KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday 29th January 2026

10:30am

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Thursday 29th January 2026 at 10.30am	Ask for:	Kirsty Driver
Kent Fire and Rescue Service Headquarters, The Godlands, Straw Mill Hill Tovil, Maidstone, ME15 6XB	Telephone:	(01622) 692121

UNRESTRICTED ITEMS

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

A Routine Business

A1. Election of Vice-Chair for 2025/26

A2. Chair's Announcements *(if any)*

A3. Membership Changes and Apologies for Absence

A4. Declarations of Interest in Items on this Agenda

A5. Minutes of the Audit and Governance Meeting held on 25th September 2025 *(for approval)*

B For Decision

B1. External Auditors Audit Findings Report for 2024/25 and Letter of Representation

B2. External Auditors Annual Report for 2024/25

B3. Draft Treasury Management and Investment Strategy 2026/27 – 2029/30

C For Information

C1. Corporate and Strategic Risk Register Update

C2. Internal Audit Progress Update for 2025/26

C3. Anti-Fraud and Corruption Action Plan 2025-27 Update

C4. Collaboration and Partnership Update and Presentation

C5. Community Investment Update

D Urgent Business *(Other Items which the Chair 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).*

Kirsty Driver - Clerk to the Authority

7th January 2026

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 25th September, at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

PRESENT: - Mr V Maple, Mr Mr B Kemp, Mr W Chapman, Mr R Ford, Mr M Hood, Mr N Wibberley, Mr M Munday, Mr A Brady, Mr O Bradshaw, and Mrs J Waterman (Independent Member).

APOLOGIES: - Mr P Webb

OFFICERS:- The Chief Executive, Miss A Millington; Director of Finance, Mr B Fullbrook; Director, Response and Resilience, Mr M Deadman; Director Prevention, Protection and Customer Engagement, Mr J Quinn; Assistant Director, Response, Mr N Griffiths; Head of Finance, Treasury and Pensions, Mrs N Walker; Strategy and Risk Manager, Mr P Goodwin; Head of Policy, Dr O Thompson and the Clerk to the Authority, Mrs K Driver.

ALSO IN ATTENDANCE: - Interim Head of Internal Audit, Mr R Smith and Ms L Taylor Kent County Council (KCC) Internal Audit; Mr M Dean, External Auditor.

UNRESTRICTED ITEMS

1. Election of Chair 2025/26
(Item A1)

(1) Mr Kemp moved, Mr Hood seconded, that Mr Maple be elected Chair of the Audit & Governance Committee.

(2) There being no other nominations, Mr V Maple was declared the elected Chair of the Audit & Governance Committee for 2025/26.

2. Election of Vice-Chair 2025/26
(Item A2)

(1) Mr Bradshaw moved, Mr Chapman Seconded that Mr Ford be elected the Vice-Chair of the Audit & Governance Committee

(2) There being no other nominations, Mr R Ford was declared the elected Chair of the Audit & Governance Committee for 2025/26.

3. Chair's Announcements
(Item A3)

(1) Chair would like to give thanks to Mr Kemp for all his work as the previous Vice-Chair.

(2) Chair welcomes all new Audit & Governance members and thanked those returning members who have previously served the Committee.

4. Membership/Apologies
(Item A4)

(1) Following the last Kent County Council election, there has been a lot of change to their members. Chair listed new member names.
(2) Chair confirmed those who had sent apologies.
(3) Chair introduced Mrs J Waterman, the Independent Person and explained her roles on both Audit & Governance and Kent & Medway Fire & Rescue Authority

5. Declarations of interest in agenda items
(item A5)

(1) No declarations made

6. Minutes of the Audit & Governance Committee – 24th April 2025
(Item A6)

(1) RESOLVED that: -

(a) The minutes of the Authority meeting held on 24th April 2025 be approved and signed as a true record.

7. Annual Review of the Code of Corporate Governance 2025
(Item B1 – Report by Head of Policy)

(1) The Committee considered the report on the Code of Corporate Governance following its annual review.

(2) RESOLVED that: -

(a) The Annual Review of the Code of Corporate Governance 2025, be approved.

8. Corporate and Strategic Risk Update.
(Item B2 – Report by Strategy & Risk Manager)

(1) The Committee received an update on the ongoing work to enhance our approach to corporate and strategic risks.

(2) The Chief Executive Officer gave a brief introduction and explanation of the work the Strategy & Risk Manager does and gave thanks for the work so far.

(3) Mrs Waterman noted that there are "regular" Business Continuity reviews and wanted to know how often these are? Strategy & Risk Manager stated that he has monthly meetings with the Head of Resilience to discuss business continuity and resilience, look at what changes or are needed and what risks need there are to a variety of areas. In addition to this, the Chief Executive Officer explained there is a wide range of ongoing work looking at a variety of risks and the potential consequences in a very detailed way in order to mitigate risk and prepare for all possible outcomes.

(4) In relation to the paragraph stating: "*Where alternative options prevent us from delivering an effective response, a moderate financial loss of up to £100,000 would be tolerated to pursue our objectives, as would minor concerns regarding confidentiality of information or use of data."* Mr Hood wanted to know the kind of circumstances that may apply to. The Chief Executive Officer gave a hypothetical example of a CRMP consultation, where the Authority is considering fire station closures. Should a member of the public decide to take the Authority to court to stop the closure, while Judicial Reviews are rare, they are also expensive. The Authority must be able to tolerate a limit in order to move the Service forward.

(5) Mrs Waterman questioned when the delivery of risk competence and capability training was expected to be delivered. The Chief Executive Officer responded that this is something that is continuously carried out, the most recent example being the health conferences that

have just taken place. The next Fire Futures will include a Change Expert who will be going over Black Box Thinking and managing change.

(6) Mr Maple wanted to draw members attention to the Corporate Risk Management Policy which notes the 10 parts of a Good Risk Culture, and while he feels that everywhere should adopt similar principles, he feels it's a good thing to have it clearly included in the policy itself.

(7) RESOLVED that: -

(a) The refreshed Risk Appetite Statement be approved.

(b) The Risk Tolerance Matrix be approved.

(c) The Tier 2 Policy be approved.

(d) The Risk Diagnostic Tool to be used in 2026 be noted

9. Internal Audit Annual Report and Audit opinion 2024/25
(B3 – Report by R Smith – KCC Internal Audit)

(1) The Interim Head of Internal Audit briefly presented the final Internal Audit Annual Report for 2024/25 for Members to review.

(2) Mrs Waterman wanted clarification on Section 5 areas that are marked as "partial conformity", is this because there isn't adequate evidence to say "generally conforms" or is it that those areas do only partially conform? Interim Head of Internal Audit stated that it is due to evidence not being in place. That while these areas may actually conform, he is being prudent in ensuring there is evidence to show each point.

