



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Wednesday, 27 September 2023

2pm

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Wednesday, 27 September at 2pm
Held at The Godlands, Straw Mill
Hill Tovil, Maidstone, ME15 6XB

Ask for: Marie Curry
Telephone: (01622) 692121

Membership of Audit and Governance Committee 2023/24:- Mr A Booth, Mr A Brady, Mr P Cole, Mr N Collor, Mr D Crow-Brown, Mr M Hood, Mr B Kemp, Mr V Maple, Mr J McInroy, Mr C Simkins and Mrs J Waterman – Independent Member

UNRESTRICTED ITEMS

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

A Routine Business

- A1. Election of Chair for 2023/24
- A2. Election of Vice-Chair for 2023/24
- A3. Chair's Announcements *(if any)*
- A4. Declarations of Interests in Items on this Agenda
- A5. Membership Changes and Apologies for Absence

To note the Membership for the Audit and Governance Committee as above for 2023/24.

- A6. Minutes of the meeting held on 20 April 2023 *(for approval)*

B For Decision

- B1. Provisional Final Outturn for 2022/23 Summary
- B2. Internal Audit Annual Report for 2022/23
- B3. Annual Governance Statement 2022/23
- B4. Treasury Management Annual Report for 2022/23
- B5. Annual Statement of Accounts for 2022/23 and Presentation
- B6. Chair of Audit and Governance Committee's Report to the Authority

C For Information

- C1. Mid-Year Treasury Management and Investment Update for 2023/24

D Urgent Business *(Other Items which the Chairman decides are Urgent)*

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

Marie Curry
Clerk to the Authority
15 September 2023

Please note that any background papers referred to in the accompanying reports may be inspected by arrangement with the Lead/Contact Officer named on each report.

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Thursday, 20 April 2023 at Kent Fire and Rescue Service Headquarters.

PRESENT: - Mr P Cole, Mr N Collor, Mr P Harman, Mr V Maple (Chair), , Mr C Simkins, Mr M Sole and Mr S Tranter (Vice Chair).

APOLOGIES: - Mr A Booth, Ms S Hudson and Ms L Parfitt-Reid

OFFICERS:- The Chief Executive, Miss A Millington OBE, QFSM; the Director Finance and Corporate Services, Mrs A Hartley, Director Prevention, Protection, Customer Engagement and Safety, Mr J Quinn; Director Response and Resilience, Mr M Rist; Head of Finance, Treasury and Pensions, Mr B Fullbrook and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE: - Mr P Cuttle, Grant Thornton and Ms F Smith, KCC Internal Audit

UNRESTRICTED ITEMS

23. Chair's Announcements

(Item A1)

- (1) Members of the Committee stood for a minute's silence to pay respects to Cllr Dan Daley, a former Kent and Medway Fire and Rescue Authority Member and Member of this Committee, following his death on 24th March 2023.
- (2) The Chair thanked Head of IT for the presentation on Cyber Security.
- (3) The Committee sent their best wishes for a speedy recovery to Nicola Walker, Head of Finance, Treasury and Pensions following a recent operation.
- (4) The Chair welcomed Paul Cuttle, Grant Thornton, to the meeting.
- (5) The Chair welcomed Frankie Smith, KCC Internal Audit, to the meeting.

24. Minutes – 28 November 2022

(Item A4)

- (1) RESOLVED that the Minutes of the Audit and Governance Committee meeting held on 28 November 2022, be approved and signed by the Chair as a correct record.

25. Corporate Risk Register

(Item B1 – Report by Director Finance and Corporate Services)

- (1) The Committee received the latest update on the Corporate Risk Register for consideration.
- (2) RESOLVED that:-
 - (a) the amendments to the Corporate Risk Register as shown in Appendix 1 to the report, be approved.
 - (b) the remaining contents of the report be noted.

26. External Auditors Draft Audit Plan for 2022/23

(Item B2 – Report by Director Finance and Corporate Services)

- (1) Mr Paul Cuttle from Grant Thornton, introduced for Members' consideration, the External Auditors Draft Audit Plan for 2022/23 and a summary of the key areas which the Auditors are required to review to ensure compliance with auditing standards.
- (2) In addition, Mr Cuttle also provided the Committee with the latest known position with regards to the delay for the signing off of the Authority's accounts for the 2021/22 financial year.
- (3) In response to the update provided by Mr Cuttle, Mr Maple expressed the Committee's frustrations on the delay to the closure of the accounts and was clear that this is not a direct fault of this Authority. He added that there appears to be a wider issue connected to LGPS Pension data which is affecting a large number of other local authorities. Mr Maple added that he hopes there is a swift resolution to the issues very soon.
- (4) In response to a question posed by Mr Cole asking what the potential effect of these delays could have on our relationship with external partners, the Director Finance and Corporate Services responded by providing assurances that business can continue with external partners, the negative impact is more on finance colleagues time having to go back and forth to the Auditors with the additional information.
- (5) RESOLVED that: -
 - (a) The External Auditors Draft Audit Plan for 2022/23, as detailed in Appendix 1 to the report, be approved.

27. External Auditors Audit Risk Assessment for 2022/23

(Item B3 – Report by Director Finance and Corporate Services)

- (1) Under International Standards on Auditing, Auditors have specific responsibilities to communicate with those in charge with governance, which for this Authority is the Audit and Governance Committee. The Auditors are required to gain an understanding of the management processes and the Authority's oversight of key areas to support the development of the Financial Statements.
- (2) Mr Paul Cuttle from Grant Thornton, introduced the Audit Risk Assessment document which sets out the management response to the questions raised by the Auditors as well as that of this Committee.
- (3) RESOLVED that: -
 - (a) the Audit Risk Assessment, as set out in Appendix 1 to this report, be approved.
 - (b) the draft response to the questions raised by the Auditors to the Audit and Governance Committee, be approved.

28. Internal Audit Plan for 2022/23 and Audit Charter

(Item B4 – Report by Director Finance and Corporate Services)

- (1) Ms F Smith, Head of KCC Internal Audit, introduced for Members' consideration, the proposed Internal Audit Plan for 2023/24, along with the Audit Charter and Key Performance Indicators.
- (2) Mr Maple, on behalf of the Committee, placed on record its thanks to Ms Smith and her team for the thorough and valuable work they do for this Authority. Comments which were also echoed by the Chief Executive.
- (3) RESOLVED that: -
 - (a) the Internal Audit Plan for 2023/24, as set out in Annex 1 of Appendix 1 to the report, be approved.
 - (b) the Internal Audit Charter, as set out in Annex 2 of Appendix 1 to the report, be approved.
 - (c) the proposed Key Performance Indicators for the Internal Audit, as set out in Annex 3 to Appendix 1 to the report, be approved.

29. Treasury Management Update

(Item B5 – Report by Director Finance and Corporate Services)

- (1) The Committee received its annual review of treasury management activities and the indicative outturn position to date. A final treasury outturn report will be provided as a suite of documents to support the approval of the 2022/23 Financial Statements at the September meeting of this Committee.
- (2) RESOLVED that: -
 - (a) the year-end report on treasury management activity for 2022/23, be approved.

30. Appointment of Independent Member

(Item B6 – Report by Clerk to the Authority)

- (1) The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 and the Chartered Institute of Public Finance and Accountancy's recommended good practice sets out the requirement on audit committees of a combined authority to have at least one independent member as part of its membership.
- (2) Following discussion and approval from the Authority at its meeting in February, the Committee received a report which contained the job advertisement, job description and person specification for the role of Independent Member for its consideration.
- (3) RESOLVED that: -
 - (a) the advertisement for the role of an Independent Member, be approved.
 - (b) the job description and person specification for the role of Independent Member, be approved.
 - (c) the shortlisting and interviewing for the role of Independent Member by a panel comprising of the Chair of the Authority, Chair and Vice Chair of the Audit and Governance Committee and an Opposition Member, be approved.
 - (d) recommendations on any appointment for the role of Independent Member be ratified by the Authority at its next meeting on 29 June 2023, be approved.

31. Internal Audit Progress Report for 2022/23

(Item C1 – Report by Director Finance and Corporate Services)

- (1) Ms F Smith from KCC Internal Audit, introduced for Members' consideration, the Internal Audit Progress report. This report provided an update of the work that has been

20 April 2023

concluded by KCC Internal Audit, on behalf of the Authority, against the 2022/23 Audit Plan, a summary of which was attached at Appendix 1 to the report.

(2) RESOLVED that:

(a) The contents of the report be noted.

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 27 September 2023
Subject: PROVISIONAL FINAL OUTTURN 2022/23 SUMMARY
Classification: Unrestricted

FOR DECISION

SUMMARY

A detailed report on the provisional final outturn for 2022/23 was presented to Members at the Authority meeting on 29 June 2023. Whilst nothing has changed in relation to the provisional final outturn, since the 29 June meeting, this report is presented today as part of the suite of papers that Members review in order to gain sufficient assurance to formally approve the Statement of Accounts for 2022/23. The external auditors draft Audit Plan for 2022/23 was approved by the Audit and Governance Committee on 20 April 2023 but, due to various national public sector audit issues, the audit of the 2022/23 financial statements did not commence in July as originally planned. Discussions are currently ongoing with the External Auditors around the likely timeframe for when the audit will now start.

This report consequently provides Members with a summary of the key points from the report presented to the June meeting of the Authority and sets out the recommendations that were agreed by Members at that meeting.

Key points to note are:

- The provisional revenue budget overspend is £818k against an approved budget of £77.429m.
- The final capital outturn is £4.235m against the revised capital budget of £5.359m.

RECOMMENDATION

Members are requested to:

1. Agree the contents of the report.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Barrie Fullbrook
TELEPHONE NUMBER: 01622 692121 ext 8264
EMAIL: barrie.fullbrook@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Provisional Revenue Budget Outturn for 2022/23

1. A detailed report on the final provisional outturn for 2022/23 was presented to Members at the June Authority meeting. That report contained several appendices providing Members with detailed explanations for budget variances; details of the balances held in each reserve at the end of the financial year and details of the final outturn on the Firefighters' Pension Fund Account for 2022/23. Therefore, this report provides Members with only a summary of the key points presented to Members in June.
2. It is the remit of this committee to review and agree the final accounts on behalf of the Authority at the end of each financial year, and as such there are a number of reports which form the suite of papers which lead up to the Statements of Accounts for the relevant year. However, it is the responsibility of the full Authority to review regular detailed monitoring reports on revenue and capital expenditure incurred during the year. As such, this report summaries the key information extracted from the detailed report, to aid Members assurance of the contents of the draft Statement of Accounts for 2022/23, which are presented at Item B5 later on this agenda.
3. **Revenue Budget Outturn** - As reported to the Authority in June, the provisional final revenue budget overspend is £818k. Detailed explanations for the most significant variances were provided to Members in June, but in summary the largest overspend (c. £1.3m) was as a result of the grey book pay award settling at 7% (budgeted 3%) which was partly offset by additional investment income due to an increase in interest rates paid on deposits.
4. **Capital Outturn** - The final capital outturn is £4.235m against the revised capital budget of £5.359m. Costs in relation to a number of projects, mainly the redevelopment of Ashford Fire Station and Live Fire Training Facility, have slipped due to delays in the delivery of the project.
5. **Funding the Final Overspend** - At the June Authority meeting, Members agreed the following recommendations:
 - The final revenue budget overspend (provisionally £818k) will be funded by a draw down from the Insurance and Resource Reserve, reducing the balance held in the reserve to £3.071m as at 31 March 2023.
6. **Closing Reserve Balances** - As at 31 March 2023, £3.970m was held in the General Reserve; £31.833m was held in Earmarked Reserves (including the transfer of £818k from the Insurance and Resource Reserve to fund the provisional overspend) and £9.856m was held in the Capital Receipts Reserve. Therefore, total Usable Reserves held at the end of the financial year totalled £45.659m.

7. **Firefighters' Pension Fund Account** - The cost of eligible expenditure chargeable to the Firefighters' Pension Fund including ongoing firefighter pensions, pension commencement lump sums and transfers values out totalled £28.143m in 2022/23. Employee contributions, Authority contributions and transfer values in totalled £14.137m, meaning a government top-up grant of £14.006m was required to balance the Pension Fund to nil for 2022/23. An amount of £10.142m was paid to the Authority in July 2022, based on 80% of the forecast amount due when the estimates were submitted to the Home Office in September 2021. This means the balance of £3.864m was paid to the Authority in July 2023, along with 80% of the estimated deficit for 2023//24.
8. **External Audit 21/22 accounts** - Members may be aware that there has been a delay in the External Auditors review and conclusion of the 2021/22 final accounts for this Authority. This has primarily arisen due to a national issue in relation to actuarial pension figures that have been used in the final accounts. As yet, this issue is not resolved, but the Auditors have advised us that they will need to do further detailed work in relation to these pension figures. Until such time as this additional work is completed the final accounts cannot be formally signed off by the External Auditors.
9. **External Audit 22/23 accounts** - The final suite of papers for the year end accounts would usually include the External Auditors Findings Report, which sets out their findings having concluded their review of the accounts. However, national issues (as mentioned above) and the protracted length of time audits are taking to review across the public sector, has meant that the audit of the 2022/23 financial statements has not yet started. It was originally agreed that the audit would start in June/July, this was then delayed to October, but now that date is unlikely. As yet we have not been advised of a revised date. However, once the External Auditors have concluded their work, their Findings Report will be presented at the next appropriate meeting of this committee.

IMPACT ASSESSMENT

10. There are no funding implications arising from this report, which cannot be managed within existing resources.

RECOMMENDATION

11. Members are requested to:
 - 11.1 Agree the contents of the report.

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 27 September 2023
Subject: INTERNAL AUDIT ANNUAL REPORT 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and as such this is provided by Kent County Council under a Service Level Agreement.

As part of the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion to Members on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. Their annual opinion is largely informed by work undertaken as part of the Internal Audit Plan for the 2022/23 financial year. The opinion also considers the results of audits for the previous two financial years, and the subsequent follow-up work undertaken.

Attached to this report is the Internal Audit Annual Report for 2022/23 for Members to review. The Head of Internal will be presenting this report at the Audit and Governance Committee meeting.

RECOMMENDATION

Members are requested to:

1. Consider and agree the Internal Audit Annual Report 2022/23 (paragraphs 4 -10 and **Appendix 1** refer);

COMMENTS

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services - Alison Hartley

TELEPHONE NUMBER: 01622 692121 ext 8262

EMAIL: alison.hartley@kent.fire-uk.org

BACKGROUND PAPERS: None

Background

1. Section 5 of the Accounts and Audit Regulations 2015 requires the Authority to undertake an adequate and effective internal audit of its risk management, control and governance processes. The Authority discharges its Internal Audit function under a Service Level Agreement to Kent County Council (KCC). Annually the Head of Audit provides an opinion on the adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control. The annual opinion presented in this report is largely informed by work undertaken as part of the Internal Audit Plan for 2022/23 but also considers the subsequent follow-up work undertaken for audits of the previous two financial years.
2. The Head of Audit's opinion is one of the key independent means of assurance available to Members in discharging their role of overseeing the internal control processes implemented by officers and ensuring that a sound system of governance of the Authority's business is in place.
3. The assurance given on individual audits is at the time of issue of that report, but before full implementation of any agreed management action plan. The Authority maintains its own internal follow-up process for audits with assurance levels of "Adequate" and above which are then reviewed by Internal Audit and verified, if necessary, prior to being closed. Internal Audit however undertake full follow-up reviews for all 'limited' and 'no' assurance audits.

The Internal Audit Annual Report 2022/23

4. The Annual Report for 2022/23 is attached at **Appendix 1** for Members to review and agree and the Head of Internal Audit will attend the Audit and Governance Committee to present this report.
5. In line with the Plan, there have been eight compliance audits and one consultancy review completed during the year, resulting in five high, two substantial and one limited opinion. Those reviews have also resulted in six audits obtaining very good prospects for improvement and two obtaining good prospects for improvement, based on their resulting action plans.
6. On review of the consultancy audit (KFRS' Response to Grenfell Tower Inquiry (GTI)) Internal Audit recognised the significant work undertaken by Officers to ensure the GTI Phase 1 report recommendations were implemented. They also recognised that the Authority had gone beyond the Inquiry's formal recommendations to utilise the Inquiry as an opportunity to identify other operational learning actions. The audit identified where good practice was in place and one area for further improvement.
7. All internal audit actions agreed since February 2023 are now logged and managed via the Authority's internal Action Tracker system. This ensures all actions are regularly

monitored and progressed in an efficient, less labour intensive way which has enabled a speedier sign off by Internal Audit in many cases. There are currently three audits with follow up actions, one of which is due to be completed by the end of October 2023.

8. We are pleased to inform Members that the overall opinion for 2022/23 remains at 'Substantial' and KFRS have achieved 100% on the 3 key performance indicators for all audits completed.

Counter Fraud

9. During 2022/23, the KCC Counter Fraud Team delivered Fraud and Bribery Awareness training to the Building Safety Team as well as Fraud Risk Awareness to the Audit and Governance Committee. Development of bespoke fraud awareness videos is ongoing, and it is hoped that they will be available for circulation in November in readiness for International Fraud Awareness week.

Conformance with Public Sector Internal Audit Standards

10. The Public Sector Internal Audit standards are mandatory for the internal audit practice. They require Internal Audit to maintain a Quality Assurance and Improvement Programme (QAIP) which includes internal and external assessments of their compliance. An External Quality Assessment (EQA) of Internal Audit Services was completed in early 2021 by an independent assessor. All 21 actions identified have subsequently been implemented. An internal self-assessment for 2022/23 has also been completed and this confirms that all internal audit work has been conducted in accordance with the standards.

IMPACT ASSESSMENT

11. Sufficient resources were available to enable the programme of work to be delivered in 2022/23. The annual audit opinion provides Members with assurance that the Authority has robust internal control processes in place.

RECOMMENDATION

12. Members are requested to:
 - 12.1 Consider and agree the Internal Audit Annual Report 2022/23 (paragraphs 4 to 10 and **Appendix 1** refer).

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Internal Audit Annual Report

2022/23

Date: 27 September 2023

Frankie Smith
Chief Audit Executive

Email: Frankie.Smith@Kent.Gov.UK
Telephone: 03000 419434

ANNUAL INTERNAL AUDIT REPORT 2022/23

1. Purpose and Background

- 1.1 The Annual Report provides a summary of the work completed by the Internal Audit service during 2022/23.
- 1.2 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance, to support the Authority's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:
- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework.
 - A summary of the audit work from which the opinion is derived.
 - Any issues which the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.
 - A comparison of the work undertaken, with the work that was planned.
 - A summary of the performance of the Internal Audit function against its key performance indicators.
 - A statement of conformance with the PSIAS.
 - The outcomes from the Internal Audit Quality Assurance and Improvement Programme (QAIP).
 - Disclosure of any qualifications to the opinion, with justifications.
 - Disclosure of any impairments or restrictions in scope.
- 1.3 The purpose of this report is to satisfy these requirements.

2. Annual Opinion

- 2.1 Internal Audit concludes that '**Substantial**' assurance can be assigned in relation to the Authority's corporate governance, risk management and internal control arrangements. There are no significant matters which need to be included within the Annual Governance Statement.
- 2.2 This opinion is derived from the findings, conclusions and assurances from the work undertaken by Internal Audit during 2022/23 and the progress to implement agreed actions from previous audit reviews. Furthermore, our opinion acknowledges that there have been no instances of material internal or external fraud detected or reported during 2022/23.
- 2.3 There have been no limitations to the scope of Internal Audit work during 2022/23. Internal Audit provides this assurance based on the scope of the work performed and at the time of the audit.
- 2.4 The ability of Internal Audit to remain independent is fundamental to the robustness of the opinion provided. There has been no impairment to our audit work and reporting during 2022/23.

2.5 Members are reminded that they can contact Internal Audit directly for further information on any audit or to discuss any other matter. Contact details are given at the front of this report.

3. Summary of Internal Audit Work 2022/23

3.1 The original 2022/23 Internal Audit Plan was agreed by Authority in April 2022.

3.2 The 2022/23 Audit Plan included 8 audit and 1 consultancy reviews. All work has been completed. **Table 1** summarises the outcomes from the 2022/23 Audit Plan. Audit summaries are provided at **Annex A** for those reviews highlighted below.

TABLE 1
Overview of 2022/23 Audit Plan

Audit	Audit Opinion	Prospects for Improvement	Date Reported to Audit & Governance
KFRS Response to Grenfell Tower Inquiry	N/A	N/A	November 2022
Purchasing Cards	SUBSTANTIAL	VERY GOOD	April 2023
Clinical Governance	LIMITED	GOOD	September 2023
Business Continuity Planning	HIGH	VERY GOOD	April 2023
Prevention – Safe & Well Visits	HIGH	VERY GOOD	September 2023
Use of Mobile Data Terminals, Companion Devices and Risk Data	HIGH	VERY GOOD	April 2023
Safeguarding	HIGH	VERY GOOD	April 2023
People Plan	HIGH	VERY GOOD	September 2023
(On Call) Duty System Management	SUBSTANTIAL	GOOD	April 2023

3.3 **Annex B** provides the definitions for the Audit Opinions and Prospects for Improvement.

3.4 **Table 2** provides a comparison of the Assurance Opinions and Prospects for Improvement allocated to audit reviews since 2020/21. This illustrates consistency in the opinions and prospects for improvement allocated over the last 3 years, and further supports the 2022/23 Substantial opinion:

TABLE 2			
Comparison of Assurance Opinions and Prospects for Improvement since 2020/21			
	Audit	Assurance	Prospects for Improvement
2021/22	Operational Response Training	ADEQUATE	VERY GOOD
	Treasury Management	ADEQUATE	GOOD
	Workforce Planning	HIGH	VERY GOOD
	Collaborations	SUBSTANTIAL	VERY GOOD
	Equality, Diversity & Inclusion	SUBSTANTIAL	VERY GOOD
	IT Helpdesk	SUBSTANTIAL	VERY GOOD
	Vehicle & Equipment Replacement Programme	SUBSTANTIAL	VERY GOOD
	Fire Standards	N/A	N/A
	Cyber Security	N/A	N/A
2020/21	Incident Command	SUBSTANTIAL	VERY GOOD
	Building Safety	HIGH	VERY GOOD
	Contract Management	SUBSTANTIAL	VERY GOOD
	Payroll	SUBSTANTIAL	GOOD
	Customer	SUBSTANTIAL	VERY GOOD
	Sickness	ADEQUATE	GOOD
	Risk Management	SUBSTANTIAL	VERY GOOD
	BACS Payments	N/A	N/A

4. Implementation of Agreed Actions

4.1 **Table 3** highlights the outcomes of all the agreed actions followed up during 2022/23:

TABLE 3			
Summary of Agreed Actions			
Audit	Date	Assurance Opinion	Status
Contract Management	September 2021	SUBSTANTIAL	In Progress
Equality, Diversity & Inclusion	December 2021	SUBSTANTIAL	In Progress
IT Helpdesk	January 2022	SUBSTANTIAL	Closed
Purchasing Cards	December 2022	SUBSTANTIAL	Closed
Clinical Governance	April 2023	LIMITED	In Progress
On Call Duty System Management	March 2023	SUBSTANTIAL	Closed

4.2 Good progress is being made to implement agreed actions arising from audits. The overall response to implement all agreed actions due during 2022/23, by the original, or revised implementation date is 100%.

5. Summary of Counter Fraud Work 2022/23

- 5.1 There were no fraud or irregularities identified, reported or investigated by Internal Audit during 2022/23.
- 5.2 During 2022/23, the one-day budget for Counter Fraud services has resulted in the Counter Fraud Team delivering fraud and bribery awareness to the Building Safety Team as well as fraud risk awareness to the Audit Committee. Work continues on fraud awareness video; delays have occurred due to the purchasing of specific video creating software.

6. Conformance with Public Sector Internal Audit Standards (Standards)

- 6.1 The Public Sector Internal Audit Standards (Standards) are mandatory for all public sector internal audit functions. The Standards require Internal Audit functions to maintain a Quality Assurance and Improvement Programme (QAIP), which should include both internal and external assessments of compliance against the Standards.
- 6.2 The last external quality assessment (EQA) was completed in February 2021. The EQA concluded that the service 'Generally Conforms' with the Public Sector Internal Audit Standards, which is the highest possible assessment available and was inline with our own internal self-assessment. The outcomes from this EQA were reported to Audit and Governance Committee on 22 September 2022. All actions from the EQA have now been fully implemented.
- 6.3 The internal self-assessment for 2022/23 has been completed and has confirmed the Internal Audit function continues to be generally conformant with the Standards. It also confirmed that all internal audit work completed during 2022/23 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard:1300 – Quality Assurance and Improvement Programme.
- 6.4 The Institute of Internal Auditors (IIA) [International Professional Practice Framework](#) including the International Standards have been recently updated and are currently available for public comment. Therefore, compliance with the standards will need to be re-assessed against these once they have been finalised. There are a number of significant changes to the standards and Internal Audit will need to review these throughout the 2023/24 period to ensure any required changes to Audit practices are addressed to remain compliant with the standards.

