entitlement.

**LGPS** Pension strain costs arising from early retirement are met from the Authority's revenue budget.

**Fire Schemes** - Contributions to the pension fund in respect of non-abated pensions where pensioners are re-employed by the authority, ill-health retirements, and any lump sum and ongoing costs in respect of injury-related pensions are also met from the Authority's revenue budget.

The Authority maintains a separate ledger account for the Firefighters' Pension Fund and any shortfall is recovered from the Government by way of a grant. The grant is recognised in the Comprehensive Income and Expenditure Statement in the year that it is receivable and reversed back out through the Movement in Reserves Statement.

The Authority participates in four employment schemes:

- 1. Local Government Pension Scheme (LGPS) which is operated by the Kent County Council Superannuation Fund, under the regulatory framework** - The governance of the scheme is the responsibility of the Superannuation Fund Committee of Kent County Council. Policy is determined in accordance with Pension Fund Regulations. The Investment Managers of the fund are appointed by the Committee.

## Notes to the Statement of Accounts

The principal risks to the Authority of the Scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the Scheme (i.e. large scale withdrawals from the Scheme), changes to inflation, bond yields and the performance of the equity investments held by the Scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policy note.

This is a funded scheme, meaning that both the Authority and the employee pay contributions into a fund, calculated at a level estimated to balance the pension liabilities against investment assets. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The contributions have been determined by the Fund's Actuary on a triennial basis and are set to meet 100% of the liabilities of the Pension Fund. The scheme assets and liabilities attributable to LGPS employees can be identified and are recognised in the Authority's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within the cost of services. The expected gain during the year from scheme assets is recognised within financing and investment income and expenditure. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Gains and losses from changes in assumptions during the year are recognised in the Pensions Reserve and reported as other income and expenditure in the Comprehensive Income and Expenditure Statement.

**Arrangements for the award of discretionary post-retirement benefits upon early retirement for LGPS employees** – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, no investment assets have been built up to meet these pensions' liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### Firefighters' Pension Schemes

Firefighters employed by the Authority may be members of the 1992, 2006 (2006 Modified Section) or 2015 Firefighters' Pension Scheme all of which are administered by the Authority. All Fire Pension Schemes are defined benefit schemes however, the schemes are unfunded and MHCLG uses a methodology consistent with the SCAPE approach (Superannuation Charge Adjusted for Past Experience) as the basis for calculating the employers' contribution rate paid by fire and rescue authorities. Unfunded means that there are no investment assets built up to meet the pension liabilities and cash has to be provided to meet the payments as they fall due. Each scheme has different contribution rates and different benefits.

In 2020/21 the Authority paid £8,327k (£8,116k in 2019/20) to the Firefighters' Pension Fund in respect of firefighters' retirement benefits, representing 29.6% (30.0% in 2019/20) of firefighter pensionable pay (employer contribution rates are 37.3% for members of the 1992 and modified schemes, 27.4% for members of the 2006 scheme and 28.8% for members of the 2015 scheme). In addition £629k was paid to the Fund in respect of ill-health charges (£351k) and non-abated pensions (£278k).

- 2. The 1992 Firefighters' Pension Scheme** - is a final salary pension scheme governed by the Firefighters' Pension Scheme Order 1992 and related regulations. This scheme was closed to new entrants from April 2006.
- 3. The 2006 New Firefighters' Pension Scheme** - is a final salary pension scheme governed by the Firefighters' Pension Scheme (England) Order 2006. This scheme was closed to new entrants from April 2015. A new modified section was introduced within this scheme as a result of the Retained Firefighters' Pension Settlement and offered to retained firefighters employed between 1 July 2000 and 5 April 2006.

## Notes to the Statement of Accounts

4. **The 2015 Firefighters' Pension Scheme** – is a Career Average Revalued Earnings (CARE) scheme introduced on 1 April 2015 and is governed by the Firefighters' Pension Scheme (England) Regulations 2014.

The Authority is responsible for the costs of any additional benefits awarded including lump sums paid on retirement due to injury and related annual pension payments.

The Authority is exposed to some risks (positive or negative) in relation to the Firefighter Pension schemes. The Government Actuary determines the employer pension contribution rates and will base these on estimates of interest rates (based on market yields on high quality corporate bonds), inflationary impact on benefits paid and the longevity of scheme members.

### Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the cost of services as they are earned by employees, not when the benefits are paid as pensions. The charge to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund in the Movement in Reserves Statement.

### Court Ruling on Pension Account Disclosures

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public sector service pension schemes from 1 April 2015. They were the McCloud and Sargeant pension cases. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination. Due to the similarities in the cases the Court of Appeal decided to combine the two cases and in December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case.

### McCloud / Sargeant case

The Government published a consultation on the proposed remedy to be applied to public sector pension scheme benefits, which closed for responses on 8 October 2020. On 4 February 2021 the Government published its response to the consultation, confirming their approach to remedying age discrimination, in line with their proposals.

**Firefighters' Pension Schemes** - In relation to those affected in the firefighter pension scheme the consultation response confirmed that the 'deferred choice underpin' would be the way to remedy the identified discrimination. This will enable eligible members, when they retire, to choose whether the final salary scheme or the CARE scheme would be better for them for the 'remedy period' between 1 April 2015 and 31 March 2022. The response also confirmed that the final salary schemes would close on 31 March 2022. An allowance was made for this judgement in the IAS19 disclosure at 31 March 2020. Calculations have been updated, as the figures for the previous accounting period assumed that all members who were previously members of a final salary scheme would be moved back into that scheme and any CARE scheme service since 1 April 2015 converted into final salary service. The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. These members are then to choose which scheme they are to accrue benefits in over the remedy period 1 April 2015 to 31 March 2022. From 1 April 2022 everyone will accrue benefits in the CARE scheme. The present value of benefits that would accrue over the remedy period under each member's final salary and CARE scheme have been estimated and it has been determined that the member would choose the scheme that had the highest present value. Where retirement dates differed early retirement factors were applied to the CARE benefits to



## Notes to the Statement of Accounts

bring them in line with the assumed retirement age of the final salary scheme. Where the member's final salary scheme retirement age is less than 55 it is assumed that the member would remain in the final salary scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

**Local Government Pension Scheme:** The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHGLC), commissioned the Government Actuary's Department (GAD) to report on the possible impact of the McCloud/Sargeant judgments on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a 'worst-case' basis (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a 'worst-case' basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012). An allowance was made for this judgement in the IAS 19 disclosure at 31 March 2020 and, as there are no material differences between the approach underlying the estimated allowance and the proposed remedy, no further adjustments have been included in light of the proposed remedy.

### **Court of Justice of the European Union ruling in O'Brien Case**

On 7 November 2018, the Court of Justice of the European Union (CJEU) ruled in favour of Mr O'Brien in a case concerning discrimination against part-time judges in the calculation of pensions. The ruling concluded that service prior to 7 April 2000 (the deadline for the Part-Time Workers Directive (PTWD) being transposed into UK law) must be taken into account under the PTWD for the purpose of calculating retirement pension.

In response to the judgement the Government has stated that those who have previously claimed under the PTWD would be entitled to a further remedy in respect of service prior to 7 April 2000. No allowance has been made in the IAS19 disclosure at 31 March 2021 as the remedy is yet to be agreed and there is a lack of historic data to make a reasonable estimate as to the cost of its impact.



## Notes to the Statement of Accounts

The Table below shows the transactions that have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year.

All figures are in £'000	LG Pension Scheme		Firefighter Schemes		Firefighter Injury		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
<b>Comprehensive Income and Expenditure Statement</b>								
<i>Service cost comprising:</i>								
Current service cost	4,426	4,359	13,125	16,928	659	875	18,210	22,162
Past service costs	30	992	160	140	-	-	190	1,132
<i>Financing and Investment Income and Expenditure:</i>								
Net interest expense	758	664	17,770	20,306	563	803	19,091	21,773
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,214</b>	<b>6,015</b>	<b>31,055</b>	<b>37,374</b>	<b>1,222</b>	<b>1,678</b>	<b>37,491</b>	<b>45,067</b>
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Return on Plan assets (excluding the amount in net interest expense)	-16,928	6,319	-	-	-	-	-16,928	6,319
<i>Actuarial gains and losses arising on changes in:</i>								
Financial assumptions	30,472	-10,112	191,382	-77,490	4,017	-1,432	225,871	-89,034
Demographic assumptions	-1,023	-2,131	-7,100	-3,251	-19	-2,932	-8,142	-8,314
Experience loss/gain(-) on defined benefit obligations	-1,157	6,470	-9,851	-25,206	1,089	-5,425	-9,919	-24,161
Other actuarial losses/gains(-)	-	-830	-	-	-	-	-	-830
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>16,578</b>	<b>5,731</b>	<b>205,486</b>	<b>-68,573</b>	<b>6,309</b>	<b>-8,111</b>	<b>228,373</b>	<b>-70,953</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-5,214	-6,015	-31,055	-37,374	-1,222	-1,678	-37,491	-45,067
<i>Actual amount charged against the General Fund Balance for pensions in the current year:</i>								
Employer's contributions payable to scheme	1,769	1,601	8,956	8,322	1,441	1,356	12,166	11,279
Retirement benefits payable to pensioners – Authority	-	-	-	-	1,441	1,356	1,441	1,356
Retirement benefits payable to pensioners - Fund	1,480	1,697	23,595	26,357	-	-	25,075	28,054