(3) Mr Brady raised a number of questions relating to the issues noted in the Disaster (Cyber Security) Recovery & Back Up Arrangements. Firstly, is there a plan to review and document Recovery Time Objectives before the Auditors follow up. The Chief Executive officer stated there is. He also wanted to know when the Cyber Incident Response Plan will be developed. The Chief Executive Officer responded that this is underway however, we are looking for a Cyber Security expert and would ideally want them to assist with this, however the search for one is proving difficult. Mr Brady wanted to know how the Authority are ensuring 3rd parties are doing what they need to in order to conform with any measures we put in place. The Chief Executive Officer confirmed that we are in the process of redrawing all terms and conditions of supplier contracts and remapping the supply chain. We are making sure there are clear decisions on who owns what data, what cyber security measures are needed and that even smaller supplier contracts will go into further detail on this area. There are particular issues which affect Fire & Rescue Services, preventing them form getting the top level of certification. This is generally around equipment used in incident command, which is shared and can't be locked to one specific user because of the nature of the situation and how command works. Finally, Mr Brady wanted to know if the AI Policy is being rewritten to include 3rd parties and it was confirmed by the Chief Executive officer that it is.

(4) Mr Hood considered whether we are using the correct metric for the Internal Audit Performance report. He wonders if it would be less complicated to use number of days late, rather than %'s as he isn't sure what the % means in terms of how late things are. The Interim Head of Internal Audit noted that he would be happy to work on the outcomes with the Director of Finance to ensure the Authority is getting the best out of the audit process.

(5) RESOLVED that:

(a) the Internal Audit Annual Report, be approved.

10. The Provisional Revenue and Capital Budget Outturn for 2024/25 – Summary
(Item B4)

(1) The Committee reviewed the summary report which is aimed at providing members with the assurance needed to formally approve the 2024/25 Statement of Accounts.

(2) Mr Wibberley wanted to know if the underspend would be taken into account in the following years and have an impact on future funding. The Director of Finance confirmed that this is not how the funding works and that the underspend would not change the funding in upcoming years.

(3) Mrs Waterman raised a query regarding the cost of written off fire engines and whether the accidents behind these being written off were avoidable? The Head of Finance confirmed that no, these were not avoidable. The appliances were at an incident on the motorway and were hit from behind. While one could be repaired the other could not. Given the amount of time clams take to go through insurance companies, it was not feasible to wait for the claim to be paid before replacing the appliance. The Director, Response and Resilience added that the police had investigated but did not prosecute in this case. As a result of the incident, additional lights have been added to the rear of the appliances, more than are required, in an attempt to further increase visibility. There is also a Driver Support Group which works to improve driving performance, reviews CCTV and ensures things such as the Driving at Work policy are updated. We have also been pushing the need to report every incident, no matter how minor, which means there has been an uptick in the number of reports.

(4) Mr Maple noted the while the issues affecting external audits are not local and are affecting all public sector bodies, many to a much bigger extent than we have seen, can we be confident in the current December completion date? The Director of Finance confirmed that the next Audit & Governance meeting is January, and the deadline for the audited accounts to be signed off is February, making a December completion for the audit a necessity. The External Auditor confirmed that they expected the audit to be completed within the proposed timeframe.

(5) RESOLVED that:

(a) The contents of the Provisional Revenue and Capital Budget Outturn summary be approved.

11. Annual Governance Statement for 2024/25
(Item B5)

(1) Members reviewed the Annual Governance Statement 2024/25

(2) Mr Maple noted that while these documents are very long and can be extremely complex, this one has been done in a way that it is manageable and clear which is beneficial to members.

(3) RESOLVED that:

(a) The Annual Governance Statement 2024/25 be approved.

12. Annual Statement of Accounts 2024/25
(Item B6)

(1) The Head of Finance gave a presentation explaining the key financial statements and what they show. Members received the Annual Statement of Accounts for approval.

(2) Mrs Waterman wanted to know if there was slippage with the Ashford Live Fire project, which was the contractor's fault, are there contractual clauses and penalties to be levied? The Director Prevention, Protection and Customer Engagement confirmed there are penalty options if the contractors were to slip, but this was not currently the case. We are still on track for starting live training in September and handing the keys over in May. The delays with the start of the project were due to protracted negotiations to ensure we got the best value.

(3) Mr Maple thanked Mrs Waterman for the question and noted this is something the Audit & Governance Committee have been monitoring closely and a keen to see the final outcome. He also thanked the Finance team for the clear presentation

(4) RESOLVED that: -

(a) The draft 2024/25 Statement of Accounts be approved.

(b) The remaining contents of the report are noted.

13. External Auditors Final Audit Plan for 2024/25

(Item B7)

(1) Members were presented with the External Auditors Final Audit Plan which provided a summary of the key areas that the Auditors are required to assess.

(2) Mr Maple raised a question over the substantial fee increase and wanted to know if there is any corporate view of why that's the case. He did note that while the increase is substantial, other councils have seen much higher. Mr Dean clarified that it's the first year of the IFRS 16 new leasing standard being applied, which has created uncertainty about the increased workload. The figure is a holding figure and represents the highest it should get, but it may come down.

(3) RESOLVED that:

(a) The External Auditors Final Audit Plan be approved.

(b) The External Auditors' Progress and Sector Update Report be noted.

14. Chair of Audit & Governance Committee's Annual Report to the Authority

(Item B8)

(1) For the benefit of new members, Mr Maple explained that the Authority started Audit & Governance before it was obligatory to do so. It has also always had a Chair who is not from the same party as the Chair of the Authority which demonstrates good governance and scrutiny. The pre-meeting training has also been done for a long time and has proved to be an excellent way to ensure the Committee has a good understanding of the reports they are presented.

(2) RESOLVED that:

(a) The Chair of Audit & Governance Committee's Annual Report to the Authority be approved.

15. Mid-Year Treasury Management and Investment Update for 2025/26

(Item C1)

(1) Members considered the Mid-Year Management and Investment Update.

(2) Mr Brady asked why it was decided to invest £5million in RBS Group and was that because the interest rate was low? The Head of Finance responded that this was one of our more recent deposits and while we like to diversify investments, where it is deposited will depend on the maturity date of the investment. The days of 4% rates are coming to an end.

(3) Mr Brady also wanted to know if we have considered investing in local communities. The Head of Finance confirmed that we do have that ability in the Treasury Management Strategy to lend to Local Authorities, but it does depend on who is looking to borrow. Mr Maple noted that this is an interesting question and one which has the potential for wider debate at a future meeting. The Director of Finance confirmed there is a possibility to review this ready for when we bring the revised treasury strategy in January.

(4) RESOLVED that:

(a) The contents of the Mid-Year Treasury Management and Investment Update be noted.

16. Internal Audit Progress Update for 2025/26

(Item C2)

(1) Members considered the Internal Audit Progress Update.

(2) Mr Brady asked what we would be audited on with the available days. The Chief Executive Officer responded that available time would be used to take a deep dive into the Inspection points.

(3) RESOLVED that:

(a) The contents of the Internal Audit Progress be noted.