7. Internal Audit Performance

- 7.1 In April 2022, Members agreed the following performance indicators would be tracked and monitored throughout the year on all audit engagements completed. **Table 4** provides the year-end performance outturn against each indicator:

TABLE 4			
Internal Audit Performance Indicators			
	Indicator	Target	Actual
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%	100%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%	44%
4.	Final Report to be issued within 5 working days of receiving management response	90%	89%
5.	Client Satisfaction Questionnaires to be issued for all audits / investigations completed with the final report	100%	100%
7.	% Positive client feedback (Annex C)	90%	100%
8.	% Completion of Annual Internal Audit Plan @ 31 March 2023	90%	67%
KMFRA			
	Indicator	Target	Actual
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%
3.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%

- 7.2 5 of 9 draft reports were not issued by the date specified in the original Engagement Plan. This was due to Auditor availability and / or delays during fieldwork. However, all clients made aware of revised timelines and delays for each review were minimal.
- 7.3 One final report was not issued within 5 working days of receiving the management response. This was to allow for a further exit meeting with the client to discuss the management response received.
- 7.4 Although the completion of the Audit Plan indicator records 67%, all audits were issued at draft report stage by 31 March 2023 (with the 3 drafts all issued in April 2023). This effectively reflects positive completion of the Audit Plan.

ANNEX A – AUDIT SUMMARIES

FS03-2023 CLINICAL GOVERNANCE

ENGAGEMENT OBJECTIVE

The aim of the audit was to provide assurance over the controls and procedures in place at KFRS to be compliant with the incoming Service Level Agreement (SLA) with South East Ambulance Service (SECamb). The scope of the audit was the specific requirements of KFRS when responding to SECamb emergency calls and the management of breaches or incidents.

It was intended that the incoming SLA would be in place by September 2022, but due to delays in the SLA being agreed, KFRS were still following the outgoing Memorandum of Understanding (MoU). It was agreed that the audit would still focus on compliance against the incoming draft SLA received in January 2023.

OPINION & NUMBER OF ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
Limited	Good	7	2	0

KEY STRENGTHS

- The incoming SLA has separate appendices for each arrangement that a Fire & Rescue Service) may have with SECamb.
- There is good evidence of learning from incidents such as the 'Complex Lifting and Moving Review' which led to a reduction in back injuries suffered by KFRS staff.
- Interviews with a sample of co-responding officers confirmed that KFRS is a supportive workplace. They reported that they would feel able to escalate any concerns of untoward incidents arising from Immediate Emergency Care (IEC) or co-responding to a colleague.

AREAS FOR DEVELOPMENT

- The current MoU expired in 2021. **Issue 1 (HIGH)**
- There is inconsistent compliance with the SLA for officers providing Immediate Emergency Care (IEC) and co-responding, as required by SECamb Clinical Governance. **Issues 2-5 (HIGH)**
- There is lack of central oversight as to which officers are eligible to co-respond. **Issue 6 (HIGH)**
- There is a lack of reporting and escalation procedure for co-responders to follow in the event of an untoward incident, and current practice did not align to the SLA. **Issue 7 (HIGH)**
- Opportunities for learning from incidents are not always identified. **Issue 8 (MEDIUM)**
- It is not clear what liability there would be against KFRS if there was a breach of the SLA. **Issue 9 (MEDIUM)**

FS05-2023 PREVENTION – SAFE AND WELL VISITS

ENGAGEMENT OBJECTIVE

As part of the 2022-2023 Audit Plan, it was agreed that Internal Audit would undertake a review of Prevention - Safe and Well Visits.

The following areas were reviewed:

- Receipt, assessment, completion and recording of Safe and Well visit referrals
- Quality assurance on safe and well visits
- Monitoring and reporting of the Safe and Well visits
- Training

The audit testing on this review focused on the work completed directly by the Safe and Well Team. This review did not include work completed by the Home Fire Visit Task Force.

OPINION & NUMBER OF ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
High	Very Good	N/A	N/A	N/A

The findings from this review have demonstrated that KFRS have effective structures and frameworks in place to over the Safe and Well Service.

Officers have a good understanding and knowledge of the Safe and Well policy and procedures and visits tested had been completed in-line with the policy and procedures.

Safe and Well referrals are being consistently risk assessed and there is an effective quality assurance process in place.

KEY STRENGTHS

- Training is provided to relevant officers, with clear and up-to-date policy and procedures being accessible to all staff.
- The Safe and Well referral risk assessment guidance is being reviewed and updated to include example scenarios to assist risk assessments.
- Sufficient supporting documentation is held on referrals received / processed.
- Safe and Well visits are being appropriately completed.
- Visits are completed and recorded in accordance with agreed timelines and actions from safe and well referrals are being followed up.
- There is a quality assurance process in place, with all issues identified being incorporated into future officer training.
- A peer review has recently been completed on the Safe & Well service, against the Local Government Association guidance.
- There are Local Performance Indicators in place which are regularly monitored in-line with yearly target.
- There are management reports which are issued to Corporate Management Board and Fire Authority at regular intervals.

AREAS FOR DEVELOPMENT

- None

FS08-2023 PEOPLE PLAN

ENGAGEMENT OBJECTIVE

The aim of this audit was to provide assurance on the adequacy and effectiveness of the controls in place to monitor and track progress against the intended outcomes of the People Plan and Maturity Models. This review assessed the People Plan and Maturity models in relation to Leadership Development and Employee Wellbeing.

KEY STRENGTHS

- The Fire Authority and Corporate Management Board (CMB) approved the People Plan in July 2021.
- An in-depth People Plan Action Plan is in place and regularly updated, which allows for individual progress tracking. The plan is also used to identify emerging risks associated with implementing actions.
- There is an up-to-date copy of the People Plan kept on the KFRS Intranet. The Head of People also sends a regular email to management to keep them up to date on the progress of Leadership to Development which maintains awareness of the plan throughout the service.
- During the period tested, quarterly People Strategy Board meetings were held to discuss emerging risks, progress on the plan, and changes in desired outcomes.
- A risk log is maintained and was updated during the People Strategy Board meetings as. The risk log tracks risks related to both Leadership Development and Employee Wellbeing.
- During the period tested, quarterly People Strategy Board meetings were held to discuss emerging risks, progress on the plan, and any changes in desired outcomes. The risk log was updated during these meetings as necessary and shared with the internal audit. The risk log tracks risks related to both Leadership Development and Employee Wellbeing. KFRS have indicated they have moved towards attending focused individual boards instead of the People Strategy Board. These include the Protection & Prevention, Response & Resilience, and the Everyone Together Programme Boards.
- The objectives for Employee Wellbeing and Leadership Development are on track to be achieved by 2025.

OPINION & NUMBER OF ISSUES RAISED

AREAS FOR DEVELOPMENT

Assurance Opinion	Prospect for Improvement	High	Medium	Low
High	Very Good	0	0	0

- None

This audit has been allocated a High audit opinion on the basis that no areas for development were identified and audit testing identified areas of best practice.

ANNEX B - DEFINITIONS

AUDIT OPINIONS	
High	Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively. Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives. There are examples of best practice. No significant weaknesses have been identified.
Substantial	Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.
Adequate	Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk. There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.
Limited	Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.
No Assurance	Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation. Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved.

ANNEX B - DEFINITIONS

RISK ASSESSMENTS	
High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.

PROSPECTS FOR IMPROVEMENT	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

ANNEX C – CUSTOMER SATISFACTION QUESTIONNAIRE OUTCOMES

Audit	Client Overall Experience	Client Comments
FS01-2023 KFRS Response to Grenfell Tower Inquiry Recommendations	Very Good	Auditor was professional and thorough, as always.
FS02-2023 Purchasing Cards	Very Good	We found the use of the analytical testing and reporting very useful. The Auditor engaged with us around the questionnaire, audit findings and reporting throughout the Audit.
FS03-2023 Clinical Governance	Very Good	Very approachable, prompt replies and always communicated very well. A very good understanding of clinical governance which allows KFRS to improve key areas of risk.
FS04-2023 Business Continuity Planning	Very Good	Throughout the process the Auditor gave concise and relevant information on what the audit would involve and arranged follow up meetings to get additional information to support the information provided in the required documentation. This is the second business continuity audit I have been involved with from KCC and each time the service provided by the lead auditor and wider KCC audit team has been excellent.
FS05-2023 Prevention – Safe and Well Visits	Good	The audit was well organised and covered the areas agreed. The individual carrying out the audit was new to the audit process. When we gave feedback to the team prior to the report being issued, due consideration was given and we were provided plenty of opportunity to offer feedback on the process and report.
FS06-2023 Use of MDT's, Companion Devices and Risk Data	Very Good	
FS07-2023 Safeguarding	Very Good	The Auditor was very thorough and provided a good level of challenge.
FS08-2023 People Plan	Very Good	Audit ran smoothly. The Auditor asked relevant and appropriate questions.
FS09-2023 On Call Duty Management System	Very Good	This audit was done in a very collaborative manner and my colleagues in KFRS were given the opportunity to explain issues clearly and where we need to find compromise this was agreed in a professional and courteous manner. While online meetings for many aspects works well, I would like to initially meet the auditor if possible, face to face.

By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 27 September 2023
Subject: ANNUAL GOVERNANCE STATEMENT 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval to the Annual Governance Statement for 2022/23. This Statement is a requirement set out in the Accounts and Audit Regulations 2015, which requires us to undertake an annual review of the effectiveness of the system of internal control. It is reviewed by the External Auditors and published alongside the Statement of Accounts each year.

RECOMMENDATION

Members are requested to:

1. Approve the Annual Governance Statement for 2022/23 (paragraphs 5 to 11 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services- Alison Hartley
TELEPHONE NUMBER: 01622 692121 ext. 8262
EMAIL: alison.hartley@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. In the 'Delivering Good Governance in Local Government Framework, 2016', CIPFA (Chartered Institute of Public Finance and Accountancy) define governance as: "*the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*". The requirement to ensure good governance is enshrined in regulation. Section 3 of the Accounts and Audit (England) Regulations 2015 requires the Authority to ensure it has a sound system of control to facilitate the effective management of its functions, to manage its finances and manage risks; whilst Section 6 stipulates the need to conduct an annual review of the effectiveness of the system of internal control.
2. The Annual Governance Statement provides an analysis of the Authority's governance arrangements and systems of internal control along with an assessment of their effectiveness. The draft Annual Governance Statement was published on the Authority's website at the end of May 2023 alongside the draft (pre-audited) set of accounts. Following its formal approval by Members, the final Annual Governance Statement will be published with the final approved annual accounts for the 2022/23 financial year.
3. The main aim of the Annual Governance Statement is to provide clear and transparent evidence that the Authority is effectively managed and delivers its services in accordance with current legislation and its own stated aims, objectives and values.
4. The Annual Governance Statement and its underpinning review consider the previous twelve months. This means that the processes, systems and initiatives that were reviewed for this annual governance statement have operated throughout the whole of the financial year ending 31 March 2023 and will have remained in operation up to the date of approval of the 2022/23 Statement of Accounts. This is the reason that the Annual Governance Statement references the previous, and not this, financial year.

Style and Content of the 2022/23 Annual Governance Statement

5. Following a narrative detailing the regulatory elements, the 2022/23 Annual Governance Statement informs the reader about what governance means in the context of this authority; it then goes on to describe how the Authority ensures effective governance arrangements are in place; how the Authority's strategic planning fits into and supports this; and the key pieces of legislation relating to the Authority's governance arrangements and operations.
6. Following issues over the past few years with financial management and corporate governance in some local authorities, CIPFA reviewed its guidance and issued the 'Financial Management Code' (this was brought to Members' attention at the February

2021 meeting of the Authority). This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability by embedding enhanced standards of financial management. The Code came into effect from 1 April 2020, with the initial 12 months operating as a 'shadow year', followed by a full implementation deadline of 31 March 2021. As per the requirements set out by CIPFA, the Annual Governance Statement also includes an assessment of the Authority's compliance with the principles of the Code.

7. In addition, in early 2021 CIPFA issued guidance stating that when local government bodies are preparing their annual governance statements, they should also make specific comment about the impact of the coronavirus pandemic on governance arrangements. This stems from a recognition by CIPFA that, as a result of the pandemic, many organisations will have experienced changes to their ways of working and adapted their governance arrangements accordingly. As a result of this requirement the Annual Governance Statement contains an assessment of the effects of the pandemic on governance arrangements.
8. The CIPFA Governance Framework defines the seven principles that should underpin the governance of local government organisations and provides a structure to aid authorities in their approach to governance. CIPFA state that local authorities should be able to demonstrate that their governance structures comply with these seven principles. The principles set out in CIPFA framework are embedded in the Authority through its Code of Corporate Governance (presented to Members at the Authority meeting on 23 July 2020). The Authority's Code of Corporate Governance is the means through which the Authority applies the principles of good governance and sets out how it meets each of these principles in its day-to-day activities.
9. Consequently, the self-assessment process for the Annual Governance Statement is built around the Authority's compliance with the seven principles. Against each of the seven principles, the relevant governance frameworks and controls are reviewed and evidence collated. Where available, external, independent sources of assurance – such as Internal and External Audit reports, HMICFRS inspection reports, and awards and recognition schemes – are considered to supplement the self-assessment. Once completed, an overall assessment rating is made which provides a summarised account of how the Authority's internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. Set out in **Appendix 1** is the Annual Governance Statement for Members review and agreement.
10. The overall level of assurance is assessed against a five tier rating which runs from red to green. The criteria that inform this rating are drawn from the definitions in the

assurance levels used by Internal Audit. This ensures consistency with the reporting methodology used during other assessments of the Authority's effectiveness.

11. Once the Authority has approved the Annual Governance Statement, it is signed by the Chair of the Authority and the Chief Executive and published alongside the Annual Accounts.

Conclusions from the Self-Assessment

12. On the basis of our internal review of the operation of the Authority's internal controls the level of assurance for the 2022/23 financial year has been assessed as **SUBSTANTIAL**. This indicates that in general strong systems and sound controls are in place, but processes will be reviewed periodically to ensure that they remain efficient and effective. However, training on some policy areas will be undertaken, as necessary.
13. In general, the Authority has a well-established, well-documented governance framework and breaches are rare. Documentation and changes are provided via the intranet and available to all staff. Members will from time to time receive reports seeking agreement to new or amended policies, whilst procedures and guidance supporting these is circulated internally as required. Processes for monitoring and validating key processes exist and are maintained regularly. Members should be assured therefore that arrangements operate effectively and provide the level of protection required.

IMPACT ASSESSMENT

14. There are no financial impacts associated with this report.

RECOMMENDATION

15. Members are requested to:
 - 15.1 Approve the Annual Governance Statement for 2022/23 (paragraphs 5 to 11 and **Appendix 1** refer).

Annual Governance Statement 2022/23

Introduction

Kent Fire and Rescue Service is overseen and run by a dedicated local authority called the Kent and Medway Fire and Rescue Authority. The [Kent and Medway Fire and Rescue Authority](#) ('the Authority') is responsible for ensuring that it delivers its services in accordance with the prevailing legislation, regulations and government guidance and that proper standards of stewardship, conduct, and professional competence are followed by those working for and with the Authority. In this Authority however, responsibility for the approval of the final accounts and the Annual Governance Statement (AGS) is the responsibility of the Audit and Governance Committee.

The Annual Governance Statement is a legally required review of the Authority's governance and systems of internal control along with an assessment of their effectiveness. The legal requirement to undertake this annual review is set out in [Section 6 of the Accounts and Audit Regulations 2015](#).

Good governance is key to the ethical stance of the organisation and the Authority is committed to applying the principles of good governance as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) in their '[Delivering Good Governance in Local Government Framework 2016](#)'.

This CIPFA framework is the established standard for public sector governance and by adhering to it, the Authority ensures that the services provided to the people of Kent and Medway are delivered efficiently, effectively and fairly, that public money is used wisely, is properly accounted for and achieves optimum value for money.

The Accounts and Audit regulations state that the publication of an annual governance statement in accordance with the principles of the CIPFA framework fulfils these statutory requirements. It is for this reason that the assessment takes place against the CIPFA framework.

In discharging these responsibilities, the Authority is required to ensure that appropriate arrangements are put in place for the control and management of its business affairs, service performance and finances, and for the management of the risks it faces. It also makes a commitment to keep under review its governance arrangements and address any key issues that may arise.

What this statement tells you

This document sets out the results of the assessment for 2022/23 and enables the reader to form a view of how the Authority meets its duty to deliver services to the people of Kent and Medway effectively and fairly.

This statement provides a summarised account, based on a self-assessment of how our internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. It is written to provide a clear, simple assessment of how the Authority's governance has operated over the past financial year and identifies any improvements made and any weaknesses or gaps in the arrangements that require addressing.

Its main aim is to provide the reader with confidence that the Authority is effectively managed, and delivers the services required in accordance with current legislation and our stated aims, objectives and values.

The review considers the previous twelve months. This means that the processes, systems and initiatives that were reviewed for this annual governance statement have operated throughout the whole of the financial year ending 31 March 2023 and have remained in operation up to the date of approval of the 2022/23 Statement of Accounts.

Once approved by the Audit and Governance Committee, the [Annual Governance Statement](#) is published on our website alongside the statement of accounts. Paper copies of this report are also available from: Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone ME15 6XB, or by telephoning 01622 692121. We will also accept requests made via social media.

Relationship with the Fire and Rescue National Framework Statement of Assurance

[Section 21 of the Fire and Rescue Services Act 2004](#) requires the Secretary of State to prepare a Fire and Rescue National Framework which sets priorities and objectives for fire and rescue authorities in England. The current [Fire and Rescue National Framework](#) was published on 1 June 2018.

Fire and rescue authorities have a statutory duty to have regard to the Fire and Rescue National Framework. Consequently, the Authority undertakes a separate self-assessment of operational performance, known as the Statement of Assurance. The Statement of Assurance is the assessment of the position of the Authority against the Fire and Rescue National Framework and is published as a separate document.

This also links to the revised inspection and assurance process for Fire and Rescue Services that was announced in 2017 as part of the reforms carried out by the Home Secretary. Paragraphs 7.4 and 7.5 of the Fire and Rescue National Framework require Fire and Rescue Authorities to co-operate with HMICFRS and give due regard to reports and recommendations made by HMICFRS.

What is governance?

CIPFA define governance as follows:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”
CIPFA, Delivering Good Governance in Local Government Framework, 2016, p12.

Good governance in public sector organisations is critical as it enables effective organisational structures and processes which, in turn, allow for the attainment of sustainable economic, societal and environmental outcomes. The fundamental function of good governance in the public sector is to ensure that authorities achieve their intended outcomes while acting in the public interest at all times.

Within the Authority, the concept of governance exists against the backdrop of the legal requirement for a review of systems and controls as set out in the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2022 and the daily organisational adherence to the principles of good governance contained within the CIPFA governance framework.

The CIPFA framework defines the seven principles that should underpin the governance of local government organisations and provides a structure to aid authorities in their approach to governance. The seven principles are set out on page 11 of this document:

CIPFA state that local authorities should be able to demonstrate that their governance structures comply with these seven principles. The principles set out in CIPFA framework are embedded in the Authority through its Code of Corporate Governance. This is the means through which the Authority applies the principles of good governance and sets out how the Authority meets each of the principles in its day-to-day activities. However, the launch of the Financial Management (FM) Code 2019 highlights an important focus on improving financial resilience and embedding enhanced standards of financial management. There are therefore clear links between the FM Code and the Governance Framework, particularly in relation to the focus on achieving sustainable outcomes.

Who is responsible for ensuring good governance?

The Authority has overall responsibility for ensuring effective governance arrangements are in place, with the Authority meeting three times a year to conduct its business. The Authority is made up of 25 elected councillors appointed by Kent County Council (21) and Medway Council (4) as well as the Kent Police and Crime Commissioner.

In October 2021 the Authority established a new committee, the Audit and Governance Committee. The purpose of this committee is to provide independent assurance to the Authority of the adequacy of the risk management framework and the internal control environment. Meeting three times

per year, it provides an independent review of Kent and Medway Fire and Rescue Authority's (KMFRA) governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It is also responsible for signing off the final accounts and this AGS for the relevant financial year. The lead officer is the Director of Finance and Corporate Services and there are 10 elected councillors from the Authority who serve as members.

The Chief Executive has management responsibility for ensuring that effective controls and processes are implemented across the Authority in compliance with the Code of Corporate Governance, and these are regularly reviewed and updated with regular reports submitted to the Authority. The Director of Finance and Corporate Services is responsible for ensuring that effective financial controls are in place, the provision of an effective internal audit function, and for reviewing the overall effectiveness of the Governance Framework. However, the whole corporate leadership team has collective responsibility for setting the strategic direction and managing the finances, albeit the Director of Finance and Corporate Services leads in coordinating and facilitating a culture of efficiency and value for money. The future strategic direction is set out in a suite of six strategies, each covering specific areas of the organisation, and detailing what has been achieved and what we aim to achieve. These were approved by the Authority in July 2021, and they underpin the Customer Safety Plan.

The responsibility for ensuring that appropriate systems of internal control are introduced and complied with, remain effective and are regularly reviewed, is delegated to a number of senior managers at Director or Assistant Director level across the Authority. They are charged with delivery of those functions incorporated within each of the functional elements comprising the overall Governance Framework. Where the Authority has developed arrangements to work in collaboration with other fire and rescue authorities or other public bodies, such as the police, every effort is made to ensure that the principles of good governance that are in place within the Authority also operate within the management processes of those collaborative arrangements.

Governance, strategy and planning – how does it all fit together and interact?

At the heart of the organisation is [our vision, aim and objectives](#); these are [supported by our customer promise](#).

The first stage in developing the Authority's plans is to consider the long-term aim and objectives. Once these have been assessed and agreed by Members, proposals for changes to the Service are drawn up and consulted upon with colleagues, members of the public, businesses and community groups as published in the [Safety and Wellbeing Plan](#) (formerly referred to as the integrated risk management plan) which sets out proposed changes for consultation.

The outcomes of the Safety and Wellbeing Plan, once agreed by Members are then fed into the [Customer Safety Plan](#). The Plan is reflected in the [Medium Term Financial Plan](#) and [infrastructure programme \(p25\)](#). The Customer Safety Plan also provides details of the Authority's performance over

the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these targets. The information in the Customer Safety plan is updated regularly through the course of the year and republished every four years.

Each Directorate within the Service develops a [strategy](#) that sets out how it will meet the objectives in the Customer Safety Plan. These strategies are updated annually but are completely refreshed on a four yearly cycle, to coincide with the latest Customer Safety Plan.

There are several reports and documents that we are required to publish as a fire and rescue service. The first of these is the [Safety and Wellbeing Plan](#), which is required under the [Fire and Rescue Services Act 2004](#).

We publish an [Annual Governance Statement](#) (this document), in line with the requirements of the Accounts and Audit Regulations 2015. In addition, we undertake and publish the [Statement of Assurance](#), an annual assessment of the position of the Authority against the Fire and Rescue National Framework 2018.

The CIPFA framework states that each local authority should be able to demonstrate that its governance structures comply with the seven principles of good governance in the public sector. In order to achieve this a local authority should develop and maintain a local Code of Governance that reflects these principles. For the Authority, this requirement is met through the publication of our [Code of Corporate Governance](#). This is reviewed annually, and an updated version is awaiting Authority approval.

Key pieces of legislation and guidance

The key pieces of legislation relating to the Authority's governance arrangements and operations as a fire authority are as follows:

[Accounts and Audit \(England\) Regulations 2015](#) – This legislation is what requires the Authority to undertake a review of its systems of governance and internal control. The Annual Governance Statement is the report of this review. An amendment to the regulations was published in [2022](#).

[Kent Fire Services \(Combination Scheme\) Order](#) – This is the Order made by Parliament which first established the Authority. It contains the Constitution of the Authority and prescribes the arrangements for the Authority to take over responsibility for Kent Fire Brigade from Kent County Council on 1 April 1998.

[County of Kent Act](#) – This covers access for the fire service to new and extended buildings.

[Fire and Rescue Services Act 2004](#) – This outlines the duties and powers of fire authorities to promote fire safety; fight fires; protect people and property from fires; rescue people from road traffic collisions; deal with other specific emergencies, such as flooding or terrorist attack and other activities in response to the particular needs of their communities and the risks they face.