## Notes to the Statement of Accounts

### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

All figures are in £'000	2020/21	2019/20
<b>Present value of the defined benefit obligation:</b>		
Local Government Pension Scheme	-125,902	-91,567
Fire Pension Schemes	-981,088	-790,626
Fair value of assets in the Local Government Pension Scheme	80,134	60,608
<b>Net liability arising from defined benefit obligation</b>	<b>-1,026,856</b>	<b>-821,585</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy because:

- the deficit of the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Discretionary benefits arrangements have no assets to cover their liabilities.

### Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

All figures are in £'000	2020/21	2019/20
Opening fair value of scheme assets	60,608	63,859
Interest income	1,438	1,541
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount in the net interest expense	16,928	-6,319
Other actuarial gains	-	830
Administration expenses	-50	-37
Contributions from employer	1,769	1,601
Contributions from employees into the scheme	921	830
Benefits paid	-1,480	-1,697
<b>Closing fair value of scheme assets</b>	<b>80,134</b>	<b>60,608</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £18,366k (2019/20: (£4,778k)).

## Notes to the Statement of Accounts

### Reconciliation of Present Value of the Scheme Liabilities (Defined Pension Obligation)

All figures are in £'000	Local Government Pension Scheme		Firefighter Pension Schemes		Firefighter Injury		Total	Total
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
<b>Balance at 1 April</b>	<b>-91,567</b>	<b>-90,688</b>	<b>-765,942</b>	<b>-857,286</b>	<b>-24,684</b>	<b>-34,151</b>	<b>-882,193</b>	<b>-982,125</b>
Current service cost	-4,426	-4,359	-13,125	-16,928	-659	-875	-18,210	-22,162
Interest cost	-2,146	-2,168	-17,770	-20,306	-563	-803	-20,479	-23,277
Contributions from scheme participants	-921	-830	-3,703	-3,586	-	-	-4,624	-4,416
<i>Re-measurement (gains) and losses - actuarial gains/losses arising from:</i>								
changes in financial assumptions	-30,472	10,112	-191,382	77,490	-4,017	1,432	-225,871	89,034
change in demographic assumptions	1,023	2,131	7100	3,251	19	2,932	8,142	8,314
Past service cost	-30	-992	-160	-140	-	-	-190	-1,132
Experience loss/(gain) on defined benefit obligation	1,157	-6,470	9,851	25,206	-1,089	5,425	9,919	24,161
Benefits paid	1,480	1,697	23,595	26,357	1,441	1,356	26,516	29,410
Unfunded pension payments	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>-125,902</b>	<b>-91,567</b>	<b>-951,536</b>	<b>-765,942</b>	<b>-29,552</b>	<b>-24,684</b>	<b>-1,106,990</b>	<b>-882,193</b>

## Notes to the Statement of Accounts

### Local Government Pension Scheme assets comprised:

	31 March 2021		31 March 2020	
	£'000	%	£'000	%
Equity Investments	51,601	64	37,285	61
Gilts	476	1	471	1
Other Bonds	10,008	13	7,900	13
Property	8,293	10	8,247	14
Cash	3,973	5	1,586	3
Absolute Return Fund	5,783	7	5,119	8
<b>Total</b>	<b>80,134</b>	<b>100</b>	<b>60,608</b>	<b>100</b>

The table below details percentages of the total Fund held at 31 March 2021 in each class of asset (split by those that have a quoted market price in an active market and those that do not).