10. Urgent/other business

(1) Mr Brady raised a question about the possibility of members visiting local fire stations. Mr Chapman agreed that he felt this would be beneficial and was particularly keen to visit On-Call stations, making mention of the difficulties in recruiting for On-Call roles. While both the Chief Executive Officer and the Director of Response and Resilience understood the reasoning behind this, they also noted that there would be much more benefit in councillors attending exercises (as has been done in the past) rather than the stations. This is for a number of reasons however, but the main issue with attending wholetime/day crewed stations is that there is no way to prevent crews being called to an incident and the councillors wasting their time attending stations with no one available to talk to them. For On-Call crews, the only time they are in the stations together is for their weekly drill nights. These cannot be interrupted, given there is a minimum amount of training hours required per year to remain competent, and those hours are hard to accommodate.

(2) RESOLVED that:

(a) A paper on the issues of On-Call recruitment would be added to the February Authority meeting agenda

Item Number: B1

By:	Director of Finance
To:	Audit and Governance Committee – 29 January 2026
Subject:	EXTERNAL AUDITORS AUDIT FINDINGS REPORT FOR 2024/25 AND LETTER OF REPRESENTATION
Classification:	Unrestricted

FOR DECISION

SUMMARY

This covering report introduces the External Auditor's Audit Findings Report for 2024/25. In accordance with the requirements of the International Standard on Auditing (UK and Ireland) 260 the report is attached at **Appendix 1** for Members' information and consideration. The report highlights the findings that the External Auditors wish to raise having nearly concluded their audit of the 2024/25 Financial Statements. The External Auditors will attend the meeting to present their report and to provide a verbal update on the current status of the audit.

RECOMMENDATIONS

Members are requested to:

1. Consider the matters raised in the Audit Findings Report for 2024/25 (paragraphs 1 to 4 and **Appendix 1** refer).

2. Agree the Letter of Representation (paragraph 6 and **Appendix 2** refer).

COMMENTS

Audit Findings Report

1. To address the significant national backlog in local government audit, the Accounts and Audit (Amendment) Regulations 2024 introduced revised statutory 'backstop' dates by which the final audited financial statements must be published on the Authority's website. For the 2024/25 Financial Statements, this deadline has been pushed back to 27 February 2026 (previously 30 September 2025). Following the Committee's approval of the draft financial statements on 25 September 2025, the Authority's external auditors, Grant Thornton, formally commenced their audit field work in October 2025.

2. With the audit of the 2024/25 Financial Statements nearing completion, the External Auditor's Audit Findings Report for 2024/25 is attached at **Appendix 1**. This report summarises the work undertaken by Grant Thornton for the 2024/25 financial year and provides an overview of their findings to date. It also outlines the formal audit opinion the External Auditor expects to issue regarding the 2024/25 Financial Statements.

3. However, at the time of drafting this report, there are still some areas that are yet to be concluded in their review, and these are detailed on page 5 of **Appendix 1**. As External Audit will present the Audit Findings Report to this meeting, they will update Members on their findings in relation to these remaining issues, at the meeting.

4. In discharging the External Auditors' statutory responsibility to those charged with governance, the report highlights the following key points:-

    (a) The External Auditors, subject to completing the outstanding work, have not identified anything that would require modification of their audit opinion or material changes to the financial statements, and so expect to issue an unmodified audit report in respect of the 2024/25 Financial Statements (**Appendix 1**, page 5).

    (b) At this stage, three minor misclassification and disclosure amendments have been identified and corrected within the final version of the financial statements. Additionally, there are three unadjusted misstatements relating to information provided by third parties; these have not been amended as they are below the established materiality threshold and do not impact the overall audit opinion, details of which are provided below:

        i) **Land Valuation Accuracy (£355k understatement):** Following an internal quality review, the Authority's new valuers identified a spreadsheet error regarding the land value of Ashford Fire Station. This was brought to Officer's attention after the draft financial statements had been published.

Assurances have since been sought from the valuer to ensure that robust controls are in place to prevent a recurrence.

ii) **Property Valuation Timing/Indices (£511k overstatement):** This relates to the BCIS indices used by the valuer for the valuation of fire station buildings. The valuer used February 2025 indices (the latest available for the valuation date of 31 March 2025). Although March indices subsequently became available, utilising them would require the deadline for receipt of the valuation report to be moved to late June. This is not practical given the Authority's short closure timescales and would risk a failure to publish the financial statements within the statutory timeframe.

iii) **Kent Pension Fund (£302k understatement):** A misstatement was identified within the wider Kent Pension Fund held by Kent County Council, with a corresponding impact on this Authority's share of the fund.

(c) The updated External Auditors Code of Audit Practice came into force on 14 November 2024 and introduced targeted changes since the 2020 update aimed at addressing the local audit backlog and enhancing clarity, particularly around Value for Money (VFM) arrangements. Audit work in relation to this was undertaken during the summer months and the final Auditor's Annual Report is presented at item B2 on the agenda.

5. **Audit Fees** - The Public Sector Audit Appointments published fee for the audit work in relation to the 2024/25 financial year is £114,405. However, due to the increased audit work required following changes to accounting treatments in relation to IFRS16 the Auditors have set out their proposed fee at page 39 of the Audit Findings Report (**Appendix 1**).

6. **Letter of Representation** - Formal signing of the Accounts and the issuing of the opinion by the External Auditors only takes place once the Accounts have been approved by Members and the Letter of Representation (a draft copy of which is attached at **Appendix 2** for Members' approval) has been issued to the Auditors by the Director of Finance. This Letter of Representation is a formal statement sent to the External Auditors, the intention of which is to provide assurances as to the robustness of the Authority's approach to the preparation and audit of its Accounts.

7. **Summary** - The Finance team and the External Auditors worked well together during the whole closedown process. All work was successfully completed remotely, and Officers are appreciative of the timely turnaround of information by the External Auditors.

RECOMMENDATIONS

8. Members are requested to:

8.1 Consider the matters raised in the Audit Findings Report for 2024/25 (paragraphs 1 to 4 and **Appendix 1** refer).

8.2 Agree the Letter of Representation (paragraph 6 and **Appendix 2** refer).

Audit Findings (ISA 260) Report for Kent and Medway Fire and Rescue Authority

Year ended 31 March 2025

29 January 2026

Grant Thornton

Kent and Medway Fire and Rescue Authority
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Audit Findings Report for Kent and Medway Fire and Rescue Authority for the year ended 31 March 2025.

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

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

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

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

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

Matt Dean

Director

For Grant Thornton UK LLP

Contents

01 Headlines and status of the audit

Headlines

This and the following summarises the key findings and other matters arising from the statutory audit of Kent and Medway Fire and Rescue Authority (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work has been primarily undertaken between October and December 2025, though final reviews remain ongoing at the date of drafting this report. Our findings are summarised on pages 14 to 35.

Audit adjustments are detailed on page 30. We have also raised recommendations for management as a result of our audit work. These are set out on pages 34 and 35.