[The Building Safety Act 2022](#) – this provides a new framework for the design, construction and occupation of “higher risk” buildings (defined as those having at least 18 meters or 7 storeys and more that comprise of at least 2 domestic premises). The Act introduces a strengthened regulatory regime improving accountability, risk management and assurance by ensuring the ‘golden thread’ of safety information regarding how the building has been designed, built, and managed is stored and shared throughout the entire life of the building. The Act has 6 Parts, and contains provisions intended to secure the safety of people in or about buildings and to improve the standard of buildings by putting residents at the heart of cultural change in the built environment that will be enforced by the Building Safety Regulator.

[Regulatory Reform Fire Safety Order 2005](#) – This covers fire safety in public, commercial and industrial buildings along the common parts of blocks of flats. This is the legislation that gives KFRS powers to undertake fire safety inspections and prosecute breaches of the order. Section 156 of the Buildings Safety Act 2022 makes a number of amendments to the Regulatory Reform (Fire Safety) Order 2005 (FSO) to improve safety in all buildings regulated by the FSO. These improvements form phase 3 of the Home Office fire safety reform programme.

[Civil Contingencies Act 2004](#) – This sets out the framework for civil protection in the United Kingdom. It imposes a clear set of roles and responsibilities on those organisations with a role to play in preparing for and responding to emergencies. KFRS is one of those organisations.

[Fire and Rescue National Framework for England](#) – Published by the Home Office, this presents the government’s priorities and objectives for fire and rescue authorities. Fire and rescue authorities have a statutory duty to have regard to this.

[Local Government Act 1972](#) – This makes provision with respect to local government and the functions of local authorities in England and Wales. This legislation sets out the role of the Section 151 Officer (Director of Finance) and the financial regulations under which we operate. The Kent Fire Services (Combination Scheme) Order references the fact that KFRS will abide by the Local Government Act 1972.

[Financial Management Code 2019](#) – provides guidance for good and sustainable financial management in local authorities. The FM **Code** offers assurance that authorities are managing resources effectively, regardless of their current level of financial risk.

The Assurance Process – How we provide and use assurance information

IDENTIFY	ASSESS	REVIEW	ACT
What do we want assurance on?	How is that assurance provided?	How is that assurance reviewed and validated?	What do we do with the information received?
<ul style="list-style-type: none"> • That we comply with our Code of Corporate Governance • That we deliver the services, and objectives set out in our Customer Safety Plan • That we take account of the views of stakeholders and customers • That we use and account for public money properly • That the risks we face are effectively managed • That we comply with legislation, regulation and statutory guidance • That we get the best out of our Members and employees • That we collaborate effectively where it improves services • That we demonstrate high standards of ethical behaviour 	<ul style="list-style-type: none"> • External Auditor’s Reports • Internal Auditor’s Reports • HMICFRS inspection reports • Feedback received from our customers and partners • Senior managers’ self-assessment of key controls, including compliance with the CIPFA statement on “The Role of the Chief Financial Officer in Local Government” • Operational Assurance processes • Performance and risk monitoring and reporting • Continuous coaching dialogue and performance management • Comparison with our peers • Awards and accreditations received 	<ul style="list-style-type: none"> • Regular performance reports have been presented to Members via the Authority • Regular reports reviewed and monitored by Corporate Management Board and the Senior Leadership Team • Regular monitoring of key performance information • Publishing of key performance information and data for public access and scrutiny • Regular reports and information to Government Departments • External and Internal Audit validation • Public scrutiny and challenge of key performance and financial information published on our website 	<ul style="list-style-type: none"> • Communicate our results to the public • Consider the findings, learn from the information received, and respond accordingly • Update our plans to deliver improvements • Revisit our key controls and make improvements where required • Provide additional training and support where needed • Monitor the achievement of the changes we make and the direction of travel • Develop a specific action plan to deliver any governance improvements required • Learn from experiences and continually look to improve

How did we do?

The overall level of assurance is assessed against a five-tier RAG (red, amber, green) rating. The criteria that inform this rating are drawn from the definitions in the assurance levels used by Internal Audit – this ensures consistency with the reporting methodology used during these other assessments of the Authority’s effectiveness. These are displayed on page 29 of this Statement.

As stated earlier, the review uses the structure and takes place against the seven principles of the CIPFA framework of good governance in the public sector.

This 2022/23 review was undertaken between March and April 2023 and has been informed by the following:

- The views of the External Auditor, in the External Auditor’s update of the statement of accounts 2021/22 and letter of representation for 2021/22. and the Audit Risk Assessment for 2022/23 presented to the [April 2023 Audit and Governance Committee](#)
- The views of the Head of Internal Audit contained in the [Internal Auditor’s Annual Report 2021/22](#) presented to the September 2022_ Authority meeting and the [Internal Audit 2022/23 progress report](#) presented to the November 2022 Audit and Governance Committee meeting.
- Ongoing self-assessments undertaken by senior officers responsible for functional areas of the Service and validated by the Corporate Management Board, including the level of awareness of the role and interrelationship between control systems.
- External awards and recognition, including the Authority being awarded: -
 - ‘Outstanding’ by [HMICFRS in the 2021/22 Inspections](#) for the category of Efficiency and ‘Good’ for the areas of Emergency Response and People. The Authority was congratulated by His Majesty’s Inspector of Fire and Rescue Services for “its performance across all three areas of our assessment. Since the last inspection, it has improved in almost all areas. There are many positives to report. The service thoroughly understands risk and prioritises accordingly, showing some very innovative and clear planning”.
 - The first Fire and Rescue Service to receive the Pride in Care Standard for our work with LGBTQ+ people
- A review of our performance against our stated objectives and targets for 2022/23 in the Customer Plan.
- The risk management process and a review and update of the Corporate Risk Register that went to the April 2023 meeting of the [Authority’s Audit and Governance Committee](#) and in year review to the November 2022 [Audit and Governance Committee meeting](#). The Audit and Governance Committee review the Corporate Risk register annually.
- The effectiveness of any changes and improvements made to the governance framework during the last financial year and the [Annual Statement of Assurance](#)
- An assessment of our response to the coronavirus pandemic and its consequent effects upon the Authority’s governance arrangements, including the [HMICFRS inspection of the Authority’s response to covid-19](#).
- Campaigns, open days and public awareness sessions to support the community of Kent and encourage greater interaction with our service such

as the recently launched are Save Safely Campaign and Hook it, Don't Cook it Campaign, CPR and public access defibrillator awareness.

The level of assurance for 2022/23

- On the basis of our internal review of the operation of the Authority's internal controls, the level of assurance for the 2022/23 financial year has been assessed as **SUBSTANTIAL**. This indicates that in general strong systems and sound controls are in place, but processes will be reviewed periodically to ensure that they remain efficient and effective. However, training and development in policy areas will be continually reviewed and undertaken as necessary.

Our analysis of the assurance available against the CIPFA principles of good governance is set out on pages 11 to 27 of this statement. This identifies the information used to provide assurance of the effectiveness of the controls in place. Delivery of the agreed improvements will be monitored by senior management.

The effects of the coronavirus pandemic

The coronavirus pandemic had a significant impact across the Authority and the public sector as a whole, but the overall effect on governance arrangements has been limited.

Throughout the pandemic operational response was maintained and fire prevention and fire protection activities continued at a reduced level, however it was specifically targeted to those most at risk. The Authority strived to support our partner agencies and the people of Kent and Medway by undertaking a wide range of additional work across the County which involved both frontline and corporate colleagues. This included supporting SECamb with logistics and delivery of PPE, assisting with ambulance breakdowns, operational crews responding to falls in the home and supporting SECamb with testing equipment. We were also the procurement hub for the provision of covid PPE to all 45 fire and rescue services in England and assisted Kent County Council with the distribution of food parcels to the vulnerable and elderly, delivered meals for Age UK and provided pharmacies with support for delivery of prescriptions. The Service was able to manage the additional work without any negative effects upon either the operation of the Authority's governance arrangements or our ability to fulfil our statutory functions – a point that was highlighted and praised by HMICFRS in their covid inspection.

For the Authority's corporate teams and flexi duty operational officers, an effective transition to working from home was introduced at the start of the pandemic and did so without disruption to the delivery of services by the Authority. This highlighted the strength and resilience of the Authority's IT network and systems and the effective management of these by the Service's Business Change, Information and Technology team.

Once safe to do so, a new, more flexible working approach, enabling colleagues to work flexibly between Fire Service premises and home, was introduced. The strength of the IT infrastructure and our robust processes and policies has very much supported and enabled this transition and allowed for better use of our premises.

All operational activities have now returned to pre pandemic levels however the Authority is not complacent to the potential ongoing impact of the covid 19 pandemic or of other pandemics in the future. We therefore continue to monitor Government guidance to ensure that robust processes are in place to protect the public and service colleagues whilst carrying out their duties.

Compliance with the principles of the Financial Management Code

Following issues over the past few years with financial management and corporate governance in some local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA, the professional institute for accountants working in the public services and other bodies where public money needs to be managed) reviewed its guidance and issued the 'Financial Management Code'. This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability. The Code came into effect from 1 April 2020, with the initial 12 months operating as a 'shadow year'. This was done in order to give local authorities time to prepare for the full implementation deadline of 31 March 2021. The new Financial Management Code is based on six core principles:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** as its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

In February 2021 a report on Financial Governance was presented to the Authority, setting out an overarching summary of the key financial governance changes that affected the Authority from April 2021 onwards (see [KMFRA, February 2021, Item No: B2](#)). It highlights the importance of a

number of key documents. Firstly, the creation of the Financial Management Code, to support good practice in financial management and financial sustainability, based on 6 core principles, as set out above. Secondly, the National Audit Office Code of Audit Practice set out the requirements of auditors to fulfil their statutory responsibility, with the biggest area of change being the focus on value for money and the need now to provide a separate opinion on value for money. Key to this is the reporting by auditors under these three key areas; Financial Sustainability; Governance and Improving the '3 Es' (economy, efficiency and effectiveness). The Authority's first assessment against these revised criteria was very positive and complimentary to the organisation. Finally, there is the outcome of the Redmond Review, from which there have been a number of recommendations, some of which are in place and others are yet to be fully enacted by Government. All of these documents have been influential in establishing the future framework for strong financial governance across this Authority.

As a consequence of these documents being issued, the Authority undertook an initial self-assessment of the level of compliance with the Code, with an Action Plan being developed setting out a number of actions that needed to be progressed. Good progress has been made against the Plan and many are now embedded across the organisation. Six Corporate Strategies were established in support of the Customer Safety Plan, and these were agreed by the Authority in July 2021. These set out the medium-term approach and deliverables for the Service and influence the Medium-Term Financial Plan. Established Strategy Boards monitor their progress and delivery on a quarterly basis. As good financial governance is a key requisite across this Authority, an Audit and Governance Committee, established during 2021, regularly monitors progress made against the strategies which adds more strength to the assurance processes already in place. The Strategies will remain under regular review to ensure they remain fit for purpose and will be amended as necessary to reflect future needs.

Assessment of the Authority's compliance with the CIPFA framework

This statement provides a summarised account, based on a self-assessment, of how our internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. The seven principles are as follows:

- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle B** Ensuring openness and comprehensive stakeholder engagement.
- Principle C** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle D** Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Principle E** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle F** Managing risks and performance through robust internal control and strong public financial management.
- Principle G** Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Against each of the principles, examples are provided demonstrating how the Authority complies with each of them.

<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>Employees' and Members' commitment to ethical standards in daily activity.</p> <p>Code of Ethical Conduct - In 2021 the Authority developed a Code of Ethical Conduct which reflected the fact that our behaviour is central to serving our customers effectively. It aims to ensure that the resources, policies and procedures are all in place, so that our organisation acts in accordance with the Code. This Code sets out the requirements for colleagues across the organisation to fulfil their obligation to act in the best interests of our customers, to act appropriately both inside and outside work and to remain compliant to the policies and frameworks that affect Kent Fire and Rescue Service. Through adhering to this Code, everyone strives to create a positive, responsible, innovative, open and constructively challenging working environment. A place where ability and delivery are valued, encouraged, developed and rewarded.</p> <p>Code of Conduct for Members of the Fire Authority. When undertaking the business of the Authority, it is a requirement for all Members of the Authority to conduct themselves in accordance with our values and ethics. It also sets out the mechanism by which inappropriate or unethical behaviour can be reported and investigated.</p> <p>We publish an annual report on Members' standards, allowances and travel expenses.</p> <p>The Gifts and Hospitality Code of Practice sets out the rules and guidance on receiving and giving gifts, hospitality and sponsorship, and forms part of the Authority's Code of Ethical Conduct.</p> <p>Bullying and Harassment Policy. It makes clear the expectations on all of our employees and ensures we understand our responsibilities. Its purpose is to promote and support a working environment and culture free from bullying and harassment.</p> <p>Supporting Employees Experiencing Domestic Abuse Policy. Sets out our commitment to treat domestic abuse seriously, understand the risks and consequences in the workplace and provide our full support to the colleagues who experience any form of domestic abuse.</p> <p>Commitment to ethical standards in how we handle and process personal data</p> <p>Data Protection and Information Security Policy. This sets out our commitment to data protection and processing personal data in line with the requirements of the UK GDPR and the Data Protection Act 2018. It also sets out the process by which data incidents are recorded and investigated and, where appropriate, reported.</p>
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Effective arrangements for dealing with any breaches of law, corruption or misuse of power.

Monitoring Officer - All local authorities are required by the Local Government and Housing Act 1989 to appoint a Monitoring Officer whose statutory duty is to report to the Authority on any proposed actions which may contravene the law or constitute maladministration. In February 2021, [the Authority approved the proposal for the appointment of a new Monitoring Officer](#) from Medway Council for a four-year term from the period 01/04/2021 to 31/03/2025. To help fulfil that requirement the Monitoring Officer reviews all reports prior to their submission to an Authority or Audit and Governance committee meeting.

[Code of Corporate Governance](#). This sets out the seven key principles of good governance which the Authority has adopted and the means by which these principles are adhered to and evidenced. The principles set out here represent the core philosophy of the Authority. It was last updated in 2020 to incorporate the requirements of [new guidance issued by CIPFA](#) regarding financial management in public authorities. We regularly review such documents and as a result an updated version will be presented for Members approval to the June 2023 Authority meeting.

The Authority has an effective and up-to-date suite of policies covering anti-fraud bribery, anti-fraud and corruption and anti-money laundering.

Our Speak Up Policy ensures arrangements are in place to give staff the confidence to challenge and report allegations of inappropriate behaviour and the gives the Authority the means to investigate such reports.

Formalised process for managing allegations against staff. Previously part of the feedback policy, to ensure it is as effective as possible, this is currently being incorporated into its own dedicated policy.

Commitment to ethical standards in relationships with our suppliers, service providers and partners.

The Modern Slavery Policy sets out our commitment to ensure modern slavery is not taking place anywhere in our own business, in any of our supply chains and to be sufficiently trained to identify risks when performing our front-line services. [Equality in Procurement at Kent Fire and Rescue Service](#). In response to the Equality Act 2010 and our own values in promoting equality in everything we do; we want people who work with us to also demonstrate the same commitment to fairness and equality. To this end we have a formalised approach to Equality in Procurement at Kent Fire and Rescue Service. We consider it necessary for organisations who intend to supply goods, works or services to us or on our behalf to demonstrate that reasonably practical steps have been taken to allow equal access and treatment in employment and services for all and can give evidence of their approach to meeting the requirements of the law.

<p>Principle B Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Provide a simple process for engaging with, and seeking information from us about our decisions, services and plans.</p> <p>Safety and Wellbeing Plan. This is the Authority’s public consultation document. The purpose of our Safety and Wellbeing Plan is to inform the public about changes we intend to make or would like the public’s views on before we make them. Proposals for changes to the Authority are drawn up and consulted upon with colleagues, members of the public, businesses and community groups. We have also provided a summary of what the public receive for the money they pay in council tax, to help run the fire and rescue service across Kent and Medway. Responses to the proposals in the plan are analysed and then presented to the Fire Authority.</p> <p>Provide evidence and justification for our decisions and policies and make this information available publicly.</p> <p>Customer Safety Plan 2021-2031. This sets out our strategies and ideas for what a modern fire and rescue service should do for the public it serves. The outcomes of the Safety and Wellbeing plan, once agreed by Members are then fed into the Customer Safety Plan. The Plan considers the Medium-Term Financial Plan and Infrastructure Programme and also provides details of the Authority's performance over the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these targets. As part of this, each Directorate within the Service develops a strategy that sets out how it will meet the objectives in the Customer Safety Plan.</p> <p>Provide a simple process that encourages feedback from services users and consider these in our decision making.</p> <p>Customer Feedback Policy. This policy ensures that feedback received by the Authority is dealt with fairly and properly. The Authority is committed to transparency and an analysis of feedback received is reported to the Authority annually in a publicly available report.</p> <p>The Authority also offers several communication channels, including social media, through which the public are able to get in contact, provide feedback and offer their views.</p> <p>Community Right to Challenge Policy. This is in line with the Localism Act 2011, enables community and voluntary groups, town and parish councils and mutual organisations formed by the Authority’s employees to express an interest in running a service or part of a service on behalf of the Authority. It also clarifies the Authority’s obligations to consider such expressions of interest and undertake a procurement exercise for the service concerned, where an expression is accepted.</p>
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	<p>Openness in the structure and meetings of the Fire Authority</p> <p>Meetings of the Fire Authority and the Audit and Governance committee are open to the public and agenda packs, reports and minutes are made publicly available.</p> <p>In addition, the following documents relating to the governance of the Fire Authority are made publicly available:</p> <p>Standing orders. These are rules for the operation of Authority and Committee meetings.</p> <p>Scheme of Delegation of Powers to the Chief Executive. This sets out those decisions which can only be taken by the Authority or the Audit and Governance committee (i.e. by Members of the Authority), and those which can be taken by the Chief Executive or other officers.</p> <p>Convention on Member and Officer relationships. This deals with the working relationships between Members (both as individuals and collectively within their political groups) and the officers (i.e. paid staff) of the Authority.</p> <p>Stakeholder engagement</p> <p>Freedom of Information Policy. This ensures that the public are made aware of their rights and the Authority's responsibilities in relation to the Freedom of Information Act 2000 and access to information held by public authorities.</p> <p>Subject Access Request Policy. This sets out the rights of the public under the UK GDPR over their own data and the responsibilities of the Authority in respect of those rights.</p>
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>Set out our vision for the Service detailing our strategies, plans and objectives for the future and the resources to be employed to deliver these.</p> <p>Customer Safety Plan 2021-2031. This sets out our strategies and ideas for what a modern fire and rescue service should do for the public it serves. The outcomes of the Safety and Wellbeing Plan, once agreed by Members are then fed into the Customer Safety Plan. The Plan considers the medium term financial plan and infrastructure programme and also provides details of the Authority's performance over the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these targets.</p>

[Corporate Strategies](#). As part of the Customer Safety Plan, each Directorate within the Service develops a corporate strategy that sets out how it will meet the objectives in the Customer Safety Plan. We fully refresh our corporate strategies every four years, although we do re-assess them on annual basis to update and amend where necessary to do so. Members are kept updated with regard to progress against the strategies or amendments that are deemed necessary. The strategies set out our aims over that period and what we would like to achieve in specific areas. The current six corporate strategies are as follows:

1. Response and Resilience
2. Customer Engagement and Safety
3. People
4. Environmental and Assets Improvement
5. Business Change, Information and Technology
6. Commercial and Procurement

[Safety and Wellbeing Plan](#). This is the Authority's public consultation document. The purpose of our Safety and Wellbeing Plan is to inform the public about changes we intend to make or would like the public's views on before we make them. Proposals for changes to the Authority are drawn up and consulted upon with colleagues, members of the public, businesses and community groups. We have also provided a summary of what the public receive for the money they pay in council tax to help run the fire and rescue service across Kent and Medway. Responses to the proposals in the Plan are analysed and then presented to the [Fire Authority](#).

[Medium Term Financial Plan](#). Our approach to budgeting is sustainable and business-led and is detailed in a document called the Medium Term Financial Plan. The latest document covers the four-year period from 2023/24 to 2026/27 and underpins the Customer Safety Plan.

[Capital Strategy](#). The CIPFA Prudential Code for Capital Finance requires Authorities to produce a Capital Strategy which sets out the long-term capital investment for the Authority. It sets out the governance and funding options whilst identifying potential risks to ensure an affordable and sustainable programme of capital investment. The Authority maintains an earmarked Infrastructure Reserve that is fully allocated to help fund the identified 10-year programme.

[Treasury Management and Investment Strategy](#). The CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code require the Authority to determine and set the Treasury Management and Investment Strategy for the financial year ahead as part of the annual budget papers in February of each year.

[Reserves Strategy](#). Every year the Authority's Reserve Strategy is reviewed and updated to ensure that it remains relevant and appropriate. There are five earmarked reserves, with by far the largest being the Infrastructure Reserve, which is used to help fund the Authority's Capital Programme and large one-off IT investments. In challenging financial times, it is prudent to maintain an appropriate level of reserves which will help bridge the gap of any shortfall.

Information about the Authority's reserves is also provided in the [external auditor's annual report for 2020-21](#).

Provide annual reports on our progress in delivering our plans.

[Delivering the strategies](#). We monitor the delivery of each corporate strategy and report updates to the meetings of the [Fire Authority](#). Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.

[Mid-year treasury management and investment update](#). A mid-year update is provided on treasury activity undertaken and the extent of compliance with the agreed prudential indicators.

We also provide updates against the [Medium Term Financial Plan](#) and present an [end of financial year budget outturn report](#). (The report for 2022/23 is due to be presented to the Authority in June 2023.)

Identify and manage as far as practical, the key risks and threats to the achievement of our objectives.

The Authority maintains a [corporate risk register](#). Twice yearly updates about the corporate risk register are taken to the Authority's Audit and Governance Committee. The corporate risk register is kept under regular review, updated as required and key stakeholders kept informed.

Strategic boards meet quarterly to review and monitor service risk registers and progress against the corporate strategies.

In relation to operational (as opposed to corporate) risk, the Authority also publishes a [risk profile for Kent and Medway](#) which is an analysis of risk within the county and how this relates to demand for the Authority's services. We have a mature risk assessment process which draws in data from a variety of internal databases and external sources, including the [Kent Community Risk Register](#).

Information security remains a key issue for the Authority. With an increase in collaborative working with other public authorities, as well as an increase in cyber-attacks such as ransomware, phishing and denial of access

on public agencies in the UK, has heightened the potential risks. All staff have undertaken compulsory data protection and security training, although this will be refreshed over the next year, and additional controls have been introduced to limit the risk of unwanted exposure. We operate high levels of protection and security and regularly review and test these.

The last internal audit review of information governance within the Authority, recorded the assurance level as 'Substantial', confirming that internal control, governance and management of risk are sound overall and that the arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

In relation to information governance, data protection impact assessments are regularly completed for eight identified high risk areas in line with Article 35 of the UK GDPR and the European Guidelines on GDPR, and a further two are in progress of being implemented. All privacy notices are current and up to date and available on the website.

Ensure that our objectives are deliverable and sustainable with the resources available.

Value for money. As part of the annual audit of the financial statements, Grant Thornton, the Authority's External Auditors, are required to give [a separate opinion on Value for Money](#) which focusses on ascertaining if the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The first of these was published in November 2021 and reported to the February 2022 Fire Authority meeting. The report was complimentary of our performance on value for money. In relation to the report for the 2021/22 financial year, delays in the formal sign off-of the accounts mean that the Annual Report will now be presented to the Authority for approval at the June 2023 meeting and this will include the External Auditors assessment of our value for money approach in this Authority. However, the Authority has recently been awarded 'outstanding' for efficiency, as part of the HMICFRS inspection that took place in the summer of 2022 and 'good' for effective emergency response and people.

Balance social, economic and environmental impacts in our decision making.

In February 2022, the Fire Authority approved the [Social Value Policy](#). This new policy sets out the Authority's commitment to ensuring that the principles of the Public Services (Social Value) Act 2012 are applied in a way that enables the Authority to maximise economic, social and environmental benefits for our communities in Kent and Medway from our work.