		31 March 2021	
		%	%
		Quoted	Unquoted
Fixed Interest Government Securities	Overseas	0.6	-
Corporate Bonds	UK	3.9	-
	Overseas	8.6	-
Equities	UK	14.3	-
	Overseas	38.6	8.1
Property	All	-	10.3
Others	Absolute return portfolio	7.2	-
	Private equity	-	2.5
	Infrastructure	-	1.0
	Derivatives	-	-
	Cash/temporary investments	-	4.7
Net Current Assets	Debtors	-	0.5
	Creditors	-	-0.3
<b>Total</b>		<b>73.2</b>	<b>26.8</b>

## Notes to the Statement of Accounts

### Significant Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme (LGPS) and Firefighter Pension Schemes liabilities have both been assessed by Barnet Waddingham, an independent firm of Actuaries. The principal assumptions used by the Actuary have been:

	Pension Scheme			
	Local Government		Firefighter	
	2020/21	2019/20	2020/21	2019/20
<i>Mortality assumptions:</i>				
Longevity at 65 for current male pensioners:	21.6	21.8	20.5	20.8
Longevity at 65 for current female pensioners	23.6	23.7	22.7	22.9
Longevity at 65 for future male pensioners	22.9	23.2	21.7	22.2
Longevity at 65 for future female pensioners	25.1	25.2	24.2	24.4
<i>Other assumptions:</i>				
Rate of consumer price index inflation	2.85%	1.95%	2.85%	1.90%
Rate of retail price index inflation	3.20%	2.75%	3.25%	2.70%
Rate of increase in salaries	3.85%	2.95%	3.85%	2.90%
Rate of increase in pensions	2.85%	1.95%	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.35%	2.00%	2.35%
Take-up of option to pay 50% of contributions for 50% of benefits	0.00%	0.00%	N/A	N/A
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each relevant change that the assumption is changed whilst all other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method. The methods and assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

### Impact on the Defined Benefit Obligation in the Schemes

Change in assumption:	Local Government Pension Scheme		Firefighter Pension Schemes		Injury and Ill-Health	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
All figures are in £'000						
<i>Increase or decrease:</i>						
Life expectancy by 1 year	5,156	-4,947	47,451	-45,138	1,873	-1,762
Rate of increase in salaries by 0.1%	387	-383	1,697	-1,688	-	-
Rate of increase in pensions by 0.1%	2,478	-2,420	15,906	-15,594	353	-350
Rate for discounting scheme liabilities by 0.1%	-2,824	2,892	-17,408	17,769	-352	-357

# Notes to the Statement of Accounts

## Impact on the Authority's Cash Flows

Employer contributions for the LGPS scheme are now set to cover 100% of current service costs. The last triennial valuation was carried out as at 31 March 2019, to determine contribution rates for the period from April 2020 to March 2023. The Authority's contribution rates will be increased from the current rate of 13.5% in 2020/21 to 14.5% from 1 April 2021 and to 15.5% from 1 April 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. The LGPS scheme became a career-average revalued earnings (CARE) scheme from April 2014.

On 28 February 2019, the Government Actuary Department (GAD) published the final reports into the 2016 valuation of the firefighter pension schemes. This included the scheme specific employer contribution rates for the period April 2019 to March 2023. Employer contribution rates increased significantly as a result of the valuation and the Government has confirmed that a section 31 grant will continue to be paid to authority's covering approximately 85% of the additional cost in 2021/22.

Unless firefighters had protection under existing scheme membership, all firefighters transferred to the 2015 Firefighter CARE Pension Scheme on 1 April 2015. The Authority expects to make the following contributions to pension schemes in the year to 31 March 2022: LGPS (14.5%) £2,072k, 1992 Firefighter Pension Scheme (37.3%) £994k, 2006 Firefighter Pension Scheme (27.4%) £85k, 2015 Firefighter Pension Scheme (28.8%) £7,370k and Modified 2006 Firefighter Pension Section (37.3%) £54k. The estimated weighted average duration of the defined benefit obligation for scheme members is 18 years for the Firefighter Schemes and 23 years for LGPS (19 and 23 years respectively in 2019/20).

## 26. Contingent Liabilities and Assets

### Policy:

**A contingent liability** - is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. They may also arise in circumstances where a provision would otherwise be made but the possibility of a payment is remote or the amount cannot be measured sufficiently reliably.