As noted, our work is substantially complete, barring the elements highlighted on page 10 and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- completion of the ongoing testing areas (detailed on page 10)
- completion of management and engagement lead review procedures
- receipt of management representation letter; and
- review of the final set of financial statements

On the basis of our work to date, our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts soon after this committee.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

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

We have completed our VFM work, which is summarised on page 37, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We anticipate to be able to certify the completion of the audit upon receipt of confirmation from the NAO that the group audit (Whole of Government Accounts) has been certified and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

However, we are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

We note that this information is relevant to the Fire Authority because it sets out the national audit framework within which all local bodies operate, but with the track record of preparing and signing accounts within a timely fashion means we do not expect this to impact upon your arrangements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The Authority has completed an exercise assessing relevant leases and contracts as to whether they should be accounted for under IFRS 16. The implementation of IFRS 16 has not had a material impact on the financial statements, with the Authority recognising 2 leases with a closing value of **£0.336 million** which we have selected for our detailed testing. In addition, we have reviewed that the appropriate changes have been made to the accounting policies and disclosures in the financial statements for this change in accounting standard.

We note this work is still subject to final review, though at the time of writing this report we have only identified one disclosure error, which is detailed on page 31.

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

🟢	**Non-Payroll employee expenditure** – At the time of writing this report our work remains ongoing in this area
🟡	**Depreciation** - At the time of writing this report our testing remains ongoing in this area
🟡	**Capital Financing and MRP** – At the time of writing this report our testing remains ongoing in this area
🟡	**Completion of internal file and quality review processes**
🟢	**Receipt of signed letters of representation**
🟢	**Review of updated final financial statements and Annual Governance Statement**

Status:
- 🔴 Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- 🟡 Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- 🟢 Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

02 Materiality

Our approach to materiality

As communicated in our Final Audit Plan dated 25 September 2025, we determined materiality at the planning stage as **£2.3 million** based on 2.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft 24/25 financial statements. Given the increase in gross expenditure for 24/25 compared to the prior period we have updated our assessment, utilising the same benchmark as below.

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

Basis for our determination of materiality

- We have determined materiality at **£2.6 million** based on professional judgement in the context of our knowledge of the Authority.
- We have used 2.5% of gross expenditure as the basis for determining materiality.
- We use a benchmark of gross expenditure as the Authority prepares an expenditure based budget for their financial year with the primary objective of providing services to the local community.

Performance materiality

- We have determined performance materiality at **£1.95 million**, this is based on 75% of headline materiality. We have therefore also revised the performance materiality, though we note the benchmark % remains unchanged from planning.

Specific materiality

We have set a lower specific materiality threshold for senior officer's remuneration and exit packages disclosures on an individual basis. This judgement reflects the fact that this note is of particular interest to users of the accounts, as the salaries of senior officers can sometimes attract adverse publicity. The key judgement here is determining the level of error within these disclosures that would lead to a qualification of our opinion.

We have set this threshold at **£100,000** (per officer) for Senior Officer's remuneration and exit packages.

Reporting threshold

- We will report to you all misstatements identified in excess of **£130,000**, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	£2,600,000	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore 2.5% of gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year.
Performance materiality	£1,950,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 75% of overall materiality considering the requirements of ISA 320.
Specific materiality for senior officer remuneration	£100,000 (per officer)	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.
Reporting threshold	£130,000	This is based on a % of overall materiality, where we have applied a 5% benchmark which is consistent with the level communicated in the Audit plan.

03 Overview of significant risks identified

Overview of audit risks

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

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● Green*
Valuation of land and buildings	Significant	↔	×	High	● Green*
Valuation of the pension fund net liability/asset - assumptions applied by the professional actuary in their calculation	Significant	↔	×	High	● Green*

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or significant change to disclosures within the financial statements
● Potential to result in material adjustment or significant change to disclosures within the financial statements
● Likely to result in material adjustment or significant change to disclosures within the financial statements

* Work is in final stages of completion/review

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • Analysed the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Our audit work in this area is complete, subject to final internal quality review. From the work completed, no issues have been identified and we are satisfied that judgements made by management are appropriate and have been determined using a consistent methodology that is not indicative of management bias.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings Potential for misstatement in the financial statements due to errors, fraud, or misinterpretation of the valuation of these assets. The authority revalues high value fixed assets on an annual basis and the remainder of assets on a rolling four yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (**£81.567 million**). We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • Tested revaluations made during the year to see if they had been input correctly into the fixed asset register.	Our work in this area is complete subject to final quality reviews. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. We do note however, during our detailed testing of PPE revaluations, we identified that the external valuer had used February 2025 BCIS cost indices rather than the March 2025 indices, and after updating the valuations and recalculating the full population on this basis, we determined an overall overstatement of **£0.511 million** across the portfolio. Additionally, in our review of the Ashford Fire Station it was noted that the valuer's original land valuation was incorrect due to a spreadsheet error and, following an addendum issued after the financial statements were published, the corrected valuation resulted in an understatement of **£0.335 million**. Further detail on these unadjusted misstatements is provided on pages 32-33.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund net liability/asset - assumptions applied by the professional actuary in their calculation The Authority's pension fund net liability (Local Government Pension Scheme and Firefighters' Pension Schemes), represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (**£615.082 million** in the Authority's balance sheet for 24/25) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net asset/liability as a significant risk. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net asset/liability.	We have: • Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	Our audit work in this area is complete subject to final quality review. We are satisfied that the judgments and estimates made by management regarding the valuation of net pension liability were appropriate. Furthermore, we found no material misstatement arising from management bias as a result of the judgments and estimates made over the valuation. We note from the Kent Pension Fund auditor's response on the Local Government Pension Scheme, that a scheme-asset misstatement was identified which, based on KMFRA's 1.13% share of the Fund, results in a projected **£0.302 million** understatement of the Authority's IAS 19 asset valuation. Further detail on this unadjusted misstatement is provided on page 33.

04 Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £81.567 million at 31 March 2025	Other land and buildings comprises **£74.221 million** of specialised assets, such as the fire stations and training facilities which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (**£7.346 million**) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Cluttons LLP to complete the valuation of properties as at 31 March 2025. Full valuation was performed for all assets within the valuation process with the year end valuation of land and buildings totalling **£81.567 million**.	To address this risk, we considered and completed the following in the course of our testing: • assessment of management's expert; • reviewed the completeness and accuracy of the underlying information used to determine the estimate; • reviewed impact of any changes to valuation method; • reviewed consistency of estimate against our internal valuer's market report; and • obtaining assurance that the disclosure in the PPE note is not materially misstated. Our work in this area is still subject to final quality review though to date we have identified two unadjusted misstatements in relation to the revaluation calculations as detailed on page 32.	● Green (Subject to final review) Subject to final review, we consider the approach adopted by management to be appropriate in the context of the financial reporting framework and the key assumptions are not indicative of management bias.