The Social Value Act requires public bodies to consider opportunities for social value when procuring all goods and services. Social value can be defined as increasing the social, economic and environmental wellbeing of

	<p>the people we serve. It aims to move beyond making decisions based on financial cost or price alone. Instead, it advocates seeking ‘value for money’ in its widest sense by considering potential social benefits (involving people, culture and interactions), economic benefits (such as money flow and financial resources) and environmental benefits (involving the place in which people live, the planet and use of resources). Our Modern Slavery and Transparency in Supply Chains Statement recognises our commitment to social value.</p> <p>The Authority has pledged to make itself service carbon neutral by 2030. To achieve this a Climate Action Plan has been developed along with this, the Authority has established a ‘Green Forum’. The purpose of this group is to introduce and develop ideas to drive change and achieve our carbon neutral goal which includes a vision of a ‘paper free’ working environment, improved energy efficiency within our buildings and our vehicles.</p>
<p>Principle D Determining the interventions necessary to optimize the achievement of the intended outcomes.</p>	<p>Ensure Members receive accurate and timely information for relevant decisions.</p> <p>The Fire Authority normally meets three times per year (February, June / July and October), as does the Audit and Governance Committee (April, September and December). In accordance with the Scheme of Delegation of Powers to the Chief Executive all relevant items for decision are taken to the appropriate and relevant committee for scrutiny and approval and the minutes of each meeting are available to the public.</p> <p>Consider any feedback from customers in assessing options for service change.</p> <p>The Safety and Wellbeing Plan is the Authority’s public consultation document which is updated annually. Through this, the Authority will inform the public about changes we intend to make, or would like the public’s views on, and then engage in a process of public consultation. Proposals for changes to the Authority are drawn up and consulted upon with colleagues, members of the public, businesses and community groups. Responses to the proposals in the plan are then analysed and then presented to the Fire Authority.</p> <p>Put in place a robust planning process that matches outcomes with needs, resources and capacity.</p> <p>Each directorate develops a corporate strategy that sets out how it will meet the objectives in the Customer Safety Plan. We refresh our corporate strategies every four years, using the analysis of what the future holds, our aim and objectives, and our key themes. The publication and progress against these are reported to the Fire Authority on a regular basis.</p> <p>Produce a sustainable budget and financial plan to support our plans and objectives over the medium term.</p>

[Medium Term Financial Plan](#). Our approach to budgeting is sustainable and business-led and is detailed in a document called the Medium Term Financial Plan. The latest document covers the four-year period from 2023/24 to 2026/27 and underpins the Customer Safety Plan and provides an update on the work of the service and our future plans. In addition, we publish a ten-year capital strategy which presents an outline of the long-term capital investment planned for the Authority.

Establish a set of robust and challenging performance indicators against which to measure our achievements.

In relation to operational performance, regular updates are taken to the [meetings of the Fire Authority](#).

With the delivery of the corporate strategies that comprise the Customer Safety Plan, we monitor the delivery of each corporate strategy and report updates to the meetings of the [Fire Authority](#). Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.

Consider the use of collaborative or partnership working as a means of delivering services where a strong business case exists and services can be improved.

Partnership working is a key feature of how the Authority operates and we continue to develop strong and lasting working relationships with Kent Police, SECamb, other fire and rescue services, local authorities, NHS clinical commissioning groups, and many other agencies. The hosting of the Kent Resilience Forum by the Authority and the associated input of our colleagues into the Forum's covid-19 response and recovery groups has been fundamental to the positive impact of the Forum on the Kent response to the pandemic.

<p>Principle E Developing the entity’s capacity, including the capability of its leadership and the individuals within it.</p>	<p>Regularly review the Authority’s activities and processes, to ensure they remain effective and fit for purpose.</p> <p>As set out in our Response and Resilience Strategy 2021 to 2025, we actively seek opportunities to improve what we do against clear standards. We are committed to learning from the experiences of our customers, partners, and colleagues. We will continue to embed a culture of learning that allows us to deal with new situations and problems. This drives innovation and allows us to become more skilled and experienced. We proactively seek out feedback and use our assurance processes to measure the effectiveness of changes we make.</p> <p>Engagement with the Fire Standards Board. Since the introduction of the Fire Standards Board, the Authority has been an active and engaged participant in the development of the new fire standards which were launched in April 2023. The Authority has a strategic approach to communications and engagement with clear principles about how the organisation will effectively communicate with its audiences whilst being mindful of organisational goals of the service and its Core Code of Ethics. These behaviours and principles align to those included in the National Fire Chiefs Council (NFCC) Leadership Framework to ensure all staff understand their responsibilities whilst maintaining a robust Emergency Preparedness and Resilience Fire Standard.</p> <p>Develop a workforce plan that ensures sufficient staff with the necessary skills and knowledge are in place when needed.</p> <p>Our People Strategy 2021-25 was approved by the Fire Authority in July 2021. This sets out how we aim to improve organisational performance by ensuring that everyone has the right skills, capabilities and involvement to make life safer for the people of Kent. Delivery of this plan will ensure that the highest standards of leadership and management are in place to sustain a motivated and engaged workforce. Our Trainee Pathway provides a new approach and philosophy to training wholetime and on-call firefighters which does not extensively tie up training resources but provides trainee firefighters with carefully managed operational exposure within the early weeks of their training.</p> <p>We believe our ‘Everyone Together’ approach assists in an organisational culture which truly embraces the diversity and individuality of people and the need for inclusiveness. The Authority has recently been awarded ‘Good’ for its People in the HMICFRS inspection that took place in the summer of 2022.</p>
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Put in place arrangements for managing the relationship between Members and officers, including clear written delegations to officers.

[Scheme of Delegation of Powers to the Chief Executive](#). This sets out those decisions which can only be taken by the Authority or one of its committees (i.e., by Members of the Authority), and those which can be taken by the Chief Executive or other officers.

[Convention on Member and Officer relationships](#). This deals with the working relationships between Members (both as individuals and collectively within their political groups) and the officers (i.e. paid staff) of the Authority.

Monitor and manage the performance of Members and officers in their roles.

[Code of Conduct for Members of the Fire Authority](#). There is a requirement for all Members of the Authority to conduct themselves, when undertaking the business of the Authority, in accordance with our values and ethics. The Code of conduct also contains the mechanism by which inappropriate or unethical behaviour can be reported and investigated.

We publish an annual report on [Members' standards, allowances and travel expenses](#).

Code of Ethical Conduct. In 2021 the Authority wrote a Code of Ethical Conduct and all colleagues were asked to sign the document. This sets out the Authority's values and commitment to fairness and equality.

Support officers in managing their health and wellbeing.

The health and wellbeing of colleagues is taken very seriously by the Authority. To support colleagues' health and wellbeing, we have introduced the following support services within the 'Wellbeing Zone':

- A free, 24/7 employee assistance programme. This is a service that helps colleagues who are otherwise struggling to cope to deal with personal problems that might adversely impact their work performance, health and mental and physical wellbeing.
- 24/7 out of hours Wellbeing support through Welfare Support Officers
- Defusing Tracker for post incident
- Wellbeing Champions/Allies network
- LGBT Network of models and allies
- Flexible Rostering for operational crews
- A new approach and training for complex lifts to limit back injuries
- Online guidance for nutrition and physical fitness
- Use of screen readers

<p>Principle F Managing risks and performance through robust internal control and strong public financial management.</p>	<p>Ensure risks are identified and managed effectively.</p> <p>The Authority maintains a corporate risk register. Twice yearly updates about the corporate risk register are taken to the Authority's Audit and Governance Committee. The corporate risk register is kept under regular review, updated as required and key stakeholders kept informed.</p> <p>The medium-term financial planning that drives the annual budget process is supported by effective risk management and quality supporting data.</p> <p>The Authority has a suite of policies to assist with the management of corporate risks. These include the Financial Management Policy, which sets out the approach to having in place proper management and accounting arrangements to ensure the efficient use of resources and to maintain sufficient records to comply with current regulations and legislation. There is also the Exchequer Policy, which commits the Authority to make arrangements for the proper administration of its financial affairs and have in place proper management and accounting arrangements to ensure the efficient use of resources and to maintain sufficient records to comply with current regulations and legislation.</p> <p>The Authority has an established Audit and Governance Committee, the purpose of which is to provide independent assurance to the Authority of the adequacy of the risk management framework and the internal control environment. Meeting three times per year, it provides an independent review of the Authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p> <p>Publish regular reports on performance and progress in delivering our objectives.</p> <p>Regular performance updates covering all aspects of service activity are taken to the meetings of the Fire Authority.</p> <p>In relation to finance, regular budget monitor reports are also presented to the meetings of the Fire Authority.</p> <p>External Audit. The Authority is statutorily obliged to have a yearly audit conducted by an external audit firm. Grant Thornton was appointed the Authority's auditor in 2018/19 by the Public Sector Audit Appointments and is fulfilling this role for the next four years. The annual audit report by the external auditor is made publicly available on our website. Due to a number of factors, such as a constraint on auditor availability and a pension</p>

related issue, we are currently awaiting 'sign off' by the auditors of the 2021/22 financial accounts. However, for the 2022/23 financial accounts the government have realigned timescales to pre- covid levels and therefore we are expecting the audit of these accounts to be completed by the statutory deadline of September 2023.

Internal audit. The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and, as such, this is provided by Kent County Council under a service level agreement. Each year the Head of Internal Audit brings an [annual report](#) and a [mid-year progress report](#), to the Audit and Governance committee meetings. The annual report for the 2022/23 financial year will be reported to the Authority in September 2023 however an initial opinion of 'substantial' was reported to Members at the April 2023 Authority meeting.

Encourage robust challenge and engagement in developing our plans and objectives.

The Authority publishes a consultation document called the [Safety and Wellbeing Plan](#). The purpose of this is to inform the public about changes we intend to make or would like the public's views on before we make them. Proposals for changes are drawn up and consulted upon with colleague's members of the public, businesses and community groups.

The feedback that is received from the public is then analysed and reported to the [Fire Authority](#) and, where relevant, acted upon.

Objectively assess the outcomes of plans and policies and address any deficiencies.

With the delivery of the corporate strategies that comprise the Customer Safety Plan, we monitor the delivery of each corporate strategy and report updates to the meetings of the [Fire Authority](#). Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.

A robust process is in place for the oversight and management of the Authority's suite of corporate policies. This ensures that policies are kept up-to-date and relevant. In addition to this, updates on new or revised policies are taken into the [Fire Authority](#) for information or approval.

Ensure data, including personal data held, is secured, used and shared in accordance with the law and good practice.

	<p>Our rigorous approach to data protection and commitment to processing personal data in line with the requirements of the UK GDPR and the Data Protection Act 2018 is set out in the Authority’s Data Protection and Information Security Policy. It also sets out the process by which data incidents are recorded and investigated and, where appropriate, reported.</p> <p>All reported data incidents are investigated, logged and recorded as part of performance monitoring.</p> <p>In line with the requirements of the Freedom of Information Act 2000, the Authority publishes a Publication and Retention Scheme. This sets out the classes of information held and the duration (retention period) for which information will be kept.</p> <p>The internal audit of information governance within the Authority recorded the assurance level as ‘Substantial’, confirming that internal control, governance and management of risk are sound overall and that the arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>Ensure that financial resources are protected and used effectively including arrangements to prevent fraud and corruption.</p> <p>The Authority has safe and efficient arrangements to safeguard public money. It operates robust anti-fraud and anti-money laundering controls allied to a strong anti-fraud culture. These are realised in the following suite of anti-fraud and anti-corruption policies: Anti-Bribery Policy; Anti-Fraud and Corruption Policy; Anti-Money Laundering Policy; Gifts and Hospitality Policy; and the Risk Financing and Insurance Policy. An Anti-fraud and corruption Framework and action plan are presented to Members of the Audit & Governance Committee annually.</p>
<p>Principle G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>Operate an effective audit and review function that provides assurance on the effectiveness of controls and ensure that recommendations are implemented promptly.</p> <p><u>External Audit.</u> The Authority is statutorily obliged to have a yearly audit conducted by an external audit firm. Grant Thornton was appointed the authority’s auditor in 2018/19 by the Public Sector Audit Appointments and will fulfil this role for the next four years.</p> <p><u>Internal audit.</u> The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and, as such, this is provided by Kent County Council under a service level agreement. Each year the Head of Internal Audit brings an annual report and a mid-year progress report, to</p>

the Authority meetings. Based on the outcomes of internal audits, action plans will be developed where appropriate and follow up audits undertaken to review progress against any issues identified. This is reflective of our commitment to a culture of continuous improvement and transparency in our activities.

Publish statutory and commonly requested information on our website and put in place arrangements to enable easy access to other information requested.

[Making information publicly available on our website](#). In line with the requirements of Local Government Transparency Code 2015 and the Trade Union (Facility Time Publication Requirements) Regulations 2017, we publish a comprehensive and detailed range of information on our website. This covers information including monthly spend reports, register of suppliers, and senior officers' pay.

As per the requirements of the Freedom of Information Act 2000, the Authority publishes a [Publication and Retention Scheme](#). This sets out the classes of information held and the duration (retention period) for which information will be kept.

Encourage partners to adopt high standards of governance and transparency in their dealings with us.

[Modern Slavery Policy](#). This sets out our commitment to ensure modern slavery is not taking place anywhere in our own business, in any of our supply chains and to be sufficiently trained to identify risks when performing our front line services. Part of the requirements of the Modern Slavery Policy is the publication of a Transparency in Supply Chains Statement. The statement demonstrates the work the Authority has, and will, continue to undertake to eradicate modern slavery in its supply arrangements.

[Transparency in Supply Chains Statement](#). In accordance with the Modern Slavery Act 2015, we are committed to respecting, protecting, and championing the human rights of all who come into contact with our service, including our employees, supply chain workers, customers and local communities. We have zero tolerance of modern slavery, and it is therefore totally unacceptable in our organisation and supply chains. We welcome the increasing momentum towards mandatory human-rights due diligence and are therefore fully committed to supporting the government tackle modern slavery, which is an important element of our approach to delivering our Service. Our Transparency in Supply Chains Statement reflects our commitment to this.

[Equality in Procurement at Kent Fire and Rescue Service](#). In response to the Equality Act 2010 and our own values in promoting equality in everything we do; we want people who work with us to also demonstrate the same commitment to fairness and equality. To this end we have a formalised approach to Equality in Procurement at Kent Fire and Rescue Service. We consider it necessary for organisations who intend to supply goods, works or services to us or on our behalf to demonstrate that reasonably practicable steps have

been taken to allow equal access and treatment in employment and services for all and can give evidence of their approach to meeting the requirements of the law.

Publish an annual assessment of our governance arrangements and plans to improve it.

In line with the requirements of [Section 6 of the Accounts and Audit Regulations 2015](#), the Authority publishes an [Annual Governance Statement](#) (this document). This is an annual review of the systems of internal control along with an assessment of their effectiveness.

Good governance is key to the Authority and it is committed to applying the principles of good governance as set out in the [‘Delivering Good Governance in Local Government Framework 2016’](#). This ensures that the services provided to the people of Kent and Medway are delivered efficiently, effectively and fairly, that public money is used wisely, is properly accounted for and achieves optimum value for money.

Transparency in the operations of the Authority

[Meetings of the Fire Authority and Audit and Governance committee are open to the public](#) and agenda packs, reports and minutes are made publicly available. This ensures that we are fully transparent in our decision making and operations.

In line with the requirements of Local Government Transparency Code 2015 and the Trade Union (Facility Time Publication Requirements) Regulations 2017, we publish a comprehensive and detailed range of [information on our website](#). This covers information including monthly spend reports, register of suppliers, and senior officers’ pay.

To ensure that we remain compliant with the requirements of these two pieces of legislation, an annual review is undertaken and based on this, amendments made as required.

As per the requirements of the Freedom of Information Act 2000, the Authority publishes a [Publication and Retention Scheme](#). This sets out the classes of information held and the duration (retention period) for which information will be kept.

[Pay Policy Statement](#). The Localism Act 2011 requires the Authority to publish a Pay Policy Statement for each financial year. The Pay Policy Statement describes the arrangements in place for setting and amending the pay of its employees and reports on the ratio between higher and lower earning staff.

Joint Statement by the Chair of the Authority and the Chief Executive

We acknowledge our responsibility for ensuring the proper governance of the Authority's affairs and will ensure that sufficient resources are dedicated to ensuring that key controls and processes are implemented, maintained, and monitored for effectiveness. We confirm that this Statement represents an honest and full assessment of the levels of assurance we have obtained following the assessment process as described above.

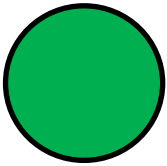
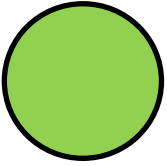
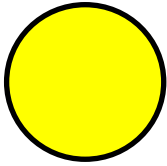
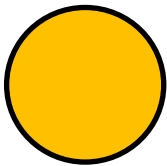
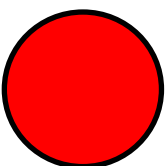
Nick Chard

Chair, Kent and Medway Fire and Rescue Authority

Date: XXXX 2023

Ann Millington

Chief Executive, Kent and Medway Fire and Rescue Authority

Assurance level	Definition of assurance levels
High 	<p>Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively. Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives. There are examples of best practice. No significant weaknesses have been identified.</p>
Substantial 	<p>Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.</p>
Adequate 	<p>Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk. There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>
Limited 	<p>Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as there is a high risk that objectives will not be achieved.</p>
No Assurance 	<p>Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation. Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved.</p>

By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 27 September 2023
Subject: TREASURY MANAGEMENT ANNUAL REPORT FOR 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

The Authority is required by the Local Government Act 2003 to produce an annual review of treasury management activities and the estimated and actual prudential and treasury indicators for the year. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

A provisional outturn report was provided to members of the Audit and Governance Committee at the April 2023 meeting. However, this report now sets out the final treasury position for 2022/23 to support the draft Financial Statements, but it reflects a slight increase of £3k on the interest received on balances to that reported previously. The Authority continued to prioritise security and liquidity over potential yield in line with CIPFA guidance. Interest rates on deposits continued to rise throughout the year, in line with the Bank of England's base rate increases, with the Authority receiving total investment income of £1,138k on an average cash balance of £53.3m.

RECOMMENDATION

Members are requested to:

1. Approve this year-end report on Treasury Management activity for 2022/23.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker
TELEPHONE NUMBER: 01622 692121 ext. 6122
EMAIL: nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS:

COMMENTS

Introduction

1. The Authority approved the Annual Treasury Management and Investment Strategy for 2022/23 at its meeting on 21 February 2022 (Minute 38) and received a mid-year update at its meeting on 13 October 2022 (Minute 24). The report reviewed the main aspects of the Authority's Treasury Management up to the end of July 2022 (mid-year), as required by the Local Government Act 2003 and the CIPFA Code on Treasury Management and Capital Finance. However, Treasury Management updates have also been reported to the September 2022 and April 2023 meetings of this Audit and Governance committee.
2. The regulatory environment places a responsibility on Members for the review and scrutiny of the Treasury Management Policy and related activities. This report, is therefore, important in providing details of the 2022/23 outturn position for treasury activities during the year and highlights compliance with the Authority's policies previously approved by Members.

Annual Treasury Management Review 2022/23

3. **Economy and Interest rates** – The Bank of England's Monetary Policy Committee increased interest rates at every meeting during 2022/23, starting with a 0.25% increase to 1% in May, and finishing at the end of the financial year in March 2023 with a base rate of 4.25%. This meant that opportunities for investment returns were greater than previous years, with significant movement in both shorter and longer-term deposit rates.
4. **Inflation** - The Bank of England has for some time had an inflation target of 2%. However, due to rising energy and food prices, inflation remained above 9% during 2022 and was still at 10.1% in March 2023. Crude oil prices have been falling since the end of May 2022; however, this did not reduce household utility spending until later into 2023, and the continuation of the War in Ukraine continues to affect the inflation of food prices. The constant elevated level of inflation has triggered a wave of pay demands to compensate workers for the loss of spending power.
5. **Treasury Position as at 31 March 2023** - The Capital Financing Requirement (CFR) at 31 March 2023 is the net amount of capital expenditure not yet fully funded. The difference between the CFR and the amount of outstanding loans is the element of capital expenditure being temporarily funded from internal cash balances (under-borrowing). **Table 1** shows this comparison to the previous year.

Table 1 – Treasury Position Compared to Previous Year

	31-Mar-22	31-Mar-23
	£'000	£'000
Capital Financing Requirement (CFR)	1,829	1,654
External PWLB Borrowing	-1,001	-701
Internal Borrowing (Under-borrowing)	828	953
Total Deposits	49,621	45,535
Less PWLB Borrowing	-1,001	-701
Net Deposits	48,620	44,834

6. **Strategy for 2022/23** - The Investment Strategy for 2022/23, agreed at the February 2022 Authority meeting, saw no changes from the 2021/22 Strategy.
7. The Authority deposits cash balances in a number of different bank deposit and call accounts, money market funds and makes use of the Debt Management Office Treasury Bills. This provides a spread of risk across the accounts and enables the Authority to make the best use of the available rates whilst still prioritising Security and Liquidity over Yield. Treasury Bills started off the year with an average interest rate of 0.68% and later returned an average interest rate of 3.78% at the end of the year. During the year, the Authority began using the Agency Treasury Service provided by the Authority's Treasury Advisor Link Asset Services Group. This facility gives us access to a number of fixed term and notice accounts that we currently do not have access too due to the minimum deposit requirements set by some banks, but it also enables us to access a higher deposit rate than we can achieve by going direct to the institution. The Treasury team continue to meet with our Bank Relationship Managers to identify new products and available rates.
8. **Borrowing in 2022/23** - The 2022/23 Treasury Management Strategy showed that no new borrowing was planned, however some expenditure has been incurred in this financial year in relation to the Ashford Live Fire development and it was agreed this project will be funded from internal borrowing. During 2022/23, the Authority maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cashflow was used as an interim measure.
9. Borrowing outturn for 2022/23 - During 2022/23 the Authority repaid one loan totalling £300k, which had an interest rate of 4.82%. The balance of outstanding loans at 31 March 2023 is £701k. **Table 2** below details the maturity structure of the remaining

loans held by the Authority as at 31 March 2023, all of which are provided by the PWLB at a fixed rate interest.

Table 2 – Maturity Structure of Remaining Loan Portfolio

	31-Mar-23
	£'000
Less than one year	301
Between one and two years	400
Total	701

10. **Ratio of Financing Costs to Net Revenue Stream** - This indicator shows the impact of the capital plans on the Authority's overall finances (borrowing costs net of investment income), as shown in **Table 3**. **Table 4** details how the net borrowing figure is calculated.

Table 3 – Borrowing Costs net of Investment Income

	2022/23
	Outturn
	£'000
Net Revenue Outturn for 22/23	78,247
Net Borrowing *see Table 4 below for calculation	-265
Ratio	-0.34%

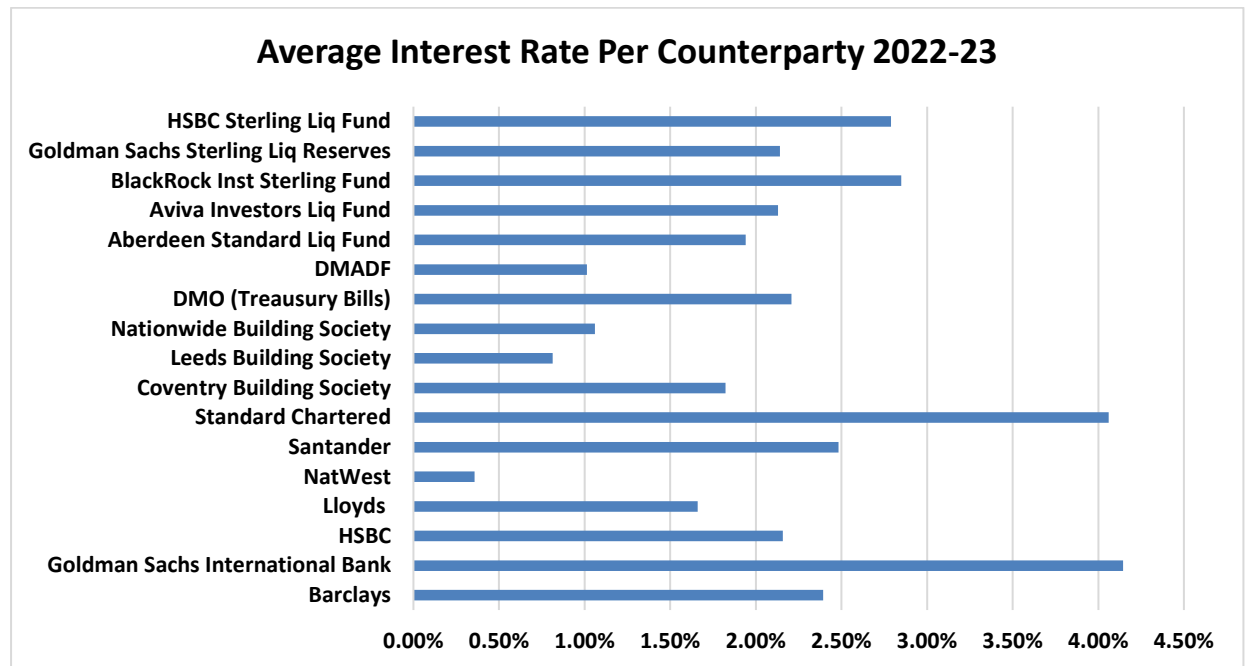
Table 4 – Calculation of Net Borrowing Figure

	2022/23
	Outturn
	£'000
Minimum Revenue Provision and Voluntary Revenue Provision*	828
Interest paid for borrowing	45
Interest and Investment Income	-1,138
Net Borrowing	-265

* The provision made by the Authority to finance its CFR.