**A contingent asset** - arises from a past event which gives the Authority a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. A contingent asset is disclosed where an inflow of economic benefit is possible.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Authority is required to disclose if there are possible obligations which may require payment or a transfer of economic benefit at some time in the future.

**Fire and Rescue Indemnity Company (FRIC)** - The Authority is one of the twelve fire authorities that now form the hybrid discretionary mutual protection company to provide financial indemnity protection. All twelve services have been working together to reduce risk and share best practice. Protection is in place to limit each member's exposure to financial loss. Contributions are paid to the company and any surplus from operations is held by the company in their reserve. The reserve enables peaks and troughs of claims expenditure to be managed and if the current level of performance is maintained, these funds could also be used for a number of other purposes including funding for improved risk management; to increase the level of claims costs borne by FRIC (thereby

## Notes to the Statement of Accounts

reducing external insurance costs); or reducing the contributions of member FRAs. Realistically however, it is likely to be some years before sufficient funds are accumulated to permit any significant reductions.

**McCloud / Sargeant Pension Case** - The Authority is aware of the recent lodging of the “injury to feelings” claim concerning the transitional arrangements that were put in place when the 2015 Firefighters’ Pension Scheme came into effect on 1 April 2015. There is currently no date set aside for the case to be heard by the courts, but if the claim is successful it is possible that the Authority may incur a financial impact. At this stage the value and quantum of any impact is unknown.

### 27. Nature and Extent of Risks Arising from Financial Instruments

The Authority’s activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument at disadvantageous interest rates or terms.

### Overall Procedures for Managing Risk

The Authority’s overall risk management procedures focus on the considerable risk and uncertainty in the global financial markets and banking systems. They are therefore structured to ensure suitable controls are in place to minimise these risks. The Authority manages risk by:

- Adherence to the CIPFA Treasury Management Code of Practice.
- Adopting a Treasury Policy Statement and Treasury Management clauses within its financial regulations.
- Approving annually in advance prudential and treasury indicators which set limits for the Authority’s overall borrowing; the maximum and minimum exposures to fixed and variable interest rates; the maximum and minimum exposures to the maturity structure of its debt; and the maximum exposure to investments maturing beyond one year.
- Approving an Investment Strategy for the forthcoming year setting out the criteria for investment and the selection of counterparties.

The annual Investment and Treasury Management Strategy for 2020/21 was approved by the Authority in February 2020, and is implemented by the Finance team. The key limits approved were:

- The authorised limit for external borrowings and long term liabilities was set at £22m.
- The operational boundary, or expected level of debt and other long term liabilities during the year, was set at £18m.



## Notes to the Statement of Accounts

- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% respectively.
- No investments would be made for a period in excess of twelve months.

### Market Risk

#### Interest Rate Risk

The Authority is exposed to risks arising from movements in interest rates. The Treasury Management and Investment Strategy aims to mitigate these risks by setting an upper limit of 20% on external debt that can be subject to variable interest rates.

As at 31 March 2021 all borrowing was at fixed interest rates and is carried at amortised cost, therefore movements in interest rates do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Long term borrowing decisions are based on interest rates prevailing at the time and there is a risk that the rate on a loan may be higher than the market rate available in the future.

Investments are also subject to interest rate risk. The Authority's current policy of holding short term fixed rate deposits and variable rate deposits increases its exposure to interest rate movements. However, this is balanced against the Authority's actions to mitigate credit risk. In-year movements in rates will impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Interest earned on deposits and investments in 2020/21 was £103k which equates to an average rate of 0.21%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £48k.

#### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority would call upon the deposits in its call accounts as a first priority. There is no significant risk on which it will be unable to raise finance or meet its commitments under financial instruments. Instead, the risk is that the Authority will need to borrow at a time of unfavourable interest rates. The Authority ensures that the debt is managed to ensure that there is an even maturity profile through a combination of careful planning of new loans taken out and making early repayments (should it be considered economic to do so). The maturity analysis of financial liabilities is as follows:

All figures are in £'000	31 March 2021
Less than one year	424
Between one and two years	300
Between two and five years	701
More than five years	-
<b>Total</b>	<b>1,425</b>

# Notes to the Statement of Accounts

## Credit Risk

Credit risk arises from deposits with banks and financial institutions and from income due to the Authority for services provided. The Authority defines default as the failure of a counterparty to fulfil their obligation of money owed to the Authority. The Authority will only write-off debt where it has exhausted its opportunities for recovering monies. This risk is minimised through the annual Investment and Treasury Management Strategy which reflected a level of uncertainty in the year ahead. The Strategy specified the counterparties, the maximum amounts that could be invested with each and the maximum duration of 12 months. Deposits are spread amongst counterparties to further minimise risk as it is unlikely that all counterparties would default at the same time.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority has no evidence to suggest that there will be any losses from non-performance by any of its counterparties.