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability/asset **£615.082 million** at 31 March 2025	The Authorities net pension liability at 31 March 2025 is **£615.082 million** (PY £642.926 million) relating to the Firefighters pension scheme (FFPS) and Nil (PY £Nil) for Local Government Pension scheme (LGPS) after accounting for an IFRIC-14 adjustment of **£16.659 million**, which is applied due to the scheme being in a surplus position of this quantum. The Authority uses Barnett Waddingham LLP to provide actuarial valuations of the Authorities assets and liabilities derived from the Firefighters pension scheme. The Local Government pension scheme is administered by Kent County Council, and again Barnett Waddingham LLP provide the actuarial valuations, where a full actuarial valuation is required every three years. The latest full actuarial valuation for LGPS was based on scheme data as at 31 March 2022 while for Firefighters pension scheme it was based on scheme data as at 31 March 2020.	• We assessed management's actuarial expert and concluded they are competent, capable and objective in producing the estimate; • We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable; • We have assessed the reasonableness of movements in estimate and adequacy of disclosure of estimate in the financial statements. • We have conducted appropriate work to confirm that the application of an asset ceiling, as required by IFRIC 14 is appropriately recognised in relation to the LGPS scheme. • The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out in the table below all assumptions were within the expected range and were therefore reasonable; (continued)	● **Green (Subject to final review)** Subject to final review, we consider the approach adopted by management to be appropriate in the context of the financial reporting framework and the key assumptions are not indicative of management bias.

Assessment:
- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability/asset £615.082 million at 31 March 2025 (continued)	Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We carried out analytical procedures to conclude on whether the Authorities share of LGPS pension assets and LGPS/Fire Fighters Pension liabilities was reasonable. • We have received assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. This response has highlighted resulting in an unadjusted misstatement as detailed on page 33.	

Assumption - LGPS	Actuary value - LGPS	Actuary value - FFPS	PwC range	Assessment
Discount rate	5.85%	5.75%	5.6% - 5.95%	Reasonable
Pension increase rate	2.85%	2.9%	2.85% - 2.95%	Reasonable
Salary growth	3.85%	3.9%	3.85% - 3.9%	Reasonable
Life expectancy – Males currently aged 45/65	Pensioners: 20.7 Future pensioners: 22	N/A	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	Reasonable
Life expectancy – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	N/A	Pensioners: 22.7 – 24.3 Future pensioners: 24.1 – 25.74	Reasonable
Life expectancy (Fire) – Males currently aged 45/65	N/A	Pensioners: 20.5 Future pensioners: 21.9	Pensioners: 20.5 – 21.2 Future pensioners: 21.8 – 22.5	Reasonable
Life expectancy (Fire) – Females currently aged 45/65	N/A	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 23.2 – 23.4 Future pensioners: 24.6 – 24.8	Reasonable

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Business World	ITGC assessment	● Green	● Green	● Green	● Green	Management Override of Controls
iTrent	ITGC assessment	● Green	● Green	● Green	● Green	N/A

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

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05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• A signed letter of representation will be requested ahead of the auditor's report being signed. We have not identified the need for any specific representations at the time of writing.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	• Our review found no material omissions in the financial statements. Details of disclosure changes made to the financial statements following audit review have been set out on page 31.
Audit evidence and explanations	• All information and explanations requested from management were provided as promptly as possible.
Significant difficulties	• No significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.
Other matters	• There are no other matters that we are required to bring to the attention of those charged with governance.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of our work to date, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work in this area is still in progress at this stage.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have nothing to report on these matters from our work to date.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We note that we cannot formally conclude the audit and issue an audit certificate for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2025. We will therefore look to share our certificate upon notification from the NAO that their work is complete. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025 and it will not lead to a delay in us being able to issue our opinion on the financial statements.

06 Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit and Governance Committee should any issues be identified from the remaining ongoing work.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Note 23 – Leases – Right of Use Assets	During our review of the lease liability workings, we identified that the future lease payment figures did not reconcile to the amounts disclosed in the draft financial statements. Upon review of the underlying schedules and through discussions, Management have confirmed that amendments were required to this section of Note 23. The revision results in a net reduction of **£851,000** in the future lease payments disclosure. Consequently, the total disclosed amount has decreased from **£3.723 million** in the draft accounts to **£2.872 million**.	✓
Note 8 – Property Plant and Equipment	Upon review of the financial statements and our reconciliation of the notes to the Fixed Asset Register we identified that there was a transposition error between the Additions and reclassifications from Assets under Construction. Management have noted this was due to a formula error within the workings and have adjusted the disclosure on this basis. The resulting impact was an increase to Additions and reduction to Assets Under Construction completed in year to the value of **£0.711 million**.	✓
Throughout	Minor typographical errors have been identified through our review of the financial statements that management have confirmed will be adjusted.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Remeasurement of the Net Defined Benefit Liability/(Asset) - In response to our letter the auditors of the Kent Pension Fund (KPF) identified a misstatement of **£26,711k** in relation to the scheme assets. This arose due to a difference between the updated net asset position reported in the KPF financial statements (**£8,451,611k**) and the pension fund asset values provided to the actuary (**£8,424,900k**), resulting in a total variance of **£26,711k** for the Fund. Kent and Medway Fire and Rescue Authority's (KMFRA) share of the KPF is **1.13%,** giving rise to a projected understatement impact of **£302k** on the Authority's IAS 19 asset valuation.	Dr Remeasurement of the Net Defined Benefit Liability/(Asset) 302	Cr Asset Ceiling Adjustment (302)			Immaterial - Projected misstatement
Revaluation of Land and Buildings - During our review of the PPE revaluations, we identified an error in the valuer's report relating to the land valuation for Ashford Fire Station. The original report stated a land value of **£113,481**. Following publication of the financial statements, the valuer issued an addendum confirming that this figure was incorrect and had resulted from a spreadsheet error. The corrected valuation determined a revised land value of **£469,005**, resulting in an understatement of **£355,524** within the draft financial statements. The client has not adjusted the accounts or the Fixed Asset Register for this difference on the basis that the misstatement is considered immaterial, and notification of the error was received after the accounts had been published.	Cr Surplus(-) / Deficit on revaluation of property, plant and equipment (355)	Dr Property, Plant and Equipment - Land and Buildings 355			Immaterial

Audit adjustments

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Revaluation of Land and Buildings - Within our detailed testing on revaluation of Property, Plant and Equipment (PPE), we identified that the External valuer had utilised BCIS cost indices from February 2025 when determining the valuations of specialised assets. We therefore completed an assessment of updating the valuations to utilise the March 2025 BCIS indices, and we recalculated the full fire station portfolio on this basis. Our recalculation resulted in an overall overstatement of **£511,128** across the portfolio.	DR Surplus(-) / Deficit on revaluation of property, plant and equipment 511	CR Property, Plant and Equipment - Land and Buildings (511)			Immaterial
Overall impact of current year unadjusted misstatements	458	(458)	0	0	