11. **Investment Rates in 2022/23** - The Authority maintained an average cash balance of £53.3m which when deposited earned an average annual rate of return of 2.14%. **Graph 1** below shows the average annual rate of interest earned per counterparty on deposits placed over the year.

Graph 1



12. **Prudential and Treasury Indicators** - The Table in **Appendix 1** shows the original Prudential and Treasury indicators for 2022/23 together with the actuals for 2021/22 and provisional outturn for 2022/23. There were no breaches of limits in 2022/23.

13. **MIFID II Regulations** - These regulations govern the relationship that financial institutions conducting lending and borrowing transactions have with local authorities from 2018. The Authority 'opted up' to become a professional client to ensure that it continued to receive the same level of advice on investments and borrowing, and access to the same instruments. As agreed in the mid-year update the Treasury function has been brought in-house and the financial institutions have been notified through updated authorisations.

14. **Treasury Management Training** - The Treasury Code of Practice states that authorities should ensure that the appropriate level of training is delivered to both Members and staff who participate in the delivery and scrutiny of the treasury management function. Audit and Governance members received two presentations from Link Asset Group, the Authority's Treasury Advisor before the April 2022 Audit and Governance meeting with a subsequent training session on the latest economic forecast and changes to the Prudential Code and Treasury Management practices scheduled prior to the September 2022 meeting, again provided by Link Asset Group. Officers within the Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to

date and a number of them have also completed their CIPFA Treasury e-learning modules.

IMPACT ASSESSMENT

15. All financial implications associated with servicing the Treasury Management functions can be contained within the overall budget.

RECOMMENDATION

16. Members are requested to:
 - 16.1 Approve the year-end report on Treasury Management activity for 2022/23.

Prudential and Treasury Management Indicators

	2021/22	2022/23	2022/23
	Outturn	Original Forecast	Outturn
Prudential Indicators for affordability, prudence and capital expenditure			
	£'000	£'000	£'000
Revenue Expenditure	69,866	77,429	78,247
Revenue Provision for debt repayment	969	828	828
Capital expenditure	1,989	13,191	4,235
CFR as at 31 March	1,829	1,001	1,654
Total loans outstanding as at 31 March	1,001	701	701
Ratio of Financing Costs to Net Revenue Stream	1.36%	0.88%	0.34%
Treasury Indicators			
Assumed Operational Boundary for external debt	18,000	21,000	21,000
Assumed Authorised Limit for external debt	22,000	25,000	25,000
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	100%	75%	75%

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee - 27 September 2023
Subject: ANNUAL STATEMENT OF ACCOUNTS 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval to the 2022/23 draft Statement of Accounts, which are awaiting review by the External Auditors.

RECOMMENDATIONS

Members are requested to:

1. Approve the 2022/23 draft Statement of Accounts (paragraphs 9, 22 to 27 and **Appendix 1** refer).
2. Consider and note the remaining contents of the report.

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services- Alison Hartley
TELEPHONE NUMBER: 01622 698262 Ext 8262
EMAIL: alison.hartley@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. The Accounts and Audit (Amendment) Regulation 2021 amended the 2015 regulations for English Authorities and put back the dates for completion of the draft accounts, public inspection and final publication. Part 3, Regulation 10 (2) of the Accounts and Audits Regulations 2015 required that the Statement of Accounts (the Accounts) of the Authority for 2020/21 must be approved by Members no later than 31 July and this was amended to 30 September. Since then, only 9% of audits were signed off by 30 September 2021 (of which this Authority was one) and by 31 March 2022 48% of opinions remained outstanding. Nationally there is a shortage of Auditors and firms are reporting that they are seeing a number of qualified staff leaving the audit sector entirely, leaving a limited market to fill vacancies. This has impacted on the available resources to undertake local audits within the applicable timescales.
2. Unfortunately, the national audit issues have continued to compound with some Authorities now having a number of years of Financial Statements without an Audit opinion. On 16 December 2021 Government announced further guidance to “improve local audit delays” this included extending the deadline for publishing audited local authority accounts from 31 July to the 30 September for the for 6 years, beginning with the 22/23 accounts.
3. On 23 June the Public Accounts Committee published a report on the [Timeliness of local auditor reporting](#). The Committee asked DLUHC (Department for Levelling up, Housing and Communities) to explain how it was tackling the longstanding problems facing the sector. DLUHC are currently working with the Financial Reporting Council, National Audit Office and CIPFA to consider a number of proposals to address the significant backlog of local government audits in England and develop a sustainable solution. They are expected to continue work over the Summer to finalise proposals in time for implementation to begin by the end of December 2023.
4. The Authority’s 2021/22 Financial Statements have been audited but there remains an outstanding pension clarification that is being considered nationally preventing the Statements from being signed off by Grant Thornton, although all additional supporting documentation has been provided to the Auditors.
5. In relation to the 2022/23 Accounts, as in all previous years, following the formal approval of the Statement of Accounts by this Committee, it is a further requirement that the person presiding at the meeting shall sign and date the Accounts to formally evidence the Authority’s approval.
6. Prior to this approval, the Director, Finance and Corporate Services, has published the draft Accounts on the Authority’s website, for 2022/23, together with the information required by regulation to inform the public of their rights in relation to the Accounts. The

Director, Finance and Corporate Services, will have first signed and dated the Accounts, and certified, at the end of the year to which they relate, that they present a true and fair view of the financial position of the Authority and that the income and expenditure for that year is correct. This Statement is now reaffirmed by the Director, Finance and Corporate Services, as they present the Accounts to the Audit and Governance Committee for approval today.

7. In total, the public have 30 working days in which they may object, inspect and question the local auditor on the Accounts. This Authority advertised that the accounts were open for review between 31 May and 11 July 2023. Members may wish to note that neither the Director, Finance and Corporate Services nor the External Auditors received any enquiries into the 2022/23 accounts during this period.
8. The Audit and Governance Committee has delegated responsibility from the Authority for the approval of the Accounts. This report details the final transfers into Reserves for which Members' approval has been sought in the Budget Outturn report for 2022/23 presented to the June (29th) Authority meeting, a summary of which appeared earlier on this agenda.
9. The purpose of this report is to now present the 2022/23 Annual Statement of Accounts, attached at **Appendix 1**, for Members of the Audit and Governance Committee to consider and approve, having reviewed the earlier financial reports on this agenda.

External Auditors

10. The External Auditors are required to carry out the audit of the Accounts in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Controller and Auditor General, in April 2020. The External Auditors are required to report annually to Members of the Authority on the results of the audit activity undertaken during the year, in line with their responsibilities under International Auditing Standard (UK and Ireland) 260 (IAS (UK&I) 260) "*Communication of audit matters to those charged with governance*".
11. The Authority's External Auditors, Grant Thornton, have experienced delays in undertaking the Audit of other Authorities Financial Statements due to the resourcing of the backlog of previous years financial statements still to be signed off within Local Government and as mentioned previously the National shortage within the audit profession. This has meant that at the time of writing this report the Authority has no indication as to when the 2022/23 audit will commence. It is intended, once the Audit is complete, to report the Audit Findings Report to the first available Audit and Governance Committee and the Auditors Annual Audit Letter to the next full Authority meeting if available.

Comments by the Director, Finance and Corporate Services

12. Local Authority Accounts are complex documents, and they include entries that are not included in normal company accounts. The contents of the Accounts are set out in the CIPFA Code of Practice (the “Code”), but action is taken to exclude any information deemed unnecessary or immaterial to the understanding of the Accounts.
13. The timetable for closing and producing the 2022/23 accounts was shared with the External Auditors in March 2023. Working papers to support the information included in the Accounts including various analytical reviews, schedules and explanations of any significant variances between the previous and current year, whilst already prepared, have yet to be provided to the Auditors. This information together with budget monitoring reports and other information provided to Members is examined for consistency to ensure that Members have been kept adequately informed and are well briefed to effectively scrutinise the Accounts.
14. When producing the annual Accounts all accounting policies are reviewed to ensure their compliance with the latest Financial Reporting Standards, whilst at the same time consideration is also given as to whether any new accounting standards should be applied. Members of this committee have already seen and agreed the response of Management to the Audit enquiries as part of the audit risk assessment of procedures, which included an oversight of the following areas: -
 - General enquiries of management
 - Fraud
 - Laws and regulations
 - Related Parties
 - Going Concern and
 - Accounting estimates

Reserves

15. **General Reserves** - Members had previously agreed that General Reserves (referred to in the Accounts as General Fund balances) should be maintained at a level which is equivalent to approximately 5% of the annual net revenue budget. Consequently, the General Reserve balance at 31 March 2023 was £3.970m.
16. **Earmarked Reserves** - The Authority has money set aside in Earmarked Reserves. These Reserves are held for specific purposes, to meet irregular or known future commitments or liabilities. In the Budget Outturn report for 2022/23 which appears earlier on this agenda, Members were asked to agree at the June Authority meeting

that of the overspend, £818k would be transferred from the Insurance and Resource Reserve to meet the cost of the exceptional overspend.

17. After final transfers were made, Earmarked Reserves were £31.833m at 31 March 2023 with 83% held in the Infrastructure Reserve. Details of the balances and movements on earmarked reserves are shown in Note 15 (page 50) in the Statement of Accounts, which is attached at **Appendix 1**.
18. **Capital Reserves** - In addition, Capital Reserves of £9.856m, comprised entirely of Unapplied Capital Receipts, were included in the Balance Sheet at 31 March 2023 for use in funding the capital programme in later years.

Statement of Accounts

19. **International Financial Reporting Standards and CIPFA Guidance** - Whilst the Accounts are prepared on an International Financial Reporting Standards (IFRS) basis with the content and format of the Accounts being on similar lines to other private and public sector organisations, there are still adjustments that are made by regulation to local authority accounts. In local authority accounts, charges made for depreciation, leave accrual and current service pension costs are only notional and are reversed out of the Accounts so as to not impact on the funding required from Council Tax.
20. The Accounts for 2022/23 have been prepared in accordance with The Accounts and Audits Regulations (England) 2021 and Code of Practice (Code) provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The content and format of local authority accounts is set out in the Code which is updated regularly to reflect changes in accounting standards. The document also has statutory backing as it is the definitive statement for 'proper accounting practices' for local authority accounts.
21. **Annual Governance Assurance Statement** - Elsewhere on the agenda is a report on the Annual Governance Assurance Statement for which Members' formal approval is required. This was published alongside the Accounts on the Authority's website.
22. **The Main Financial Statements** - These comprise of the Comprehensive Income and Expenditure Statement (CIES), which represents the expenditure and income associated with the 2022/23 financial year; the Movement in Reserves Statement, which shows the changes to the resources available to the Authority over the year; the Balance Sheet, which reports the assets and liabilities of the Authority as at 31 March 2023; and the Cash Flow Statement showing the cash payments and receipts during the year.
23. The Comprehensive Income and Expenditure Statement and Balance Sheet both include entries relating to employee leave, depreciation, impairment and the entitlement to future pension payments earned during the year by employees, and

current pension liabilities. These charges, which are included in the Cost of Services line of the CIES, are notional entries in the accounts and they are included to show the full cost of operating the Service by recognising the fact that its activities today will result in costs in the future. To ensure that there is no impact on the funding requirement of the Authority these entries are later reversed out and the real costs added back in through a number of adjusting entries.

24. The presentation of pension assets and liabilities within the Accounts is a requirement of legislation governing the preparation of accounts. The overall impact of recognising the Authority's net pension liability of £643.7m on the Balance Sheet has been to create an overall negative balance of £474m.
25. It should be noted that, due to the inclusion of capital grants, the adjustments for current pension liabilities and gains and losses on pension assets and liabilities, and on the disposal of assets, the figures in the CIES can fluctuate significantly from one year to another. The Statement of Accounts differ from the budget monitoring reports submitted regularly to Members in that it does not compare expenditure with budget. By the end of the year transfers from reserves were £4.7m so, allowing for the £818k final revenue overspend this left a balance of £5.518m to be transferred from reserves. Accounting adjustments totalling £23.335m are then made so these, together with the final transfer to reserves, shows as a final Deficit on Provision of Services of £28.853m. This is set out on page 36 (**Appendix 1**) in the Expenditure and Funding Analysis Note, with supporting details of all the adjustments made in Note 6a on page 37 in the Accounts.
26. **Public Access** - The 2015 Regulations and subsequent 2021 amendment set out the requirements for the Authority to allow public access to, and copying of, all accounting records, and for public access to the External Auditors to allow for questions about, or objection to, the draft accounts. In accordance with this requirement the statutory 30 working days, required for public access, was from 31 May to 11 July 2023 and this was advertised beforehand on the Authority's website. Members may wish to note that there were no enquiries made in relation to the draft accounts.
27. Having now reviewed all the relevant reports in relation to the year end for 2022/23 earlier on this agenda, Members are asked to consider and agree the Statement of Accounts for the year as set out in **Appendix 1**.
28. **Publication of Accounts** - As soon as possible after the conclusion of the audit, the Authority will publish the Statement of Accounts and provide copies to any person on request. In order to comply with this requirement of publication, a notice will be placed on the Authority's website advising that the audit is complete and that the final Accounts are available to view and download from the website. Paper copies of the Accounts will also be made available on request at a charge of £8 per copy, which is

approximately the cost of production, and is in line with the legislation which states that a reasonable charge may be made if appropriate.

29. **Summary of Accounts** - The Accounts have over the years become increasingly long and complicated. As a result, those with a non-public sector financial background may find them difficult to understand and interpret and therefore not accessible. Consequently, a set of summary accounts has been included on our web pages, the link for which can be found here <https://www.kent.fire-uk.org/summary-statement-accounts-2022-23> . They provide a short explanation of the key issues. However, to also help Members with their interpretation a short presentation will be provided at the meeting of the salient points within the Accounts.

IMPACT ASSESSMENT

30. Budgetary provision has been made for the external audit fee.

RECOMMENDATIONS

31. Members are requested to:
- 31.1 Approve the 2022/23 draft Statement of Accounts (paragraphs 9, 22 to 27 and **Appendix 1** refer).
- 31.2 Consider and note the remaining contents of the report.

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Statement of Accounts

2022/23

The 2022/23 Pre Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of the Kent and Medway Towns Fire Authority by the Director of Finance and Corporate Services on 26 May 2023

Alison Hartley

Director of Finance and Corporate Services

Date:

26 May 2023

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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 2022/23.
- 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.

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.

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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.

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 74-77.

Revenue Budget and Expenditure

The Authority's revenue budget is funded by income from Council Tax, Non-Domestic (Business) Rates and various Government grants. To ensure that the revenue budget is sustainable over the medium-term, the Authority agreed to increase the Council Tax charge by 1.89% for 2022/23, resulting in an annual increase of £1.53 for a Band D property. The Band D Council Tax charge was therefore increased to £82.35, providing additional funding of £997k for 2022/23. The Council Tax base (the number of Band D equivalent properties in Kent) increased by 2.4% which provided additional funding of £1.242m. Retained Business Rates and associated government grants in relation to Business Rates increased by a net £916k for 2022/23.

The Revenue Support Grant was uplifted by September 2021 CPI, providing an additional £198k of funding and the Government provided a new Services Grant (£1.027m), although this was partly offset by the removal of the Local Council Tax Support grant (£956k). The Covid-19 pandemic resulted in some very large Collection Fund deficits in 2021/22 and although the government provided some additional reliefs to businesses in 2022/23 this was not to the same extent as in 2021/22 so Collection Fund deficits reduced by £2.432m mainly for this reason. The authority's net revenue budget was therefore £77.429m for 2022/23.

Pressures faced by the Authority on areas such as pay awards, inflationary prices growth and other commitments totalled £6.328m for 2022/23. Adjustments to General Reserves and Earmarked Reserves reduced the budget requirement by £217k and the Government provided grants totalling £1.762m to fund a large proportion of the Collection Fund Deficit repayment in 2022/23, meaning savings of £1.769m were required to balance the 2022/23 revenue budget.

The revenue budget outturn for 2022/23 was an overspend of £818k. The summary of the revenue budget and the final outturn is shown in the table below:

Revenue Budget Outturn 2022/23

All figures shown are in £'000	Original Budget	Revised Budget	Outturn	Variance
Service Costs	78,654	78,747	77,862	-885
Direct Pension Costs	2,080	2,080	2,436	356
Capital Financing Costs	7,164	3,230	2,649	-581
Transfers from(-) / to Reserves	-10,469	-6,628	-4,700	1,928
Total	77,429	77,429	78,247	
Net Revenue Budget deficit for the year				818

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Funded From:

Revenue Support Grant	6,655
Non-Domestic Rates	15,836
Council Tax	53,911
Services Grant	1,027
Total	77,429

Revenue Budget Outturn 2022/23

A summary of the most significant budget variances is detailed in the following table:

Revenue Budget Variances	£'000
Unbudgeted pay awards and other net employee related variances	1,428
Utilities (including gas and electricity)	237
Vehicle servicing, maintenance and repairs	456
Vehicle fuel	366
IT communications	-156
Investment income	-1,025
Other additional income	-184
Other net non-pay variances	-304
Net Revenue Budget Overspend	818

At the end of the year £464k was transferred to the Rolling Budget Reserve to fund commitments made in 2022/23, but where the associated costs will not be incurred, or recognised (stock adjustments), until after 31 March 2023. During the year £712k was transferred from this reserve to fund expenditure committed in 2021/22 but not incurred until 2022/23, making the 2022/23 net movement on the Rolling Budget Reserve £248k.

Grant Income

In 2022/23 the Authority recognised £9.476m of revenue grants that were provided to the Authority outside of the core Settlement Funding Assessment (SFA). Details of these grants are provided in Note 20 to the Accounts.

As in previous years the grants recognised in 2022/23 included Government funding towards; employer costs in relation to increased Firefighter Pension Scheme contributions (£3.536m); business rate reliefs given by the Government (£2.927m); New Dimensions and New Threats related work (£1.012m); Firelink (radio communications) (£474k); additional work in Prevention and Protection (£406k); training costs for apprentices (£44k); increased costs due to additional audit requirements (£14k); costs incurred to ensure compliance with the Transparency Code (£8k); the Emergency Services Mobile Communications Programme (ESMCP) (£5k) and; Covid-19 support (£1k).

Narrative Report

In addition, the Government provided; a new Services grant in 2022/23 (£1.027m); a grant towards costs incurred in 2022/23 due to requirements of the Building Safety Regulator (£21k) and; a grant of £1k was recognised in 2022/23 to fund costs incurred on a Road Safety Project.

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 £60k, but also for the Authority's share of amounts provided by Kent billing authorities for Non-Domestic Rates appeals of £1.179m.

Revenue Reserves

At the February 2022 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 base revenue budget. In line with this requirement, the General Reserve position at 31 March 2023 has increased by £210k to £3.970m.

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 2023, earmarked reserves had reduced by £5.728m 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 2022/23 was £4.235m against a revised budget of £5.358m.

The station development programme has seen some major improvement works on the Live Fire rig at Ashford delayed until 2023/24 (£743k) and the remaining balance for the control project has rolled forward into 2023/24 (3k), Premises works included replacements of boilers, generators and roofs. Roofing work was delayed at one station due to issues with the main contractor, so planned expenditure has slipped into 2023/24. Whilst the installation of the Mobile Data Terminals (MDTs) and companion devices on appliances is now complete, £97k of expenditure on the project has slipped to 2023/24 as there have been delays in installing the new cradle point aerial system and work is still ongoing in relation to the development of the MDT software. This is partly offset by a small overspend of £2k on the replacement printers and photocopiers IT project. During the year 63 new Response cars were brought into operation with the remaining 3 due early in 2023/24, hence £129k was rolled forward to 2023/24 to fund this purchase. Delivery of several vehicles were undertaken during the year, including a mobile ladder truck, a Prime mover, a Motorcycle and the two pool cars that slipped from year. We also purchased a Drone and a Rolling Road for the new workshop. These were not part of the revised budget as they were purchased late in the year (£-44k) A delay in the delivery of a support vehicle and the line rescue unit has meant that £145k has now been slipped into 2023/24.

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The table below gives a breakdown of the net £1.124m underspend compared to the revised budget.

Capital Budget Outturn 2022/23

All figures shown are in £'000

	Original Budget	Revised Budget	Outturn	Variance
Station development programme	4,660	1,700	954	746
Premises	272	824	771	53
Information and communication systems	285	299	204	95
Vehicles and equipment	7,974	2,536	2,306	230
Total	13,191	5,359	4,235	
Net Capital Budget Underspend				1,124

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

Borrowing and Capital Reserves

The Authority did not plan to fund any capital expenditure from borrowing in 2022/23. 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 £300k matured during 2022/23 so was repaid, reducing the level of outstanding debt as at 31 March 2023 to £701k.

The Authority received £1.894m of capital receipts, net of selling costs, during the year for the sale of 4 houses and land at Faversham and Thanet. In the year £1.508m of capital receipts were utilised to fund capital expenditure so overall the capital reserve increased to £9.856m which is the closing balance that will be carried forward as at 31 March 2023.

Treasury Activity

In February 2022, Members agreed the Treasury Management and Investment Strategy for the forthcoming year. The Authority continues to invest in Money Market funds to ensure the maximisation of interest earned whilst still maintaining security and liquidity. Interest rates were repeatedly raised during the year from 0.75% in April 2022 to 4.25% in March 2023 resulting in healthy amounts of interest earned on our investments. During the year the Authority earned £1.138m of interest on cash deposits equating to an average interest rate earned of 2.14%.

The day to day cash management activity was carried out by the Kent County Council Treasury team up until the beginning of October after which the Authority brought the service back in-house. The Authority has invested in the training and upskilling of its in-house finance team. This has resulted in a base saving to the Authority of £17k. Having an in-house team has created efficiencies in the way the Treasury team work and enables the Authority to respond to bank rate changes immediately and develop our own relationships with banking and investment counterparties, although the Authority continues to use the services of a Treasury Advisor 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 firefighters' pension liability of £643.301m on the Balance Sheet has led to an overall negative balance of £474.351m.

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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 roll-forward valuation for 2022/23. Changes to the financial assumptions included an increase in the discount rate and a decrease in the expectation of future inflationary pressures, resulting in an overall decrease 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 (£389.847m) in 2022/23 compared to (£37.962m) in 2021/22.

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 2023/24 – The Chancellor of the Exchequer delivered the Autumn Statement on 17 November 2022 and although there were no specific references to Fire and Rescue Services, it was confirmed that there would be no cuts to the funding announced in the Spending Review 2021. Other key funding announcements impacting on Fire and Rescue Services included confirmation that; core Council Tax referendum limits would rise from 2% to 3% (the Provisional Local Government Finance Settlement later confirmed that Fire and Rescue Authorities (FRAs) would be able to increase the Band D charge by up to £5 for 2023/24); there would be a freezing of the business rates multiplier for 2023/24 and; local authorities would be fully compensated for any loss of income as a result of the 2023 business rates revaluation.

The 2023/24 Final Local Government Finance Settlement prioritised maintaining financial stability in the immediate term so the Authority's funding levels were only confirmed for 2023/24 (with some guiding principles provided for 2024/25). The settlement was broadly in line with expectations, albeit the inflationary uplifts to Revenue Support Grant (RSG) and the Business Rates baseline were changed from RPI to CPI, meaning that the Authority will receive less grant than would have been the case had the previous link to RPI been maintained. It was confirmed that CPI inflation will be the bases for any future increases to the compensation paid to authorities for the under-indexation of the business rates multiplier.

Although the Government has rolled £238m of grants into the core settlement for 2023/24, the Fire Pensions Grant (£3.536m for this Authority) currently remains outside of the core funding settlement. The Government remains committed to updating and reforming the way local authority funding is distributed to individual authorities. However, any funding formula changes have been postponed until after the current parliament, so it could be 2025/26 before any changes are seen, consequently there remains significant uncertainty around government funding in the medium term.

As no new capital grants from Government have been announced, the Authority is currently planning to fund the 2023/24 and later years' capital plan through a combination of revenue funding, reserves, capital receipts and borrowing.

The Authority has an outline four year [Medium Term Financial Plan](#) (MTFP) contained within the Budget Book approved at the Authority meeting in February 2023. The MTFP was developed in conjunction with the proposals contained within the [Safety and Wellbeing Plan 2022](#) so as to ensure that future plans are funded and sustainable.

The Corporate Plan - Now known as the Customer Safety Plan, which reflects the Authority's focus on the customer so it 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 July 2021 to reflect six new corporate strategies that set out how we think Kent and Medway will change over the next four years, these are:-

Narrative Report

- Customer Safety and Engagement Strategy
- Response and Resilience Strategy
- People Strategy
- Commercial and Procurement Strategy
- Environmental Improvement and Assets Strategy
- Business Change, Information and Technology Strategy

We have also considered plans published by other organisations that look at issues like climate change, house building plans and population change. Our strategies set out what our immediate plans are in response to some of those predicted changes.