The Authority's maximum exposure to credit risk in relation to its deposits in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. At the 31 March 2021 the Authority had £2.95m deposited with the Debt Management Office, a secure Government-backed asset. There was also £6.77m deposited in instant access accounts, £10m deposited in Money Markets, £16.35m in notice accounts and £12m in fixed term.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks, building societies and Money Markets is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority's investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values based on historic default. The expected losses calculations as at 31 March 2021 resulted in a total immaterial figure. The CIPFA Code states that "accounting policies need not be applied if the effect of applying them would be immaterial" the effect of the expected losses have therefore not been shown in the accounts.

Apart from the contract to supply services to Eurotunnel, the Authority does not receive a significant amount of income for goods and services provided. The amounts outstanding from debtors at the end of the year can be analysed by age as follows:

All figures are in £'000	31 March 2021
Less than three months	497
Three to six months	37
Six months to one year	-
More than one year	-
<b>Total</b>	<b>534</b>

## Firefighters' Pension Fund Account

### 28. Firefighters' Pension Fund Account

The Authority contracts with Local Pensions Partnership (LPP) for the administration of the Firefighters' Pension Fund. A separate ledger account is maintained for the Firefighters' Pension Fund, there are no investment assets and the fund is balanced to nil each year by the receipt of a top up grant from central Government.

All figures are in £'000	2020/21 Pension Fund	2019/20 Pension Fund
<b>Contributions receivable from:</b>		
Fire Authority:		
Contributions in relation to pensionable pay	-8,327	-8,116
Early retirements (ill health)	-351	-184
Other	-278	-88
Firefighters' contributions	-3,703	-3,585
	<b>-12,659</b>	<b>-11,973</b>
Transfers in from other authorities	<b>-146</b>	<b>-33</b>
<b>Benefits payable:</b>		
Pensions	20,511	19,813
Commutation and lump sum retirement benefits	3,137	6,549
Lump sum death benefits	-	93
	<b>23,648</b>	<b>26,455</b>
Transfers out to other authorities	<b>93</b>	-
<b>Net amount payable for the year</b>	<b>10,936</b>	14,449
Top-up grant payable by the Government	-10,936	-14,449
	-	-

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2021. Details of the Authority's long-term pension obligations are shown in Note 25 to the Statement of Accounts.

### Firefighters' Pension Fund Net Assets Statement

The statement below identifies the Firefighters' Pension Fund assets and liabilities that are included in the Authority's Balance Sheet.

All figures are in £'000	2020/21	2019/20
<b>Current assets:</b>		
Contributions due from Fire Authority	106	125
Top-up receivable from the Government	2,003	3,413
<b>Current liabilities:</b>		
Unpaid pension benefits	-142	-596
Other current liabilities <sup>1</sup>	-1,967	-2,942
<b>Total</b>	<b>-</b>	<b>-</b>

<sup>1</sup> This reflects the extent to which the Pension Fund Account assets and liabilities impact on the Authority's cash position.

# Glossary of Terms

## Budget

A statement defining the Authority's plans over a specified period of time, expressed in financial terms.

## Billing Authority

The KMFRA is a precepting authority with Medway and Kent District and Borough Councils acting as agents on behalf of the Authority to collect Council Tax and Business Rates (Non-Domestic). These authorities are collectively referred to as billing authorities.

## Capital Expenditure

This is expenditure relating to the provision and improvement of property, plant and equipment assets such as land, buildings and vehicles that have a useful life in excess of one year.

## Capital Receipts

The proceeds arising from the sale of fixed assets that can be used to finance capital expenditure or repay borrowing.

## Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the accounting body that provides accounting guidance to the public sector. The guidance is defined as 'proper practices' and has statutory backing.