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	**Completeness of Expenditure** - In our review of the completeness of expenditure, our testing identified an invoice that had been incorrectly removed from the closing Goods Received Not Invoiced (GRNI) accrual assessment and thus was accounted for within the wrong financial year. We therefore reviewed the full breakdown of items excluded from the year-end accrual and note this totalled **£37k**, including the failed sample. We were therefore content this is isolated to this breakdown and note from our testing of the recognised GRNI within our work on Creditors we did not identify further issues.	**We recommend that:** Management should review and strengthen controls in relation to the preparation of the GRNI accrual and ensure all exclusions are appropriately documented to ensure goods delivered before year-end are appropriately accrued. **Management response** We intend to undertake a review of our accrual processes prior to financial year end 25/26, of not just our GRNI accruals but our manual accrual processes as well. This will involve extending the timeframe to capture our revenue accruals, identifying any outstanding items that may arrive later in the next financial year. We will also look to tighten our review processes prior to year end and the accuracy of Purchase Orders raised and authorised by Budget Managers and develop specific accrual related training for Budget Managers alongside our closing guidance material.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Nil Net Book Value (NBV) Assets** - In our review of the Fixed Asset Register (FAR), we have identified assets with a historic cost of **£8.688 million** being held at nil net book value. Nil net book value assets may misrepresent the true value of the Authority's assets, leading to an understatement of total assets and potentially affecting the overall financial position of the entity if the assets are still in use. If the Assets are no longer in use, then the Authority may be overstating their assets within the PPE disclosure on a gross book value basis.	**We recommend that:** The Authority undertake a review of the nil NBV assets to understand if these assets are still in use and to then reconsider the appropriateness of the UEL's of these assets. Alternatively, if they are not in use, they should be disposed of within the FAR. **Management response** We have reviewed the nil value assets on our balance sheet and are satisfied that there are no material issues. A number of the assets highlighted are down for replacement within the Infrastructure Programme and given their age and specialist nature have nil/scrap residual value. Once the assets are replaced they will be written out of our Fixed Asset Register in the usual way. We do accept that given the financial constraints for the Authority we review the UEL of our assets more than in previous years to ascertain if they can be utilised for longer taking into account condition and milage and have set a task in our closing timetable that every February prior to close down the Finance and Fleet team will review the UEL on our fixed asset register for all Vehicles Plant and Equipment that are within 2 years of their UEL.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

07 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our final AAR accompanies this audit findings report at this committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Improving economy, efficiency and effectiveness

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

Financial sustainability

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

Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements and have not utilised any other statutory powers.

08 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for 24/25. We note none of the below services were provided on a contingent fee basis and we have no fees recognised in relation to non-audit services.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent and Medway Fire and Rescue Authority to ensure all relevant items are captured.

Audit fees	Proposed fee per Audit plan (£)	Final fee (£)
Audit of Authority	114,405	114,405
IFRS16	7,500	7,500
Total	121,905	121,905

The above fees are exclusive of VAT and out of pocket expenses.

The fees above reconcile to the financial statements.

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

09 Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

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Our team and communications

Grant Thornton core team

Matt Dean
Engagement Lead

Matt is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit and Governance Committee , the Chief Executive and the S151 Chief Finance Officer. Matt will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Matt will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Matt will sign your audit opinion.

George Ellis
Audit Manager

George is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit and Governance Committee, S151, Chief Finance Officer and finance team. George will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable.

Xavier Thomas
In-charge

Xavier will support George in his work to ensure the early delivery of audit testing and lead on a number of complex accounting issues. Xavier will perform first reviews of the team's work. In addition, Xavier will also liaise with key members of the finance team to ensure audit testing and reviews are conducted on a timely basis.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings Report • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues that may impact the Authority

B: Draft Audit Opinion

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Kent and Medway Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including material accounting policy information and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statements . The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

B: Draft Audit Opinion (continued)

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

B: Draft Audit Opinion (continued)

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of 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 of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

B: Draft Audit Opinion (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003 and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the Firefighters' Pension Fund; the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

We enquired of management and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

• High risk journal entries including consideration of closing entries, entries posted after year-end, manual accrued entries and journal entries that have a material impact on reported outturn along with a number of other risk factors and material accounting estimates which were subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

- journal entry testing, with a focus on unusual journal entries using criteria based on our knowledge of the entity and the risk factors identified;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of Land and Buildings and valuation of the net defined pension liability/asset ; and

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

B: Draft Audit Opinion (continued)

•We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

•The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

B: Draft Audit Opinion (continued)

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

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

We cannot formally conclude the audit and issue an audit certificate for Kent and Medway Fire and Rescue Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

To
Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

Contact
Barrie Fullbrook
Direct line
01622 692121
Email

Our ref

Your ref

Date

Dear Grant Thornton UK LLP

Kent and Medway Fire and Rescue Authority
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Kent and Medway Fire and Rescue Authority ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined pension liability/asset. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent.

b. none of the assets of the Authority has been assigned, pledged or mortgaged; and

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

xiv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 29 January 2026.

Yours faithfully

Name: Barrie Fullbrook

Position: Director of Finance

Date…….

Name: Vince Maple

Position: Chair of Audit and Governance Committee

Date…….

Signed on behalf of the Authority

Annex I
Schedule of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Remeasurement of the Net Defined Benefit Liability/(Asset) - In response to our letter the auditors of the Kent Pension Fund (KPF) identified a misstatement of **£26,711k** in relation to the scheme assets. This arose due to a difference between the updated net asset position reported in the KPF financial statements (**£8,451,611k**) and the pension fund asset values provided to the actuary (**£8,424,900k**), resulting in a total variance of **£26,711k** for the Fund. Kent and Medway Fire and Rescue Authority's (KMFRA) share of the KPF is **1.13%,** giving rise to a projected understatement impact of **£302k** on the Authority's IAS 19 asset valuation.	Dr Remeasurement of the Net Defined Benefit Liability/(Asset) 302	Cr Asset Ceiling Adjustment (302)			Immaterial - Projected misstatement
Revaluation of Land and Buildings - During our review of the PPE revaluations, we identified an error in the valuer's report relating to the land valuation for Ashford Fire Station. The original report stated a land value of **£113,481**. Following publication of the financial statements, the valuer issued an addendum confirming that this figure was incorrect and had resulted from a spreadsheet error. The corrected valuation determined a revised land value of **£469,005**, resulting in an understatement of **£355,524** within the draft financial statements. The client has not adjusted the accounts or the Fixed Asset Register for this difference on the basis that the misstatement is considered immaterial, and notification of the error was received after the accounts had been published.	Cr Surplus(-) / Deficit on revaluation of property, plant and equipment (355)	Dr Property, Plant and Equipment - Land and Buildings 355			Immaterial

Revaluation of Land and Buildings - Within our detailed testing on revaluation of Property, Plant and Equipment (PPE), we identified that the External valuer had utilised BCIS cost indices from February 2025 when determining the valuations of specialised assets. We therefore completed an assessment of updating the valuations to utilise the March 2025 BCIS indices, and we recalculated the full fire station portfolio on this basis. Our recalculation resulted in an overall overstatement of **£511,128** across the portfolio.	DR Surplus(-) / Deficit on revaluation of property, plant and equipment 511	CR Property, Plant and Equipment - Land and Buildings (511)			Immaterial
Overall impact of current year unadjusted misstatements	**458**	**(458)**	**0**	**0**	

Item Number: B2

By: Chief Executive

To: Audit and Governance Committee – 29 January 2026

Subject: EXTERNAL AUDITORS ANNUAL REPORT 2024/25

Classification: Unrestricted

FOR DECISION

SUMMARY

Each year the Authority's External Auditors, Grant Thornton, are required to report on their assessment of the Authority's Value for Money arrangements. The External Auditors Annual Report provides Members with independent assurance regarding the Authority's arrangements for ensuring financial sustainability, governance arrangements, and improving economy, efficiency, and effectiveness in the way the Authority delivers its services.