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 what has changed over the past years including reflecting and adapting to Covid, the new Customer Safety plan and supporting strategies and equality of access to our services. Within the Plan we set out our approach to flexible resourcing, better availability of on-call fire engines, protecting the built environment, capability changes, our plans for our estate and how we can deliver road safety education.

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 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 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.

Pay awards in 2022/23 were higher than budgeted for and this therefore has an impact on funding requirements in future years. This alongside other commitments such as the cost impact of actuarial valuations on the pension funds for example, results in the need to drive efficiencies and cash savings going forward. Consequently, it is likely that significant savings will need to be achieved in future years to meet these commitments. Savings are currently planned in the MTFP to the value of at least £7m, but more will be needed to meet these pressures. 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 published the long awaited Fire Reform White paper on 18 May 2022, which included plans to introduce reforms to fire safety across England and put the majority of the Grenfell Inquiry recommendations into law.

The White Paper also includes the potential establishment of a College of Fire and Rescue as well as proposing the transfer of fire governance to a single elected individual. It promises an independent

Narrative Report

review into the current pay negotiation process to consider if it is fit for a modern emergency service. These plans were consulted upon with a deadline for responses of 26 July 2022, to which the Authority responded.

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 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. Sometime later the Fire Safety Act 2021 received Royal Assent on 29 April 2021 and came into force on the 16 May 2022. The Authority continues its work to ensure compliance with recommendations made.

Cost of Living Crisis – Rising energy and food prices have seen inflation sit above 9% since April 2022. Crude oil prices have been falling since the end of May; however this is not expected to reduce household utility spending until later into 2023 and the continuation of the war in the Ukraine continues to affect the inflation and availability of numerous supplies. The constant elevated level of inflation has not only triggered a wave of pay demands to compensate workers for the loss of spending power but it also has the potential to impact on the collection rates of Council Tax and Business Rates by the Billing Authorities. Interest rates have remained high which has resulted in the Authority achieving an extra £1m on interest earned on its Treasury deposits for 2022/23 which has helped offset the inflation increases we have seen on our purchases. However, as interest rates begin to fall it is anticipated the Authority will see a reduction in investment income and this has been taken into account within our medium term financial planning.

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 has since sold the site at Thanet which included a large communications mast, so this has helped to reduced the risk to the Authority. We still have masts at Service Headquarters, Sevenoaks, Southborough, Swanscombe and Cranbrook that many be impacted by any new legislation.

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The Development and Performance of the Authority in 2022/23 and Financial Position at 31 March 2023.

Budget Strategy

The Authority's budget for 2022/23 supported delivery of the initiatives detailed in the Customer Safety Plan 2021-2031 (and supporting strategies). 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 so 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.

Operational excellence was one of a number of key themes within the budget strategy for 2022/23, ensuring that people's needs are at the centre of our response, starting with the call-handling team and ending with post-incident care, advice, support and learning from incidents. Alongside this was a drive to demonstrate that we are a professional organisation supported by initiatives such as membership of the Institute of Fire Engineers and access to online learning for operational and support colleagues.

The 2022/23 budget also included significant investment in the Authority's assets such as, replacement fire engines and other vehicles, improving live fire training facilities and other estate redevelopments and upgrading of IT software and core IT infrastructure.

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 £3.970m in General Reserves as at the 31 March 2023, which equates to approximately 5% of the base revenue budget.

At 31 March 2023 the Authority's earmarked reserves are healthy, with a balance of £31.833m. Details of the balances in each reserve and a 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 decreased by £3.802m 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 2023 cash, deposits and investments totalled £45.535m. This comprises of £35.803m which represents the

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money set aside in general and earmarked reserves, £9.856m of unused capital receipts less £124k being the net of other assets and liabilities at the end of the financial year.

Over the next three years £701k 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 (Grant Thornton) Findings Report for 2021/22 was reported to the Audit and Governance Committee meeting on 28 November 2022. However, there is a national issue in relation to the actuarial valuation of pension funds, which is currently resulting in a delay in achieving the formal sign off of the accounts by the Auditor. So at the time of publishing these accounts the audit of the 2021/22 accounts are not yet completed.

As part of the annual Audit of the Financial Statements Auditors are required to give a separate opinion on Value for Money which focuses on the Financial Sustainability, Governance and that the Authority has made proper arrangements for improving economy, efficiency and effectiveness in its use of resources. The Auditors Annual Audit letter was received by the Management team in March 2023 and is due to be presented to the Full Authority at the next available meeting on the 29 June 2023. The report confirmed that the Authority has no areas of significant weakness following its review. It was noted that the Authority has a clear understanding of the medium-term challenges it faces and has ensured the Medium Term Financial Plan (MTFP) is aligned to deliver the outcomes of its key strategies. The Authority has a significant medium term capital programme, with an adequate level of reserves to address unforeseen risks and there is support for future spending plans. Budget reporting is strong and at a sufficient level of detail to enable the Authority to make effective decisions. There is a low turnover on the Corporate Management Board and Committees. It was recognised that the Chief Executive has been in place for almost 12 years and was awarded an OBE at the start of the 2023 for their long-standing service to the fire and rescue sector.

The Public Sector must pay suppliers within 30 days under the Public Contract Regulations 2015, however during Covid the Government encouraged the Public Sector to accelerate payment to suppliers as a matter of urgency to support their survival over the coming months. This Authority was able to reduce its supplier payment timeframe down to 12 days from receipt of invoice and continues to maintain this to ensure the cashflow of its suppliers is sustained to support their survival during these economically difficult times.

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.

The Authority is also required to publish how we deliver the requirements of the National Framework for Fire and Rescue Services and how we obtain assurance that these are both effective and appropriate.

Narrative Report

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 on the Corporate Management Board. 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 reviews how well the service looks after its employees.

The 2022 inspection was undertaken over a six week period running from July to August. The results were published by HMICFRS in January 2023. This rated Kent Fire and Rescue Service as :-

- 'good' at effectively keeping people safe and secure from fire and other risks
- 'outstanding' for efficiently keeping people safe and secure from fire and other risks and
- 'good' at looking after its people

Within the underlying categories of the Efficiency pillar, KFRS was also deemed 'outstanding' within the categories of 'Making best use of resources' and 'Making the fire service affordable now and in the future'. Among the findings presented by HMICFRS is that KFRS is judged to be 'Outstanding in the way it uses its resources and manages its budgets to provide an efficient fire and rescue service for the public'.

Non-Financial Performance

Environmental Improvement and Asset and Fleet Strategy

The Asset and Fleet strategy is one of six strategies agreed by the Authority at the July 2021 meeting, in support of its Customer Safety Plan 2021-25. It sets out how the Authority aims to protect the environment of Kent and Medway in terms of its 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 and replace windows, all of which will improve insulation.

Our estate review identified some land and buildings that were surplus to our current requirements and so we have recently sold land at the old Thanet station site and the 4 houses and land at Faversham. The receipt from these sales will be used to re-invest in our ten year Capital programme for the redevelopment and enhancement of stations and purchase of new vehicles.

In our commitment to reducing our CO₂ emissions we have developed 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 47 hybrid vehicles into our diverse fleet. All of these vehicles are

Narrative Report

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 an insurance premium discount of £45.5k and a £32.4k claims handling saving based on our achievements against Key Performance Indicators (KPI) set by the insurance mutual Fire and Rescue Indemnity Company (FRIC) due to a more effective insurance claims process. Better management information is now being obtained to be able to defend against motor insurance claims made against us and to improve driving styles.

As part of a nationally co-ordinated activity to provide support to the Ukraine we have worked with Fire Aid and the National Fire Chiefs Council (NFCC). Our surplus fire engines and other vehicles and equipment were donated to the cause, to be part of a larger convoy with vehicles and equipment donated from other fire services across the country that left the UK from our Ashford fire station.

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 5,175 fires in 2022/23 (3,673 in 2021/22) which was higher than the performance in previous years. The three-year average outturn for the 2022-25 period is 4,429 fires, which is higher than the target of 4,210. The large increase in the number of fires can be attributed to outdoor fires, which were considerably higher than in previous years and are heavily impacted by the weather. The heatwave in 2022 saw the number of fires in July and August double in comparison to the previous three-year average.

Accidental dwelling fires (ADFs) accounted for 18.7% of all the accidental fires attended in 2022/23. 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 2022/23 591 incidents were attended which is higher than the number we have seen in previous years. The last time we reported numbers in this region was 2015. The numbers involved are relatively small but the increase is still significant. However, taking into consideration the months of June and July having the highest number of incidents reported, these can also be linked to the weather and a large amount of those were caused by outdoor fires spreading to properties. The three-year average performance for the medium term period (2022-25) was 553 which is 3.8% worse than the target of 532.

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 2022/23 the Authority attended 1,057 RTCs which is fractionally more than in 2021/22 (1,043). The Authority continues to work with its partners to promote road safety across the county.

A 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 2022/23 the Authority attended 2,304 of these incidents which is lower than the amount attended in the previous year (3,412).

The Authority's response times to life-threatening incidents has declined compared to previous years. In 2022/23 66% of life-threatening incidents were reached within 10 minutes and 76.7% within 12

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minutes. Overall performance is lower 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. In 2022/23, the Authority's Customer Safety teams have delivered 11,228 Safe and Well Visits to customers across the County. In addition to these visits, crews and the taskforce team have delivered 7,588 home safety visits. Our business safety teams carried out 1,089 building inspections as part of our risk-based inspection programme in 2022/23. In addition, the Authority has carried out 2,377 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

We carry out regular benchmarking to see how good we are at providing excellent Customer Service. During 2020/21 we launched the Institute of Customer Service (ICS) business benchmarking tool for external customers to complete an independent survey. We repeated this benchmarking exercise in 2022. The results of the last survey completed by Kent and Medway residents, showed that our satisfaction levels are outstanding and improved on our excellent scores from 2020. 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. Some of the headlines are:-

- We scored 96.3 out of a possible 100, against the UK Customer Satisfaction Index (UKCSI). This is an outstanding result and compares very favourably with the average for local fire services of 83.6 and local Public Sector 72.3
- Using the Net Promotor Score (NPS), KFRS scored 93.0, compared with an average for all sectors of 27.9 and local Public Sector of 12.2
- We scored 1.7 for customer effort indicating that people can easily access our services. This was an improvement on our last score of 2.9 (indicating more effort was required) and much better than the average for all sectors of 5.3 or local Public Sector of 5.8

The Authority has achieved an ICS Service Mark, which is a national standard of recognising an organisation's achievement in customer service.

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 £1.769m of base revenue budget savings as set out in the budget for 2022/23 and over the next four years the Authority has the challenge to make at least £7m of further savings which need to be both sustainable and deliverable so that a high quality and effective service can continue to be delivered.

Narrative Report

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 2023.

Vince Maple
Chair of the Audit and Governance Committee
Kent and Medway Towns Fire Authority

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

26 May 2023

Report of the Auditors to the Members of Kent and Medway Towns Fire Authority

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Report of the Auditors to the Members of Kent and Medway Towns Fire Authority

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

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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								
			2021/22					2022/23
Gross Expenditure	Gross Income	Net		Note	Gross Expenditure	Gross Income	Net	
62,585	-6,682	55,903	Operational Response and Resilience		67,336	-6,742	60,594	
8,410	-791	7,619	Customer Safety, Business Safety and Engagement		8,958	-545	8,413	
25,592	-1,285	24,307	Corporate Teams		25,632	-1,203	24,429	
3,397	-	3,397	Pensions, Financing and Other Costs		2,648	-	2,648	
99,984	-8,758	91,226	Cost of Services	7	104,574	-8,490	96,084	
			Other Operating Expenditure					
-175	-	-175	Gain(-) / Loss on disposal of non-current assets		92	-	92	
			Financing & Investment Income & Expenditure					
56	-	56	Interest payable and similar charges	7	45	-	45	
20,340	-	20,340	Net interest on the defined benefit liability		25,992	-	25,992	
-	-75	-75	Interest and Investment income	7	-	-1,138	-1,138	
-	-6	-6	Gain(-) / Loss on financial instruments carried at fair value through profit or loss	7	-	-79	-79	
			Taxation and Non-Specific Grant Income					
-	-53,201	-53,201	Council Tax income	7	-	-53,239	-53,239	
-	-13,947	-13,947	Non-domestic rates and top-up grant	7	-	-14,280	-14,280	
-	-10,258	-10,258	Non ring-fenced grants	7	-	-10,618	-10,618	
-	-14,025	-14,025	Government grant payable to pension fund	28	-	-14,006	-14,006	
		19,935	Deficit on Provision of Services				28,853	
		-8,731	Surplus(-) on revaluation of property plant and equipment	16			-12,530	
		-37,962	Re-measurements of the net defined benefit liability	16,25			-389,847	
		-46,693	Other Comprehensive Income and Expenditure				-402,377	
		-26,758	Total Comprehensive Income and Expenditure				-373,524	

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 year end balance on the reserve shows the resources that are available to be applied for these purposes in future years.

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 2022/23 Movement in Reserves Statement follows on from the 2021/22 Statement below:

2021/22		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
All figures are in £'000							
Balance at 31 March 2020 brought forward	Notes	-3,710	-38,221	-7,875	-49,806	924,440	874,634
Movement in reserves during 2021/22:							
Deficit on the provision of services	6	19,935	-	-	19,935	-	19,935
<i>Other Comprehensive Income and Expenditure</i>							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-37,350	-37,350
Changes to injury scheme	25	-	-	-	-	-612	-612
Revaluation gains	16	-	-	-	-	-8,752	-8,752
Revaluation losses charged to revaluation reserve		-	-	-	-	21	21
Total Comprehensive Income and Expenditure		19,935	-	-	19,935	-46,693	-26,758

Adjustments between accounting basis and funding basis under regulations

Adjustments to revenue resources

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:

Pension costs transferred to or from the Pensions Reserve:

Net retirement benefits as per IAS19	25	-49,427	-	-	-49,427	49,427	-
Gain in relation to Government grant payable to the pension fund	28	14,025	-	-	14,025	-14,025	-
Employer's contribution to pension schemes	16	12,833	-	-	12,833	-12,833	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	4,279	-	-	4,279	-4,279	-
Accrued annual leave (tr'd to the accumulated absences reserve)	16	104	-	-	104	-104	-

Movement in Reserves Statement

2021/22 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 surplus or deficit on the Provision of Services, in relation to Capital Expenditure (these items are charged to the capital adjustment account)</i>							
Depreciation and impairment of non-current assets	8	-4,964	-	-	-4,964	4,964	-
Revaluation gains/losses on property, plant and equipment	16	690	-	-	690	-690	-
Revaluation gains/losses on assets held for sale	16	3	-	-	3	-3	-
Derecognition of non-current assets and non-current assets held for sale	8	-1,420	-	-	-1,420	1,420	-
Total adjustments to revenue resources		-23,877	-	-	-23,877	23,877	-
Adjustments between revenue and capital resources							
Transfer of cash sale proceeds as part of the gain/(loss) on disposal		1,604	-	-1,604	-	-	-
Administrative costs of non-current asset disposals		-9	-	9	-	-	-
Statutory provision for the repayment of debt	16,22	112	-	-	112	-112	-
Voluntary provision for the repayment of debt	16,22	857	-	-	857	-857	-
Capital expenditure funded from revenue contribution	16,22	1,989	-	-	1,989	-1,989	-
Total adjustments between revenue and capital resources		4,553	-	-1,595	2,958	-2,958	-
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22	-	-	-	-	-	-
Total adjustments to capital resources		-	-	-	-	-	-
Net (increase)/decrease before transfer to Earmarked Reserves							
	15	610	-	-1,595	-984	-25,774	-26,758
Transfers to/from Earmarked Reserves		-660	660	-	-	-	-
(Increase)/Decrease in 2021/22	16	-50	660	-1,595	-984	25,774	-26,758
Balance at 31 March 2022		-3,760	-37,561	-9,470	-50,791	898,666	847,875
<i>Amounts held for revenue purposes</i>		-3,760	-14,884	-	-18,644	1,011,807	993,163
<i>Amounts held for capital purposes</i>		-	-22,677	-9,470	-32,147	-113,141	-145,288

Movement in Reserves Statement

2022/23

All figures are in £'000

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Balance at 31 March 2022 brought forward		-3,760	-37,561	-9,470	-50,791	898,666	847,875
Movement in reserves during 2022/23:							
Deficit on the provision of services	6	28,853	-	-	28,853	-	28,853
<i>Other Comprehensive Income and Expenditure</i>							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-383,852	-383,852
Changes to injury scheme	25	-	-	-	-	-5,995	-5,995
Revaluation gains	16	-	-	-	-	-13,035	-13,035
Revaluation losses charged to revaluation reserve		-	-	-	-	505	505
Total Comprehensive Income and Expenditure		28,853	-	-	28,853	-402,377	-373,524

Adjustments between accounting basis and funding basis under regulations

Adjustments to revenue resources

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:

Pension costs transferred to or from the Pensions Reserve:

Net retirement benefits as per IAS19	25	-49,160	-	-	-49,160	49,160	-
Gain in relation to Government grant payable to the pension fund	28	14,006	-	-	14,006	-14,006	-
Employer's contribution to pension schemes	16	13,711	-	-	13,711	-13,711	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	529	-	-	529	-529	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	-131	-	-	-131	131	-

Movement in Reserves Statement

2022/23 continued		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
All figures are in £'000							
<i>Reversal of entries included in the surplus or deficit on the Provision of Services, in relation to Capital Expenditure (these items are charged to the capital adjustment account)</i>							
Depreciation and impairment of non-current assets	8	-5,051	-	-	-5,051	5,051	-
Revaluation gains/losses on property, plant and equipment	16	249	-	-	249	-249	-
Revaluation gains/losses on assets held for sale	16	-	-	-	-	-	-
Assets sold written out as part of the gain/(loss) on disposal		-1,986	-	-	-1,986	1,986	-
Total adjustments to revenue resources		-27,833	-	-	-27,833	27,833	-
Adjustments between revenue and capital resources							
Transfer of non-current asset sale proceeds as part of the gain/(loss) on disposal		1,906	-	-1,906	-	-	-
Administrative costs of non-current asset disposals		-12	-	12	-	-	-
Statutory provision for the repayment of debt	16,22	73	-	-	73	-73	-
Voluntary provision for the repayment of debt	16,22	755	-	-	755	-755	-
Capital expenditure funded from revenue contribution	16,22	2,073	-	-	2,073	-2,073	-
Revenue Expenditure Funded from Capital Under Statute	16,22	-297	-	-	-297	297	-
Total adjustments between revenue and capital resources		4,498	-	-1,894	2,604	-2,604	-
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22	-	-	1,508	1,508	-1,508	-
Total adjustments to capital resources		-	-	1,508	1,508	-1,508	-
Net (increase)/decrease before transfer to Earmarked Reserves							
	15	5,518	-	-386	5,132	-378,656	-373,524
Transfers to/from Earmarked Reserves		-5,728	5,728	-	-	-	-
(Increase)/Decrease in 2022/23	16	-210	5,728	-386	5,132	-378,656	-373,524
Balance at 31 March 2023		-3,970	-31,833	-9,856	-45,659	520,010	474,351
<i>Amounts held for revenue purposes</i>		-3,970	-8,528	-	-12,498	643,006	630,508
<i>Amounts held for capital purposes</i>		-	-23,305	9,856	-33,161	-122,996	-156,157

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 2022	All figures are in £'000	Notes	31 March 2023
	Property, Plant and Equipment		
98,485	Land and buildings	8	107,814
13,635	Vehicles, plant and equipment	8	13,663
1,408	Assets under construction	8	3,145
924	Surplus assets not held for sale	8	30
	Other Long Term Debtors:		
-	Net LGPS pension asset	25	242
114,452	Long Term Assets		124,894
	Short Term Investments		
37,999	Short Term Investments	9	37,794
520	Assets Held for Sale	12	-
436	Inventories		286
14,049	Short term Debtors	10	12,635
11,681	Cash and Cash Equivalents	9,11	7,879
64,685	Current Assets		58,594
	Short Term Borrowing		
-300	Short Term Borrowing	9	-301
-12,645	Short Term Creditors	13	-12,598
-1,396	Provisions	14	-1,239
-14,341	Current Liabilities		-14,138
	Long Term Borrowing		
-701	Long Term Borrowing	9	-400
	Other Long Term Liabilities:		
-507	Long Term Creditors	13	-
-967,519	Firefighters' pension liability	25	-643,301
-43,944	Net LGPS pension liability	25	-
-1,012,671	Long Term Liabilities		-643,701
-847,875	Net Assets		-474,351
	Usable Reserves:		
-3,760	General reserves	15	-3,970
-37,561	Earmarked reserves	15	-31,833
-9,470	Usable capital receipts		-9,856
	Unusable Reserves		
898,666	Unusable Reserves	16	520,010
847,875	Total Reserves		474,351

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 2022	All figures are in £'000	Notes	31 March 2023
Operating Activities			
Cash Outflows			
63,066	Cash paid to and on behalf of employees		70,548
63	Interest paid		47
15,418	Cash paid to suppliers of goods and services		22,146
78,547	Cash outflows generated from operating activities		92,741
Cash inflows			
-51,160	Precepts received		-53,911
-	Other Local Govt Finance Settlement Grants		-1,027
-6,457	Revenue support grant		-6,655
-3,136	Business Rates		-7,321
-8,514	Business Rate top-up grant		-8,514
-8,548	Other revenue grants		-9,130
-2,196	Cash received for goods and services		-2,317
-63	Interest received		-846
-738	Other operating cash receipts		-412
-80,812	Cash inflows generated from operating activities		-90,134
-2,263	Net cash inflow from operating activity		2,607
Investing Activities			
1,882	Purchase of property, plant and equipment		3,072
-1,595	Proceeds from sale of property, plant and equipment		-1,893
6,693	Temporary investments		-284
6,980	Net cash flows generated from investing activity		895
Financing Activities			
424	Repayment of amounts borrowed	9	300
424	Net cash flows from financing activities		300
5,141	Net increase in cash and cash equivalents		3,802
16,822	Cash and cash equivalents at 1 April	11	11,681
-5,141	Movement in year		-3,802
11,681	Cash and cash equivalents at 31 March	11	7,879

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 2022/23 (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 2022/23. These changes relate to accounting amendments to IAS 8 accounting estimates, IAS 1 disclosure of accounting policies, IAS 12 deferred tax related issues, IFRS 3 Updating a reference to the conceptual framework. 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,

Notes to the Statement of Accounts

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

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 2023 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 2023 is £82m. 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 £301k 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 2023 is £729.620m.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1 year increase in the life expectancy assumption would result in an increase in the Pension Scheme liabilities of £27.909m.

The table on page 68 provides further details on the assumptions used and their financial impact.

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 £3.122m has been set aside in relation to Council Tax debts that may not be received and £290k in relation to Business Rates debts that may not be received. A provision of £1.178m has been set aside for business rate appeals that have yet to be determined. Any variation in actual recovery of Council Tax or Business Rates would affect the final collection fund surplus/deficit position, in particular the financial impact on the cost of living crisis may affect residents ability to pay. This in turn would impact on future year's budgets when recognised in line with statutory requirements.

Notes to the Statement of Accounts

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

					2021/22
	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 and Resilience	41,758	39	41,797	14,106	55,903
Customer Safety, Business Safety and Engagement	5,744	97	5,841	1,778	7,619
Corporate Teams	20,303	277	20,580	3,727	24,307
Pensions, Financing and Other Costs	2,061	526	2,587	810	3,397
Net Cost of Services	69,866	939	70,805	20,421	91,226
Other Income and Expenditure			-70,195	-1,096	-71,291
Surplus (-) or Deficit (+)			610	19,325	19,935
Opening General and Earmarked Reserves Balance			41,931		
Less Deficit on General Fund in the year			-610		
Closing General and Earmarked Reserves Balance			41,321		

Notes to the Statement of Accounts

All figures are in £'000

2022/23

	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 and Resilience	49,759	196	49,955	10,639	60,594
Customer Safety, Business Safety and Engagement	6,811	188	6,999	1,414	8,413
Corporate Teams	21,617	575	22,192	2,237	24,429
Pensions, Financing and Other Costs	60	2,191	2,251	397	2,648
Net Cost of Services	78,247	3,150	81,397	14,687	96,084
Other Income and Expenditure			-75,879	8,648	-67,231
Surplus (-) or Deficit (+)			5,518	23,335	28,853

Opening General and Earmarked Reserves Balance	41,321
Less Deficit on General Fund in the year	-5,518
Closing General and Earmarked Reserves Balance	35,803

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.