## Code of Practice on Local Authority Accounting (the Code)

This is the annual guidance issued by CIPFA that specifies the principles and accounting practices required to give a 'true and fair' view of the financial position, financial performance and cash flow of local authority accounts.

## Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to Council Tax and Non-Domestic Rates and illustrates the way in which these have been distributed to Preceptors and the General Fund.

## Component Valuation

The Authority has adopted a component valuation approach to valuing property assets. This means that for valuation purposes a building is broken down into its main constituent elements (roof, bay doors, boiler, etc.) and each element is separately valued and its remaining life estimated.

## Current Value

This valuation method recognises the value of an asset for its service potential in its current use.

## Depreciation

Depreciation is the charge made for fixed assets which represents the extent to which the asset has been consumed over the course of the year.

# Glossary of Terms

## Employee Expenditure

This includes the salaries and wages of employees together with national insurance, employer pension contributions and all other pay-related allowances. Training expenses and recruitment costs are also included.

## ESMCP (Emergency Services Mobile Communications Programme)

The Emergency Services Mobile Communication Programme (ESMCP) set up by the Home Office, will replace the current communication service provided by Airwave. The new service will be called the Emergency Services Network (ESN). Through utilising the latest mobile technology in 4G and LTE, ESN will ensure the functionality, coverage, security and availability needs of the UK's emergency services are fully met.

## Fair Value

This is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

## General Fund Balance

The General Fund Balance is the description given in the Code to those reserves held by an Authority that are not earmarked for specific purposes and is more commonly described as the General Reserve.

## Government Grants

Funding that is received from Government that is paid for from its own tax income. Grants may be general or provided for specific purposes.

## Impairment Charge

Where there is a fall in the value of a fixed asset due to a change in economic circumstances or because an event has occurred which has had serious impact on the value. The extent to which an asset can be used (e.g. a fire) may be impacted and therefore the fall in value is regarded as an impairment and a charge is made to the Comprehensive Income and Expenditure Statement. Like depreciation charges, the impairment charge is only notional and it does not impact on the amount to be met from Council Tax.

## Infrastructure Plan

The Authority's medium term expenditure plan drawing together all revenue and capital expenditure to invest in and maintain the Authority's property, vehicle, IS/IT and operational equipment assets.

## Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and are controlled through custody or legal rights. Expenditure on software or software licences are examples of intangible assets.

## International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS)

These are globally accepted accounting standards which set out the correct accounting treatment for an organisation's financial transactions.

# Glossary of Terms

## **MHCLG**

The Ministry of Housing, Communities and Local Government is the UK Government department for housing, communities and local government in England, formerly the Department for Communities and Local Government (DCLG)

## **Minimum Revenue Provision (MRP)**

The amount that the Authority must charge to the revenue account each year for repayment of debt.

## **Non-Domestic Rates**

Commonly referred to as business rates this income is collected by the billing authorities and a proportion is paid over to the Authority.

## **Net Cost of Services**

Comprises all expenditure minus all income (excluding precept, capital grant, and reserve transfers).

## **Past Service Pension Costs**

This represents the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a pension scheme plan amendment or a curtailment (a significant reduction by the Authority in the number of employees covered by the plan).

## **Precept**

A Precept is the levying of a rate by one authority which is collected by another. The Kent and Medway Towns Fire Authority precepts upon the Kent District and Medway Council collection funds for its share of Council Tax income.

## **Public Works Loans Board**

A Government-controlled agency that provides a source of borrowing for public authorities.

## **Related Party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made.

## **Revenue Expenditure**

Expenditure to meet the continuing cost of services including employee expenses, premises and vehicle running expenses, purchase of materials and capital financing charges.

## **Revenue Expenditure Funded From Capital Under Statute**

This is expenditure that would ordinarily be regarded as revenue expenditure because it does not give rise to a tangible asset or provide any ongoing benefit to the Authority. As the Government has allowed capital resources to be used to finance this expenditure it is charged to the revenue account but any capital grant provided will be treated as revenue grant and credited to the revenue account.

## **SECAmb**

South East Cost Ambulance Service NHS Foundation Trust is part of the National Health Service.

## **Glossary of Terms**

### **Voluntary Revenue Provision**

Any additional amounts charged to revenue for the repayment of debt that is in excess of the minimum revenue provision required by statute.



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