In addition to the Value for Money assessment, the Auditors provide an Opinion of the Financial Statements for the year ending 31 March 2025. An Audit Findings Report will be presented at the Committee meeting outlining the work undertaken to date and confirming that while the audit is in its final stages and there remain a small number of areas outstanding, the Auditors currently anticipate issuing an unmodified opinion on the 2024/25 Financial Statements. A representative from Grant Thornton will provide a verbal update to the Committee on the progress toward final sign-off, which is expected shortly after this meeting.

RECOMMENDATIONS

Members are requested to:

1. Consider and agree the External Auditors Annual Report for the year ending 31 March 2025 (paragraphs 3 to 8 and **Appendix 1** refer).

2. Note the remaining contents of this report.

LEAD/CONTACT OFFICER: Director of Finance – Barrie Fullbrook
CONTACT DETAILS: T: 01622 692121 | E: kmfraclerk@kent.fire-uk.org

BACKGROUND PAPERS:

External Auditors Final Audit Plan for 2024/25 – 25 September 2025

Background

1. The “Code of Audit Practice” for Local Authorities, Police Forces, Fire Services and NHS Trusts sets out how external auditors should conduct audits in the public sector to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. It ensures that audits offer robust assurance, transparency and accountability for local taxpayers.

2. One of the biggest areas within the ‘Code of Audit Practice’ is that in relation to Value for Money. As part of the annual audit, the External Auditor is required to assess and report their findings on the Authority’s arrangements for ensuring financial sustainability, governance arrangements, and improving economy, efficiency, and effectiveness in the way the Authority delivers its services.

3. **Auditors Annual Report** - The structure of the commentary on the arrangements that the Authority has put in place to secure Value for Money enables the Auditor to explain the work they have undertaken during the year. Any weaknesses identified by the Auditor while undertaking their work are included within the report along with their recommendations for improvement. The Annual Report, attached at **Appendix 1**, enables the Auditor to reflect local context and draw attention to emerging and developing issues which may not represent significant weaknesses but may require the attention of the Authority. When reporting these arrangements the Auditor will comment under three specified reporting criteria, which are set out below, alongside the conclusion of their review under each aspect:-

4. **Financial Sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services;

   *Conclusion – No significant weaknesses in arrangements identified; one improvement recommendation in relation to reporting against savings plans to members. (***Appendix 1** *page 6, 18 and 28)*

5. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks;

   Conclusion – No significant weaknesses in arrangements identified and no improvement recommendations raised.

6. **Improving economy, efficiency and effectiveness** – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

   *Conclusion – No significant weaknesses in arrangements identified; one improvement recommendation raised in relation to the development of a data quality policy and framework (**Appendix 1** page 6 and 25).*

7. Most of the work in relation to the Value for Money assessment was undertaken during the Summer 2025. Having reviewed the Authority's arrangements, the Executive Summary on page 6 of **Appendix 1** highlights that there was no significant weakness identified in any of the three reporting criteria, although a recommendation has been made regarding the enhancement of budget monitoring and outturn reporting by including a clear and regular assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting any variances or risks to delivery with the details set out on page 28 of **Appendix 1**. An additional recommendation for improvement has been made regarding the Authority finalising and formally approving a data quality policy and/or framework, ensuring it aligns with the Fire Standard for Data Management A review schedule should be established and training provided to members and officers where necessary to support effective implementation, details are set out on page 29 **Appendix 1**.

8. The Corporate Management Board have provided a formal response to each of the improvement recommendations and have clarified the actions currently underway to address these areas.

9. **Financial Statements** – Although there remain a small number of audit areas outstanding, the Auditor currently anticipates issuing an unmodified opinion on the 2024/25 Financial Statements. A representative from Grant Thornton will provide a verbal update to the Committee on the progress toward final sign-off, which is expected shortly after this meeting.

IMPACT ASSESSMENT

10. Corporate Management Board have considered the Auditors recommendations and are continuing work to address the proposed recommendations.

RECOMMENDATIONS

11. Members are requested to:

    11.1 Consider and agree the External Auditors Annual Report for the year ending 31 March 2025 (paragraphs 3 to 8 and **Appendix 1** refer).

    11.2 Note the remaining contents of this report.

Kent & Medway Fire and Rescue Authority

Auditor's Annual Report
Year ending 31 March 2025

January 2026

Contents

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

01 Introduction and context

Introduction

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

Opinion on the financial statements

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

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

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

Auditor's powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.

Value for money

We report our judgements on whether the Authority has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

80 The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from 30 November 2025 and applies to 2024/25 audits.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	Amber	No significant weaknesses identified; one prior year improvement recommendation in relation to reporting against savings plans carried forward.	No risks of significant weakness identified.	Amber	No significant weaknesses in arrangements identified, one improvement recommendation in relation to reporting against savings plans.
Governance	Green	No significant weaknesses identified, and no improvement recommendations raised.	No risks of significant weakness identified.	Green	No significant weaknesses in arrangements identified and no improvement recommendations raised.
Improving economy, efficiency and effectiveness	Amber	No significant weaknesses identified; three improvement recommendations raised in relation to performance reporting and ensuring that the website is kept up to date.	No risks of significant weakness identified.	Amber	No significant weaknesses in arrangements identified; one improvement recommendation raised in relation to the development of a data quality policy and framework.

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendation(s) made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

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

Financial sustainability

The Authority continues to demonstrate good financial management, delivering a surplus of **£0.8 million** in 2024/25 and setting a balanced budget for 2025/26. The refreshed Medium Term Financial Plan is balanced without use of general reserves, supported by reasonable planning assumptions and quantified sensitivity analysis. Reserves remain at adequate levels, with **£4.7 million** in general reserves and **£5.9 million** in the insurance and resource earmarked reserve at the end of 2024/25. The Authority's financial plans are consistent with other strategic plans such as the Community Risk Management Plan and the People Plan.

The Authority does not specifically report against the achievement of planned savings included in the annual revenue budget; we have included an improvement recommendation in relation to this on page 18.

Governance

The Authority has established robust governance arrangements, with clear structures and processes supporting effective decision-making, risk management, and oversight of internal controls, financial sustainability, performance and standards of behaviour. Appropriate arrangements are in place to prevent and detect fraud.

The Authority's governance framework includes a suite of policies, protocols, and other documents designed to enable effective decision-making, uphold appropriate standards, and ensure compliance with legal and regulatory requirements.