				2021/22					2022/23
Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments	All figures are in £'000	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments	
3,673	10,457	-24	14,106	Operational Response and Resilience	4,602	5,931	106	10,639	
210	1,586	-18	1,778	Customer Safety, Business Safety and Engagement	50	1,355	9	1,414	
388	3,401	-62	3,727	Corporate Teams	150	2,071	16	2,237	
-	810	-	810	Pensions, Financing and Other Costs	297	100	-	397	
4,271	16,254	-104	20,421	Net Cost of Services	5,099	9,457	131	14,687	
-3,132	6,315	-4,279	-1,096	Other Income and Expenditure from the Funding Analysis	-2,809	11,986	-529	8,648	
1,139	22,569	-4,383	19,325	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Deficit	2,290	21,443	-398	23,335	

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	2021/22	2022/23
Employee expenses	65,790	71,785
Other operating expenses	13,773	18,399
Depreciation	4,964	5,051
Revaluation gains (-) on property, plant and equipment	-693	-249
IAS19 adjustment	16,254	9,457
Employee leave accrual adjustment	-104	131
Expenditure charged to Cost of Services	99,984	104,574
Government grants and contributions	-5,936	-5,513
Fees, charges and other service income	-2,822	-2,977
Income credited to Cost of Services	-8,758	-8,490
Net expenditure charged to Cost of Services	91,226	96,084
Interest payments	56	45
Pensions interest cost	21,797	28,111
Expected return on pensions assets	-1,505	-2,170
LGPS administration expenses	48	51
Gain (-) / Loss on disposal of assets	-175	92
Expenditure charged to Provision of Services	20,221	26,129
Pension fund top-up grant	-14,025	-14,006
Interest and investment income	-75	-1,138
Gain (-) / Loss on financial instruments carried at fair value through profit or loss	-6	-79
Income from Council Tax	-53,201	-53,239
Income from Business Rates and top-up grant	-13,947	-14,280
Non-ring fenced Government grants	-10,258	-10,618
Income credited to Provision of Services	-91,512	-93,360
Expenditure and Income charged to Provision of Services	-71,291	-67,231
Deficit on Provision of Services	19,935	28,853

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	2021/22	2022/23
Revenue from contracts with service recipients:		
Operational Response and Resilience – provision of fire cover	2,186	2,312
Total included in Comprehensive Income and Expenditure Statement	2,186	2,312

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

All figures are in £'000s	2021/22	2022/23
Receivables, which are included in debtors net of VAT (Note 10)	365	486
Total included in Net Assets	365	486

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	2021/22	2022/23
Not later than one year	2,206	2,428
Later than one year and not later than five years	9,702	8,386
Amounts of transaction price fully unsatisfied	11,908	10,814

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". Expenditure incurred during the year that is capital under statutory provisions but that does not result in the creation of a non-current asset is charged to the Comprehensive Income and Expenditure Statement in the year that it occurs and then reversed out through the Movement in Reserves Statement to ensure there is no impact on the council tax payer.

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

Notes to the Statement of Accounts

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.

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 2023 the Authority had capital commitments of £2.728m in relation to new vehicle purchases and some premises expenditure (£3.427m at 31 March 2023).

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

Class Of Asset	Asset life for depreciation purposes
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 2023.

	Operational	Surplus	Held for sale
Fire Stations	56	-	-
Headquarters	1	-	-
Residential houses	20	-	-
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

Notes to the Statement of Accounts

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 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.

The 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

2021/22					
All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2021	92,469	32,041	3,656	-	128,166
Additions	-9	1,402	596	-	1,989
Revaluation increases/(decreases) recognised in the revaluation reserve	8,475	140	-	116	8,731
Revaluation increases recognised in the deficit on the provision of services	682	9	-	-1	690
De-recognition – disposals	-	-1,989	-	-	-1,989
Assets reclassified	-	-587	-	1,372	785
Assets under construction completed in year	-	2,844	-2,844	-	-
Other movements in cost or valuation	-3,132	-130	-	-563	-3,825
Cost or Valuation at 31 March 2022	98,485	33,730	1,408	924	134,547
Accumulated Depreciation and Impairment at 1 April 2021	-	-20,877	-	-	-20,877
Depreciation/impairment charge	-3,132	-1,819	-	-13	-4,964
Assets Reclassified	-	550	-	-550	-
De-recognition – disposals	-	1,921	-	-	1,921
Other movements in depreciation and impairment	3,132	130	-	563	3,825
Accumulated Depreciation and Impairment at 31 March 2022	-	20,095	-	-	-20,095
Net Book Value at 31 March 2022	98,485	13,635	1,408	924	114,452
Net Book Value at 31 March 2021	92,469	11,164	3,656	-	107,289

Notes to the Statement of Accounts

2022/23

All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2022	98,485	33,730	1,408	924	134,547
Additions	438	1,641	1,858	-	3,937
Revaluation increases/(decreases) recognised in the revaluation reserve	12,020	173	-	337	12,530
Revaluation increases recognised in the deficit on the provision of services	244	5	-	-	249
De-recognition – disposals	-178	-805	-	-19	-1,002
Assets reclassified	-	-	-	-1,198	-1,198
Assets under construction completed in year	121	-	-121	-	-
Other movements in cost or valuation	-3,316	-149	-	-14	-3,479
Cost or Valuation at 31 March 2023					
Accumulated Depreciation and Impairment at 1 April 2022	0	-20,095	0	0	-20,095
Depreciation/impairment charge	-3,321	-1,715	-	-15	-5,051
Assets Reclassified	-	-	-	-	-
De-recognition – disposals	5	729	-	1	735
Other movements in depreciation and impairment	3,316	149	-	14	3,479
Accumulated Depreciation and Impairment at 31 March 2023					
Net Book Value at 31 March 2023	107,814	13,663	3,145	30	124,652
Net Book Value at 31 March 2022	98,485	13,635	1,408	924	114,452

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.
- 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 2023	2022	31 March 2023	2022
Investments				
Current Investments ¹	-	-	7,754	4,989
Short term investments ²	-	-	30,040	33,010
Cash and cash equivalents ²	-	-	7,879	11,681
Debtors				
Long term debtors ²	-	-	-	-
Short term debtors ²	-	-	1,647	2,499
Borrowings				
Long term borrowing ²	-400	-701	-	-
Short term borrowing ²	-	-	-301	-300
Cash and cash equivalents ²	-	-	-	-
Creditors				
Long term creditors	-	-507	-	-
Short term creditors ²	-	-	-5,152	-4,289

¹ at fair value through profit and loss using a Level 1 valuation technique

² carried at amortised cost

The fair value of loans borrowed from the Public Works Loan Board (PWLB) is £709k compared to their book value of £701k (£1.055m: £1.001m in 2021/22). The fair value of the loans is higher than the carrying amount because the Authority's portfolio of loans comprises of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional saving (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below 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 2023. If a value was calculated on this basis the carrying amount of £701k would be valued at £740k. However, if the Authority were to seek to make early repayment of the loans to the PWLB, the PWLB would usually charge a penalty which is

Notes to the Statement of Accounts

calculated by comparing the interest rate being paid on the loans to current borrowing rates. As at 31 March 2023, however, if the loans were repaid on that date there would be a discount of £427.

10. Debtors

All figures are in £'000	31 March	
	2023	2022
Central government bodies ¹	747	2,109
Other local authorities ¹	284	165
Collection Fund	5,493	4,237
Pension Fund	3,864	5,871
Other entities and individuals ¹	2,247	1,667
Total Debtors	12,635	14,049

¹ Part is included in the amount shown as short term debtors in Note 9.

Collection Fund debtors at 31 March 2023 are shown net of provisions for bad and doubtful debts £3.413m (£3.213m at 31 March 2022).

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	
	2023	2022
Bank current accounts and cash held by the Authority	53	53
Short term deposits	7,826	11,628
Total Cash and Cash Equivalents	7,879	11,681

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

Notes to the Statement of Accounts

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.

Assets Held for Sale (continued)

All figures are in £'000	2022/23	2021/22
Balance at start of year	520	2,654
Assets newly classified as held for sale	1,198	-
Revaluation gains	-	3
Revaluation losses	-	-
Assets transferred to surplus	-	-785
Assets sold in year	-1,718	-1,352
Total Assets Held For Sale	-	520

13. Creditors

All figures are in £'000	31 March	
	2023	2022
Central government bodies ¹	4,363	5,095
Collection fund receipts in advance	1,524	1,515
Collection Fund creditor	2,174	1,365
Other local authorities ²	1,143	491
Other entities and individuals ^{1,2}	3,394	4,686
Total Creditors	12,598	13,152

¹ Includes part of the amount shown as short term creditors in Note 9.

² Includes part of capital creditors totalling £973k (£131k at 31 March 2022).

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 2023 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be

Notes to the Statement of Accounts

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.

All figures are in £'000	Insurance and General Provision	Non-Domestic Rates Appeals	Total
Balance at 1 April 2022	129	1,267	1,396
Movements in 2022/23:			
Additional provisions made	34	1,179	1,213
Amounts used	-49	-1,267	-1,316
Unused amounts reversed	-54	-	-54
Balance at 31 March 2023	60	1,179	1,239

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.

Notes to the Statement of Accounts

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, for example excessive inflationary increases.

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.

Service Transformation 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 2022/23.

All figures are in £'000	Balance at 1 April 2022	Net Reserve Transfers 2022/23	Balance at 31 March 2023
General Fund Balance	3,760	210	3,970
Earmarked Reserves:			
- Government Grants	3,214	-2,047	1,167
- Infrastructure	27,870	-1,240	26,630
- Insurance and Resource	4,316	-1,245	3,071
- Rolling Budgets	867	-248	619
- Service Transformation and Productivity	1,294	-948	346
Total Earmarked Reserves	37,561	-5,728	31,833
Total General and Earmarked Reserves	41,321	-5,518	35,803

Additional breakdown of Government Grant Reserve balance:

All figures are in £'000	Balance at 31 March 2023
New Dimensions and New Threats	279
Building Risk Review and Protection Uplift	110
Emergency Services Mobile Communications Programme (ESMCP)	347
Pensions Administration for McCloud / Sargeant Remedy	141
75% Local Tax Income Guarantee Grant	290
Total Government Grants Reserve	1,167

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	2022/23	2021/22
Revaluation reserve	-58,096	-48,708
Accumulated Absences account	564	433
Pensions reserve	643,059	1,011,463
Collection Fund Adjustment account	-618	-89
Capital Adjustment Account	-64,899	-64,433
Total unusable reserves	520,010	898,666

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	2022/23	2021/22
Balance at 1 April	-48,708	-42,408
Upward revaluation of assets	-13,035	-8,752
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	505	21
Difference between fair value depreciation and historical cost depreciation	2,009	1,823
Accumulated gains on assets sold or scrapped	1,133	608
Balance at 31 March	-58,096	-48,708

Notes to the Statement of Accounts

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 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	2022/23	2021/22
Balance at 1 April	433	537
Settlement or cancellation of accrual made at the end of the preceding year	-433	-537
Amounts accrued at the end of the current year	<u>564</u>	<u>433</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	131	-104
Balance at 31 March	564	433

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.

Notes to the Statement of Accounts

(Pensions Reserve continued)

All figures are in £'000	2022/23	2021/22
Balance at 1 April	1,011,463	1,026,856
Re-measurements of the net defined benefit liability	-389,847	-37,962
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	35,154	35,402
Employer's pensions contributions and direct payments to pensioners payable in the year	-13,711	-12,833
Balance at 31 March	643,059	1,011,463

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	2022/23	2021/22
Balance at 1 April	-89	4,190
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	672	-2,042
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	-1,201	-2,237
Balance at 31 March	-618	-89

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	2022/23	2021/22
Balance at 1 April	-64,433	-64,735
<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	5,051	4,964
Revaluation (gains) / losses on property, plant and equipment	-249	-690
Revaluation (gains) / on assets held for sale	-	-3
Revenue expenditure funded from capital under statute	297	-
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	853	812
Adjusting amounts written out of the Revaluation Reserve	-2,009	-1,823
<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	-1,508	-
Statutory provision for the financing of capital investment charged against the General Fund	-828	-969
Capital expenditure charged against the General Fund Balance	-2,073	-1,989
Balance at 31 March	-64,899	-64,433

Notes to the Statement of Accounts

17. Officers' Remuneration

This table provides details of actual remuneration for 2022/23 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2021/22 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 shown are in £'000			
2022/23			
Chief Executive – A Millington	165.7	25.7	191.4
Director, Response and Resilience	134.5	38.7	173.2
Director, Prevention, Protection, Customer Engagement & Safety	134.5	20.8	155.3
Director, Finance and Corporate Services	109.1	-	109.1
Assistant Director, Resilience	105.1	30.3	135.4
Assistant Director, Response	105.1	30.3	135.4
Assistant Director, Customer & Building Safety	105.1	30.3	135.4
Assistant Director, People & Learning	62.1	-	62.1
Assistant Director, Corporate Services	102.1	15.8	117.9
	1,023.3	191.9	1,215.2

Notes to the Statement of Accounts

Post Holder Information	Salary and Allowances	Pension Contributions	Total Remuneration inc Pension Contributions
All figures shown are in £'000			
2021/22			
Chief Executive – A Millington	162.1	23.5	185.6
Director, Operations (left 31/7/2021)	42.7	15.9	58.6
Director, Operations (from 10/05/2021) post later renamed to Director, Response and Resilience	117.1	33.7	150.8
Director, Prevention, Protection, Customer Engagement & Safety	131.6	19.1	150.7
Director, Finance and Corporate Services (reduced to 0.81 FTE from 25/10/2021)	120.7	10.7	131.4
Assistant Director, Response (promoted to Director, Operations 10/05/2021)	10.9	3.1	14.0
Assistant Director, Response (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Resilience (left 30/09/2021)	48.3	14.0	62.3
Assistant Director, Resilience (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Customer & Building Safety (left 11/11/2021)	52.3	15.0	67.3
Assistant Director, Customer & Building Safety (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, People & Learning* (reduced to 0.61 FTE from 01/12/2021)	86.0	9.5	95.5
Assistant Director, Corporate Services	99.1	14.4	113.5
	1,115.6	229.4	1,345.0

*Change in role title during 2021/22

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Officers' Remuneration (continued)

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	
	2022/23	2021/22
£50,000 - £54,999	76	66
£55,000 - £59,999	74	59
£60,000 - £64,999	32	18
£65,000 - £69,999	13	20
£70,000 - £74,999	22	3
£75,000 - £79,999	2	3
£80,000 - £84,999	3	1
£85,000 - £89,999	4	2
Total	226	172

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.

All figures are in £'000	2022/23	2021/22
Allowances	76	75
Expenses	1	1
Total	77	76

19. External Audit Costs

The following external audit costs were incurred in the year.

All figures are in £'000	2022/23	2021/22
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year*	-	-
Additional Audit Fee 2019/20	-	10
Additional Audit Fee 2020/21	-	15
Additional Audit Fee 2021/22	1	30
Total	1	55

*The fee due for the 2022/23 audit is £47,669

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	2022/23	2021/22
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant	6,655	6,457
Small Business Rate Relief Grant and Compensation	2,756	1,292
Compensation for Additional Business Rate Relief 20/21*	-	-74
Compensation for Additional Business Rate Relief 21/22*	-206	1,585
Compensation for Additional Business Rate Relief 22/23	246	-
Business Rates Levy Account Surplus	125	-
Enterprise Zone Relief Grant	6	-
Local Tax Income Guarantee Scheme 21/22*	-	-82
Transparency Code Set-Up Grant	8	8
Covid-19 Grant	1	115
Local Council Tax Support Grant	-	956
Services Grant	1,027	-
Credited to Services:		
Firefighter Employer Pension Contributions	3,536	3,536
New Dimensions	973	973
New Threats	39	84
FireLink	474	548
Prevention and Protection Uplift and Accreditation Grants	406	480
Apprenticeship Levy Drawdown	44	48
Redmond Review – Audit Grant	14	14
ESMCP Infrastructure	5	18
Firefighter Pensions Administration	-	94
Office of Rail Regulation - Channel Tunnel Safety Authority	-	51
Road Safety Grants	1	90

Notes to the Statement of Accounts

Building Safety Regulator Compliance	21	-
Total	16,131	16,193

*Grants were estimated to close the 2020/21 and 2021/22 accounts (based on information supplied by billing authorities)

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 KFRS are detailed in Note 10 and amounts owed by KFRS 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 2022/23 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.

The Monitoring Officer for the Authority is provided by the Monitoring Officer at Medway Council.

Kent County Council - The Authority contracts with the County Council for the provision of various services and the amount paid for 2022/23 was £263k (£339k in 2021/22). The services purchased include treasury administration until 3 October 2022 (when it was brought back in-house), pension administration, IT network services and internal audit.

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 – Kent Fire and Rescue Service continue to work with the Trust to provide co-responding support, which results in us attending a number of incidents and we 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.

BlueLight Commercial – This was established in 2020 by the Home Office, to work in collaboration with blue light organisations and local/national suppliers, to help transform their commercial services. The organisation has been set up as a not for profit, private company limited by guarantee. It is owned by the Police and Crime Commissioners. The Police and Crime Commissioner for Kent is a voting member of the Fire Authority and is Chair of the BlueLight Commercial Board. Membership is open to any organisation with a purpose or interest in the delivery of efficient and effective commercial services in support of blue light services. The Authority is named as a participating organisation on a BlueLight Commercial Contract and has spent £1.6m this year through the framework, further orders have been placed for vehicles but delivery is not expected until next financial year.

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	2022/23	2021/22
Opening Capital Financing Requirement	1,829	2,798
Capital Investment		
Property, Plant and Equipment	3,937	1,989
Revenue expenditure funded from capital under statute	297	-
Sources of Finance:		
Capital Receipt	-1,508	-
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-2,073	-1,989
Minimum Revenue Provision	-73	-112
Voluntary Revenue Provision	-755	-857
Closing Capital Financing Requirement	1,654	1,829
<i>Explanation of movements in year:</i>		
Decrease in underlying need to borrow	-175	-969
Change in Capital Financing Requirement	-175	-969

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:

	2022/23	2021/22
Not later than one year	827	785
Later than one year and not later than five years	3,184	3,251
Later than five years	17	623
Total	4,028	4,659

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24. Termination Benefits

Exit Packages by Cost Band

Cost Band £	2022/23				2021/22			
	Compulsory Redundancies No.	£'000	Other Departures Agreed No.	£'000	Compulsory Redundancies No.	£'000	Other Departures Agreed No.	£'000
0k - 20k	-	-	6	90	-	-	6	57
20k - 40k	-	-	-	-	-	-	-	-
40k - 60k	-	-	-	-	-	-	1	42
60k - 80k	1	66	-	-	-	-	-	-
Total	1	66	6	90	-	-	7	99

The cost of exit packages detailed above include statutory / discretionary redundancy costs and payments in lieu of notice. In addition to the above, four flexible retirements were agreed during 2022/23 at a cost of £158k.

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.

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

Fire Scheme - 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 two 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. The LGPS became a Career Average Revalued Earnings (CARE) scheme from 1 April 2014.

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

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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.

- 2. The 2015 Firefighters' Pension Scheme (2015 FPS) for which the Authority is the Scheme Manager and is therefore responsible for managing and administering the scheme** - Firefighters' employed by the Authority can join the 2015 Firefighters' Pension Scheme. Previously, some members will have built up final salary benefits in the 1992 Firefighters' Pension Scheme and/or the 2006 Firefighters' Pension Scheme but these schemes were closed to active membership on 31 March 2022. From 1 April 2022 all active firefighter membership is in the 2015 Firefighters' Pension Scheme, which 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 2015 Firefighters' Pension Scheme is a defined benefit scheme however, the scheme is unfunded and DLUHC 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. In 2022/23 the Authority paid £9.049m (£8.462m in 2021/22) into the Firefighters' Pension Fund in respect of firefighters' retirement benefits. The employer contribution rate was 28.8% for 2022/23. In addition £729k was paid by the Authority into the Fund in respect of ill-health charges (£579k) and non-abated pensions (£150k).

The Authority is responsible for the cost of any benefits awarded due to injury, including injury related lump sums and injury 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.

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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.

McCloud / Sargeant Case

On 28 February 2023 the Government published the consultation on Public Service Pensions: Firefighters' Pensions (Amendment) Regulations 2023, to enact the second phase of the remedy in the McCloud / Sargeant cases. The 1992 and 2006 Firefighters' Pension Schemes (legacy schemes) were closed to active membership on 31 March 2022, meaning from 1 April 2022 all those who continue in service will do so as members of the 2015 FPS, so this consultation sets out the background to the retrospective (second phase) part of the remedy in relation to the period 1 April 2015 to 31 March 2022. The scope and proposed arrangements for the second phase of the remedy are broadly in line with previous expectations and the implications of the remedy are reflected in the pension valuations as at 31 March 2023.

In November 2022 the Government confirmed that the cost of compensation in relation to the injury to feelings claims that were made as part of the McCloud / Sargeant (age discrimination) litigation will be fully met by the Government.

Changes in employer contribution rates were initially due to be implemented from April 2023, but the implementation of the McCloud remedy reforms and the review of the cost control mechanism means that this has now been delayed until April 2024.

Matthews / O'Brien Case

On 31 March 2023 the Government published the consultation on proposed changes to the Firefighters' Pension Scheme (England) Order 2006. The Government has committed to provide further remedy to people employed as retained Firefighters between 7 April 2000 and 5 April 2006, by giving them the opportunity to purchase their pre-July 2000 service and have this included in their pension entitlement.

No allowance has been made in the IAS19 disclosure at 31 March 2023, as much of the service history and pay data is no longer held by the Authority. Where the Authority is unable to determine the period of the person's service from their records, the person may provide the Authority with relevant documentation (i.e. a contract of employment). If the Authority holds no record and the person can not provide the necessary documents, the Authority may determine that the person does not have service during that period, meaning there is no entitlement to join the pension scheme/purchase service in respect of that period.

The Home Office intends to introduce this legislation as soon as it is reasonably practical to do so, although it is expected to come into force in October 2023. Fire and Rescue Authorities will be expected to commence the 2023 Options exercise as soon as is reasonably practical after the legislation comes into force. The exercise will run for a period of 18 month's.

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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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Comprehensive Income and Expenditure Statement								
<i>Service cost comprising:</i>								
Current service cost	6,750	7,510	15,552	19,753	766	1,014	23,068	28,277
Past service costs	-	580	100	230	-	-	100	810
<i>Financing and Investment Income and Expenditure:</i>								
Net interest expense	1,162	959	24,093	18,804	737	577	25,992	20,340
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,912	9,049	39,745	38,787	1,503	1,591	49,160	49,427
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Return on Plan assets (excluding the amount in net interest expense)	1,084	-188	-	-	-	-	1,084	-188
Actuarial gains and losses arising on changes in:								
Financial assumptions	-61,898	-8,479	-389,355	-30,386	-8,672	-684	-459,925	-39,549
Demographic assumptions	-2,990	-	-	-	-	-	-2,990	-
Experience loss/gain(-) on defined benefit obligations	15,633	233	55,172	1,470	2,677	72	73,482	1,775
Other actuarial losses/gains(-)	-1,498	-	-	-	-	-	-1,498	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	-41,757	615	-294,438	9,871	-4,492	979	-340,687	11,465
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-7,912	-9,049	-39,745	-38,787	-1,503	-1,591	-49,160	-49,427
<i>Actual amount charged against the General Fund Balance for pensions in the current year:</i>								
Employer's contributions payable to scheme	2,429	2,439	9,780	8,965	-	-	12,209	11,404
Retirement benefits payable to pensioners	-	-	-	-	1,502	1,429	1,502	1,429

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	2022/23	2021/22
Present value of the defined benefit obligation:		
Local Government Pension Scheme	-86,319	-126,815
Fire Pension Schemes	-643,301	-967,519
Fair value of assets in the Local Government Pension Scheme	86,561	82,871
Net liability arising from defined benefit obligation	-643,059	-1,011,463

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	2022/23	2021/22
Opening fair value of scheme assets	82,871	80,134
Interest income	2,170	1,505
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount in the net interest expense	-1,084	188
Other actuarial gains	1,498	-
Administration expenses	-51	-48
Contributions from employer	2,429	2,439
Contributions from employees into the scheme	1,080	978
Benefits paid	-2,352	-2,325
Closing fair value of scheme assets	86,561	82,871

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 £1.086m (2021/22: £1.693m).

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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
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Balance at 1 April	-126,815	-125,902	-938,417	-951,536	-29,102	-29,552	-1,094,334	-1,106,990
Current service cost	-6,750	-7,510	-15,552	-19,753	-766	-1,014	-23,068	-28,277
Interest cost	-3,281	-2,416	-24,093	-18,804	-737	-577	-28,111	-21,797
Contributions from scheme participants	-1,080	-978	-4,240	-3,866	-	-	-5,320	-4,844
<i>Re-measurement (gains) and losses - actuarial gains/losses arising from:</i>								
changes in financial assumptions	61,898	8,479	389,355	30,386	8,672	684	459,925	39,549
change in demographic assumptions	2,990	-	-	-	-	-	2,990	-
Past service cost	-	-580	-100	-230	-	-	-100	-810
Experience loss/(gain) on defined benefit obligation	-15,633	-233	-55,172	-1,470	-2,677	-72	-73,482	-1,775
Benefits paid	2,352	2,325	28,026	26,856	1,502	1,429	31,880	30,610
Unfunded pension payments	-	-	-	-	-	-	-	-
Balance at 31 March	-86,319	-126,815	-620,193	-938,417	-23,108	-29,102	-729,620	-1,094,334

Notes to the Statement of Accounts

Local Government Pension Scheme assets comprised:

	31 March 2023		31 March 2022	
	£'000	%	£'000	%
Equity Investments	55,235	64	53,346	64
Gilts	474	1	506	1
Other Bonds	11,369	13	11,442	14
Property	8,640	10	9,734	12
Cash	1,553	2	1,712	2
Absolute Return Fund	6,341	7	6,131	7
Infrastructure	2,949	3	-	-
Total	86,561	100	82,871	100

The table below details percentages of the total Fund held at 31 March 2023 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 2023	
		%	%
		Quoted	Unquoted
Fixed Interest Government Securities	Overseas	1	-
Corporate Bonds	UK	4	-
	Overseas	9	-
Equities	UK	16	-
	Overseas	44	-
Property	All	-	10
Others	Absolute return portfolio	7	-
	Private equity	-	4
	Infrastructure	-	3
	Cash/temporary investments	-	2
Total		81	19

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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	
	2022/23	2021/22	2022/23	2021/22
<i>Mortality assumptions:</i>				
Longevity at 65 for current male pensioners:	21.1	21.6	20.6	20.5
Longevity at 65 for current female pensioners	23.5	23.7	22.9	22.8
Longevity at 65 for future male pensioners	22.3	23.0	21.9	21.8
Longevity at 65 for future female pensioners	25.0	25.1	24.4	24.3
<i>Other assumptions:</i>				
Rate of consumer price index inflation	2.90%	3.20%	2.90%	3.30%
Rate of retail price index inflation	3.30%	3.55%	3.30%	3.60%
Rate of increase in salaries	3.90%	4.20%	3.90%	4.30%
Rate of increase in pensions	2.90%	3.20%	2.90%	3.30%
Rate for discounting scheme liabilities	4.80%	2.60%	4.80%	2.60%

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	0.5%	0.5%	0.1%	0.1%	0.1%	0.1%
<i>Increase or decrease:</i>						
Life expectancy by 1 year	2,777	-2,684	23,936	-22,998	1,196	-1,136
Rate of increase in salaries	924	-886	1,123	-1,116	-	-
Rate of increase in pensions	7,874	-6,810	9,073	-8,835	250	-246
Rate for discounting scheme liabilities	-7,531	8,672	-9,764	10,018	-242	246

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Impact on the Authority's Cash Flows

An actuarial valuation of the Authority's funding position for the LGPS was undertaken as at 31 March 2022 determining the employer contribution rates to be increased from 15.5% to 16.5% for 2023/24, to 17.5% for 2024/25 and to 18.5% for 2025/26. Every 1% increase in the employer contribution rate, this increases the Authority's costs by around £150k per year. The Authority has a funding surplus of £790k as at 31 March 2022, relating to a funding level of 101%.

On 30 March 2023 the Government published their response to the consultation on Public Service Pensions: Consultation on the discount rate methodology. This set out how the Government sets the SCAPE discount rate used in the valuation of unfunded public service pension schemes (e.g. the 2015 FPS) to set the employer contribution rate for the scheme. In recognition of the impact that the proposals would have on the employer pension contribution rate, HM Treasury agreed additional funding for authorities for 2024/25. The commitment from government covers the net outcome (on the employer contribution rate) of the 2020 valuations. That means, if the employer contribution rate payable from April 2024 is equal to or lower than the current employer contribution rate plus the isolated SCAPE impact, the increase from the current rate will be covered in full. If the employer contribution rate payable from April 2024 is higher than the current employer contribution rate plus the isolated SCAPE impact, the additional funding will match the isolated SCAPE impact only. If there are any additional cost pressures for Fire and Rescue Authorities it is hoped that this will be considered in the Local Government Finance Settlement for 2024/25. Additional costs from 2025/26 onwards will need to be considered in the round as part of the negotiations for the next Spending Review period.

Firefighter's that hadn't already transferred over to the 2015 Firefighter CARE Pension Scheme were transferred on 1 April 2022 and all legacy schemes (FPS 1992, FPS 2006 and Modified Scheme) were closed on this date. The Authority expects to make the following ordinary contributions to pension schemes in the year to 31 March 2024: LGPS (16.5%) £2.606m and; 2015 Firefighter Pension Scheme (28.8%) £9.674m. The estimated weighted average duration of the defined benefit obligation for scheme members is 16 years for the Firefighter Schemes and 20 years for LGPS (18 and 23 years respectively in 2021/22).

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.

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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 members have equal voting rights irrespective of size or contribution, the Director of Finance and Corporate Services is a voting member for this Authority. 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 reducing external insurance costs); or reducing the contributions of member FRAs.

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 2022/23 was approved by the Authority in February 2022, 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 £25m.
- The operational boundary, or expected level of debt and other long term liabilities during the year, was set at £21m.

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- The maximum amounts of fixed and variable interest rate exposure were set at 100%
- 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 2023 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 2022/23 was £1,138k which equates to an average rate of 2.14%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £46k.

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 2023
Less than one year	301
Between one and two years	400
Between two and five years	-
More than five years	-
Total	701

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

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exhausted its opportunities for recovering monies.

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility, the impact on the financial instruments held has been considered. 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 2023 the Authority had £7.67m deposited in Treasury Bills, which are secure Government backed assets. There was also £0.3m deposited in instant access accounts, £7.53m deposited in Money Markets, £16.35m in notice accounts and £13.69m in fixed term deposits.

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 2023 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 2023
Less than three months	723
Three to six months	-
Six months to one year	1
More than one year	
Total	724

Firefighters' Pension Fund Account

28. Firefighters' Pension Fund Account

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

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2023. Details of the Authority's long-term pension obligations are shown in Note 25 to the Statement of Accounts.

All figures are in £'000	2022/23 Pension Fund	2021/22 Pension Fund
Contributions receivable:		
Fire Authority:		
Contributions in relation to pensionable pay	-9,049	-8,462
Early retirements (ill health)	-579	-350
Other	-151	-153
Firefighters' contributions	-4,240	-3,866
	-14,019	-12,831
Transfers in from other authorities	-118	-55
Benefits payable:		
Pensions	22,402	21,272
Commutations and lump sum retirement benefits	5,741	5,626
	28,143	26,898
Payments to and on account of leavers:		
Transfers out to other authorities	-	13
Net amount payable for the year	14,006	14,025
Top-up grant payable by the Government	-14,006	-14,025
	-	-

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	2022/23	2021/22
Current assets:		
Contributions due from Fire Authority	74	89
Top-up receivable from the Government	3,864	5,871
Current liabilities:		
Unpaid pension benefits	-133	-285
Other current liabilities ¹	-3,805	-5,675
	-	-

¹ 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

DLUHC

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

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.

Glossary of Terms

SECAmb

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

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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By: Chair of Audit and Governance Committee

To: Audit and Governance Committee – 27 September 2023

Subject: CHAIR OF AUDIT AND GOVERNANCE COMMITTEE'S
REPORT TO THE AUTHORITY

Classification: Unrestricted

FOR DECISION

SUMMARY

This report provides a summary of the activities undertaken during the year by this Committee and therefore demonstrates to the Authority the effectiveness of this Committee in assessing and maintaining the organisation's internal control environment and governance arrangements.

Members of the Audit and Governance Committee have received specialist training and presentations to not only enhance their understanding and knowledge but to also support them in gaining assurance in the breadth of issues within the remit of this Committee. A number of reports have been reviewed and recommendations made.

RECOMMENDATION

Members are requested to:

1. Agree the contents of the report which is to be presented to the next Authority meeting in October 2023.

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services – Alison Hartley
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BACKGROUND PAPERS:

COMMENTS

Background

1. At the February 2021 meeting of the Authority, it was agreed that an Audit and Governance Committee would be established to help support and enhance all the key aspects of good governance. The Chartered Institute of Public Finance and Accountancy (CIPFA) provides clear guidance and a Position Statement on the function and operation of Audit Committees alongside recommended best practice.
2. Audit Committees are a key component of any authority's governance framework and are there to provide an independent and high-level resource to support good governance and strong public financial management. It also provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
3. This annual report of the Committee's work covers the period from September 2022 to September 2023, during which there have been three meetings held. The meetings are essentially timed around key aspects of work that are to be reviewed in a financial year, hence the meetings have been held in, April, September and December and as such cover these main areas of activity: Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting.

Audit and Governance Committee

4. The Committee consists of eleven members and are independent from the Full Authority, meeting three times a year. Mr Vince Maple is the presiding Chair with Mr Stuart Tranter as Vice Chair up to May 2023. The Chief Executive, Director of Finance and Corporate Services, Director of Prevention, Protection Customer Safety and Engagement, Assistant Director of Response, External and Internal Auditors are invited to all Committee meetings.
5. Training is an essential element for an Audit Committee. This year the Committee has received one presentation from Link Asset Group, the Authority's Treasury advisors, which covered the latest economic update and provided an overview and benchmarking of the Treasury functions of the Authority. Further training has also been provided by the Counter Fraud Manager at KCC on Fraud awareness, and the Head of IT has provided a member briefing on Cyber Security following a request from the Committee.

6. The Committee has developed a structured work programme which maps out its activities on an annual basis.

Governance, Risk and Control

7. Members of the Audit and Governance Committee have received and reviewed two reports on the Corporate Risk Register. Members continue to monitor and review the progress made against the identified risk actions of the fifteen Corporate Risks. The Head of IT was invited to attend and present to members a briefing on Cyber Security to ensure members fully understood the potential risks and mitigating actions.
8. The Committee reviewed the Treasury Reports of the Authority and have received a benchmarking presentation from Richard Bason at Link Asset Group which gave assurance that the investments of the Authority were within acceptable risk profiles in comparison with other Fire Authorities and the debt profile of the Authority was in a better position than most comparators. Members of the Committee have also reviewed the key delegations of the Treasury Management function as set out in the Treasury Management Practices and the Mid-Year Treasury report and recommended them to the full Authority for approval at its October 2022 meeting.
9. The Authority is required to formally review its governance arrangements annually and the Audit and Governance Committee carries out this work on its behalf. This is achieved by the production of an Annual Governance Statement (AGS). As part of the governance review, the Committee recommended to the Authority the appointment of an Independent Member to enhance the knowledge and skills of the Committee. Members reviewed the job description and person specification prior to recruitment. An Independent Member to the Audit and Governance Committee was appointed at the June 2023 Authority meeting.

Internal Audit

10. The Internal Audit Service is provided by Kent County Council and the Committee oversees the work undertaken. At the beginning of the year the Committee approved the Internal Audit Plan for 2022/23 which set out the individual audits to be carried out during the financial year.
11. Performance against the plan is monitored through progress reports provided to each meeting, with a verbal update provided by the Internal Audit Manager, who attends the committee meetings. The Annual Report for 2021/22 was presented to the November Audit and Governance Committee for review and consideration and the 2022/23 Internal Audit Annual Report is to be reviewed and considered as part of the Committees suite of papers for the September 2023 meeting.

External Audit

12. The Audit and Governance Committee receives and approves the External Auditor's Annual Audit Plan, which includes the proposed fee and work programme by Grant Thornton, based on the initial fees set by Public Sector Audit Appointments Ltd (the independent company set up by Government to oversee the procurement process). This was presented and reviewed at the April 2023 meeting of this Committee.
13. In order to assist with the External Audit Risk Assessment, it is now a requirement for Officers to provide details of processes around, Fraud, compliance with Laws and Regulations, related parties, an assessment of the Authority as a "Going Concern" and the Authority's accounting estimates. This document was reviewed at the April meeting of this Committee.
14. The Chair of the Authority and the Chair of Audit and Governance have met with the Authority's appointed External Audit Engagement Lead, to discuss the national Audit situation and understand the impact of the timing and resourcing of the audit of the Authority's Financial Statements. They also received an update on the Government proposals to resolve the issues that are now compounding on Local Authority external audits and sign off-of the Financial Statements.

Financial Reporting

15. The Committee has received and considered the draft Financial Statements for 2022/23 as approved by the Director, Finance and Corporate Services. A shorter Summary version of the Statements was also provided alongside a presentation of the key areas by officers of the Authority.

Effectiveness of the Audit and Governance Committee

16. This is the second year of the newly formed Audit and Governance Committee during which specialist knowledge has continued to grow and develop supported by the training that has been provided. This has enabled the Committee to focus in more detail on areas of activity within the remit of this Committee and enables the Authority to demonstrate that it applies relevant guidance to aid best practice.
17. This report has provided a summary of the work completed over the last twelve months, indicating that it is functioning in accordance with best practice and providing independent assurance of the Authority's governance arrangements.

IMPACT ASSESSMENT

18. This update provides further assurance for Members that the Authority has robust governance arrangements in place.

RECOMMENDATION

19. Members are requested to:

- 19.1 Agree the contents of the report which is to be presented to the next Authority meeting in October 2023.

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee - 27 September 2023
Subject: MID - YEAR TREASURY MANAGEMENT AND INVESTMENT
UPDATE 2023/24
Classification: Unrestricted

FOR INFORMATION

SUMMARY

The CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code require the Authority to determine and set the Treasury Management Strategy for the financial year ahead. This was agreed at the Authority meeting on 21 February 2023 and a requirement of the Strategy is to provide a Mid-year update on treasury activity undertaken and the extent of compliance with the agreed prudential indicators.

The Authority continues to prioritise security and liquidity over potential yield, in line with CIPFA guidance. So far this financial year, interest rates have continued to increase, so returns on deposits are higher than they were this time last year. For the first five months of this financial year average cash balances have been approximately £46.3m, which has resulted in an interest yield of £896.4k for that period.

CONCLUSION

Members are requested to:

1. Consider and note this report.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Nicola Walker
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BACKGROUND PAPERS:

COMMENTS

Introduction

1. The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, so as to ensure sufficient funds are available to meet anticipated expenditure before any other consideration is given to optimising investment returns.
2. The second main function of the treasury management service is to ensure that the necessary funding is available, when needed, to meet the agreed commitments set out in the Authority's Capital Plan, whether that's by using the Authority's own cash balances or undertaking any new borrowing. Hence, good treasury management and cashflow planning is key to enable the Authority to meet its capital and infrastructure spending programme.
3. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

Economic Outlook

4. The Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate for the fourteenth consecutive time, at their meeting in August, taking it to 5.25%. Despite the continued increase in the Bank Rate the UK is not forecast to fall into a recession this year, but expectations are that the Base rate could rise still further.
5. **Inflation** - Consumer Price Inflation (CPI) is currently at 6.8% which is well above the MPC's target of 2%. At the start of the year, it was 8.7% and therefore it is falling however this is mainly due to energy prices decreasing sharply over this period and not because inflation as whole is reducing. This is shown within the Core Consumer Price Inflation (CPI without energy and food) which was 6.8% in April and is now at 6.9% which means the MPC are likely to continue increasing the Bank Rate to reduce inflation.
6. **Interest Rate Forecast** - Rates available on deposits from counterparties are significantly higher than those of a year ago. The Authority is currently forecasting investment income of £2,244k for the year compared to a budget set in February of £1,391.5k, but if rates continue to increase the forecast could increase still further. The Authority's Treasury Advisor, Link Asset Services, has provided the following interest rate forecasts:

LINK GROUP – JULY 2023

	End Q3 2023	End Q4 2023	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025	End Q1 2026	End Q2 2026
Bank Rate	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%	2.75%	2.75%	2.50%	2.50%
5yr PWLB Rate	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%	3.60%	3.40%	3.30%	3.30%	3.20%
10yr PWLB Rate	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%	3.70%	3.50%	3.50%	3.50%	3.40%
25yr PWLB Rate	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%	4.00%	3.90%	3.80%	3.80%	3.70%
50yr PWLB Rate	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%	3.80%	3.60%	3.60%	3.50%	3.50%

(PWLB – Public Works Loan Board is a statutory body of the UK Government that provides loans to public bodies)

Treasury Management Strategy and Annual Investment Update

- The Treasury Management Strategy (TMS) for 2023/24 was approved by the Authority on 21 February 2023. This report reflects the current position of the Authority's deposits, which are in line with the Treasury Management Strategy. The appropriate Prudential Indicators can be found at paragraph 14 within this report.
- The table below shows the forecast of funds available for investing, reflecting the expectation that the balance reduces over the year. Depending on how projects progress the investment balance often changes which can result in a higher level of funding being available for depositing with the agreed counterparties.

Table 1 Reserves and Balances	2022/23	2022/23	2023/24	2023/24
Reserves and Balances	Forecast	Outturn	Budget	Revised
	£'000	£'000	£'000	£'000
General reserve	3,970	3,970	4,260	4,260
Earmarked reserves	30,580	31,833	27,106	29,327
Insurance Provision	129	60	129	60
Capital Receipts	9,855	9,856	6,489	8,046
Total Core Funds	44,534	45,719	37,984	41,693
Working Capital Surplus	2,273	887	2,273	887
Under-borrowing	- 1,700	- 953	- 10,508	- 2,765
Expected Investments	45,107	45,653	29,749	39,815

Investment Portfolio

- The Authority's key priority is to ensure security of capital and liquidity and to obtain an appropriate level of return consistent with the Authority's risk appetite. Over the last year,

returns on deposits have been gradually increasing, in line with the Bank of England's bank rate.

10. The Authority held £56.2m of deposits as of 31 August 2023 (£45.5m on 31 March 2023). A breakdown of the Authority's actual deposits and the average interest rates on 31 March 2023 are compared to actual deposits and actual interest rates as at 31 August 2023 in the table below:-

Table 2 Investments and Average Interest Rates	As At 31.03.23		As At 31.08.23	
	Total Investment (£000's)	Average Interest Rate	Total Investment (£000's)	Average Interest Rate
Debt Management Office (Including Treasury Bills)	7,669	3.71%	7,782	5.60%
RBS Group: Royal Bank of Scotland & NatWest	300	1.00%	5,100	5.55%
Barclays Bank plc	5,000	4.30%	5,000	5.40%
Santander UK plc	4,350	3.76%	4,350	4.56%
HSBC	7,000	4.15%	5,000	5.15%
Standard Chartered Bank	5,000	4.06%	5,000	5.29%
Lloyds Bank	6,690	4.30%	7,000	5.71%
Goldman Sachs International Bank	2,000	4.15%	5,000	5.15%
Aberdeen Liq. Fund	-	-	5,000	5.15%
BlackRock Institutional Sterling Liq. Fund	2,526	4.01%	-	-
Aviva Investors Liq. Fund	5,000	4.11%	5,000	5.24%
Goldman Sachs Liq. Reserves	-	-	2,022	5.13%
HSBC Liq. Fund	-	-	-	-
Totals	45,535	4.04%	56,254	5.33%

11. The Director of Finance and Corporate Services confirms that the approved limits were within the Annual Investment Strategy and that there is no expectation that these will be breached.

Borrowing

12. The Authority's capital financing requirement (CFR) for 2022/23 is £1,654k. The CFR denotes the Authority's underlying need to borrow for capital purposes. Of the Authority's underlying borrowing need, £701k has been borrowed from the Public Works Loans Board (PWLb) and £953k has been utilised from the internal cash flow of the authority in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate. The Authority continues to pay off outstanding external loans as they

become due for repayment and has identified no need to borrow externally to fund the existing Capital Strategy, in the current financial year.

13. The current forecast for the CFR for 2023/24 is £3,408k based on the latest capital monitoring. This reflects a reduction from the initial budget as the spend on the Ashford project, which is being funded through internal borrowing, for the short term until interest rates on borrowing have reduced.

Prudential Indicators

14. A Summary of the Prudential Indicators agreed at the Authority meeting in February are detailed below and shown against the 2022/23 outturn figures and revised projections for 2023/24.

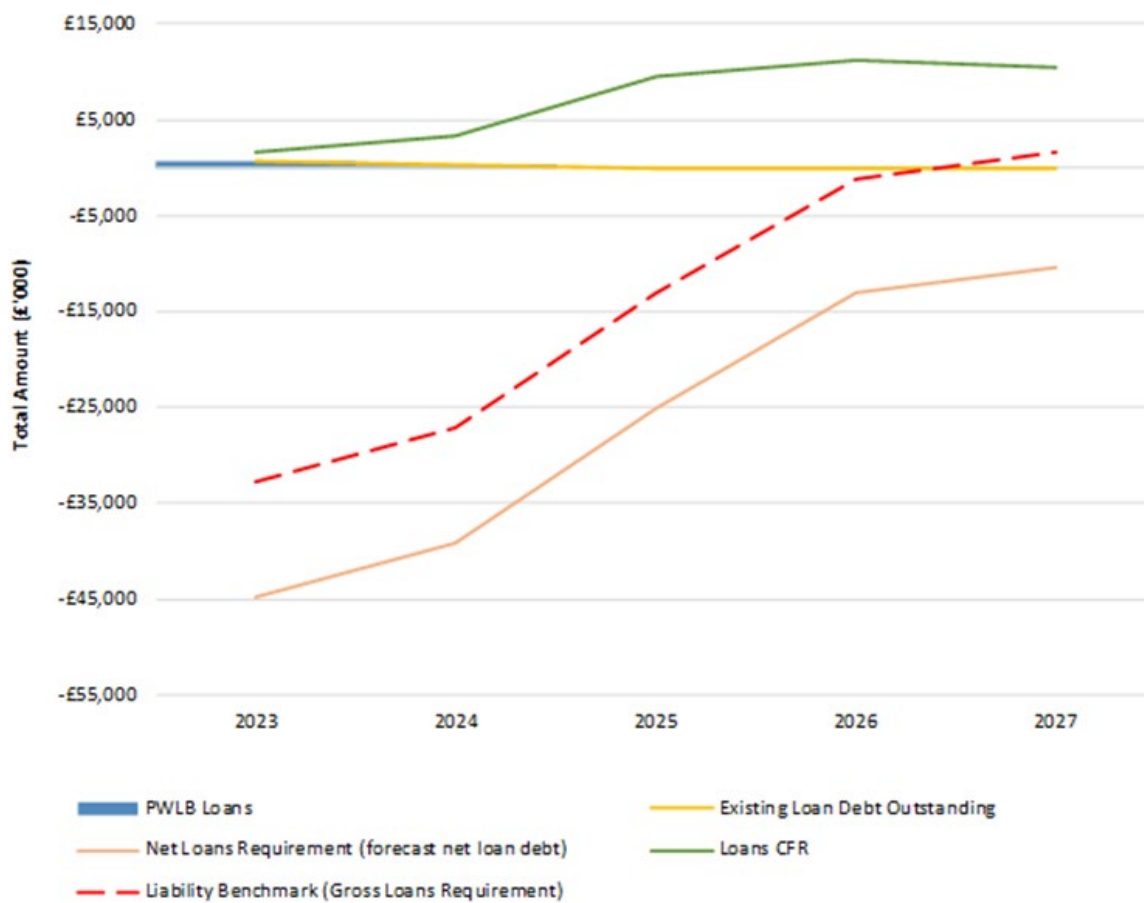
Table 3 Prudential Indicators for affordability, prudence and capital expenditure

	2022/23	2023/24	2023/24
	Outturn	Budget	Revised Budget
	£'000	£'000	£'000
Revenue Expenditure	78,247	85,292	85,292
Revenue Provision for debt repayment	828	1,263	573
Capital expenditure	4,235	16,492	6,859
CFR as at 31 March	1,654	12,167	3,408
Total loans outstanding as at 31 March	701	400	400
Ratio of Financing Costs to Net Revenue Stream	0.34%	1.50%	0.70%

Treasury Indicators

Assumed Operational Boundary for external debt	21,000	23,500	23,500
Assumed Authorised Limit for external debt	25,000	27,500	27,500
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	75%	100%	100%

15. **Debt Liability Benchmark:** is a projection of the optimum amount of loan debt outstanding which the authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows.
16. As the Authority is currently operating with a net cash surplus, the indicator is a measure of the forecast net investment requirement and guides the appropriate size and maturity of investments needed – there is currently no need to borrow externally for capital financing purposes.



IMPACT ASSESSMENT

17. All financial implications associated with servicing the Authority’s loans are able to be contained within the overall budget.

CONCLUSION

18. Members are requested to:

18.1 Consider and note the report.