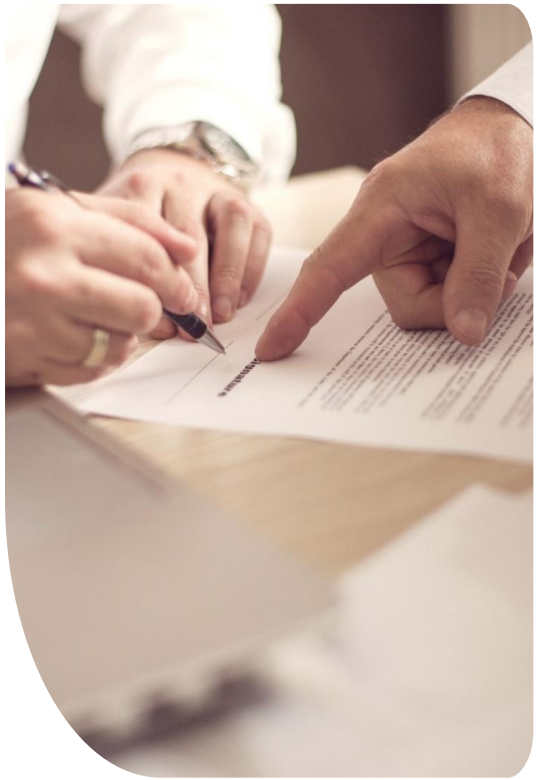
Improving economy, efficiency and effectiveness

The Authority has satisfactory arrangements for performance monitoring, supporting effective scrutiny and decision-making with regular updates to the Fire Authority on progress against strategic objectives, activity levels, and service performance. We have recommended on page 25 that the Authority develop a data quality policy and framework to meet the Fire Standard for Data Management. Procurement and contract management operate within a clear framework, with oversight arrangements in place for major capital projects to ensure transparency and accountability.
The August 2025 inspection report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) rated the Service as "outstanding" or "good" in eight of eleven themes, with the remaining themes assessed as "adequate" - a very positive outcome for the Authority.

Executive summary – auditor's other responsibilities

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

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	We plan to complete our audit of your financial statements and issue an unqualified audit opinion following the Audit & Governance Committee on the 29th January 2026.
Use of auditor's powers	We have not made any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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

Opinion on the financial statements

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

Audit opinion on the financial statements

We plan to complete our audit of your financial statements and issue an unqualified audit opinion following the Audit & Governance Committee on the 29th January 2026.

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

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

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

Findings from the audit of the financial statements

The Authority provided draft accounts in line with the national deadline of 30 June 2025.

Audit Findings Report

We will report the detailed findings from our audit in our Audit Findings Report, which is due to be presented to the Authority's Audit & Governance Committee on 29 January 2026. Requests for this Audit Findings Report should be directed to the Authority.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit.

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

We have nothing to report in this regard.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

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

The Authority is the statutory governing authority responsible for overseeing fire and rescue services across Kent. Kent & Medway Fire and Rescue Service (the Service) carries out day-to-day operations, whilst the Authority sets the strategic direction for the Service and is responsible for governance and oversight of the Service.

All Fire and Rescue Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Fire and Rescue Authorities report on their arrangements, and the effectiveness of these arrangements, as part of their individual Annual Governance Statements.

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Authority delivered a surplus of **£0.8 million** against its 2024/25 revenue budget and has set a balanced budget for 2025/26, alongside by a refreshed Medium-Term Financial Plan (MTFP) to 2028/29 which is balanced without any use of general reserves. The 2024/25 surplus was principally due to higher investment income, staffing vacancies, and income from a legal settlement, partly offset by increased pension costs. The Authority was also able to transfer an additional **£2.94 million** into the insurance and resource earmarked reserve and rolling budget earmarked reserve at the close of 2024/25. Financial planning for 2025/26 and future years is underpinned by reasonable assumptions, although we note that assumptions relating to the 2025 pay awards were overly optimistic at 2%, compared to an agreed pay award of 3.2% for firefighters. The Authority intends to mitigate this additional cost by drawing down from the insurance and resource earmarked reserve, if required. Scenario planning based on potential future funding announcements was used to inform the development of the budget and MTFP. The Authority's financial position is supported by adequate reserves. At the end of 2024/25, the balance on the general reserve was **£4.7 million** (5% of the net revenue budget) and the balance on the insurance and resource earmarked reserve (used to manage any one-off in-year increases in costs that may arise at relatively short notice) was **£5.9 million**.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
plans to bridge its funding gaps and identify achievable savings	The Authority uses a bottom-up approach to identify savings, without setting specific targets for future years. Savings proposals are generated by projects and budget managers and recorded in a benefits register which records key details – a short commentary on expected benefits to the Service and its customers classified by benefit type (economy, efficiency, effectiveness, equity, people) and efficiency type (expected or achieved, cash-releasing or cost-avoidance), delivery status and mapped to Community Risk Management Plan (CRMP) priorities. Confirmed savings are incorporated into the annual budget approved by the Fire Authority each February. In 2024/25, **£2.8 million** of savings were included in the base budget, with **£1.9 million** built in for 2025/26. A projected **£1.7 million** gap for 2026/27 will be reviewed during that year's budget-setting cycle, once the financial position is clearer. Despite forecasting gaps in future years of the MTFP, the Authority has consistently identified savings ahead of the start of each financial year, achieving balanced budgets without using reserves. A list of potential savings options is maintained which could be explored if required and therefore we do not consider that future budget gaps represent a significant threat to the Authority's financial sustainability. Although a revenue budget surplus was achieved in 2024/25, the budget outturn report does not clearly identify the value of delivered savings. We have therefore included an improvement recommendation on page 18, which replaces a prior year recommendation on savings planning and monitoring.	Amber

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Authority's financial planning is closely aligned with its strategic framework, including the CRMP 2025–29, and 10-year Capital Strategy. The MTFP and Medium-Term Infrastructure Plan (MTIP) underpin the delivery of these priorities by directing investment towards service transformation, efficiency initiatives, and infrastructure development. This includes funding for key posts and project work, estate improvements, operational equipment upgrades, and new technology. Due to its statutory obligations under the Fire and Rescue Services Act 2004, the Authority operates with limited discretionary spend.	Green
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Authority has established robust arrangements to ensure its financial planning is consistent with workforce, capital, investment, and operational strategies. This ensures coherence across service delivery and resource planning. The MTFP reflects the implications of the People Plan 2021-25, including recruitment and training requirements. Capital investment decisions within the MTIP are guided by the Capital Strategy, with associated revenue costs incorporated into the MTFP. Oversight of capital delivery is provided by the Corporate Management Board (CMB), with individual projects managed through dedicated Programme Boards. The Authority's Environment and Assets Strategy 2021–25 originally set a target to achieve carbon neutrality by 2030. However, in February 2025, this target was revised to 2050, recognising that the original timeline was overly ambitious and current technology does not yet offer affordable solutions to meet the earlier goal.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Risks to financial resilience are identified and reported through budget monitoring reports presented to the Fire Authority three times per year. Reports highlight significant variances from the approved budget and outline mitigating actions. The Reserves Strategy 2025/26 includes a detailed financial risk assessment (updated annually) which quantifies the likelihood and potential impact of key financial risks. The estimated potential net impact for 2025/26 is aligned with the balance on the general reserve, demonstrating the Authority's preparedness to absorb financial shocks should these arise. Scenario planning, including best-case and worst-case funding projections, informed the development of the 2025/26 budget and MTFP. The Authority uses Pixel, a financial modelling tool, to assess the assumptions used in the financial plans. Assumptions are reviewed annually to reflect emerging risks such as macroeconomic volatility and changes in government funding. To manage unforeseen financial pressures, the Authority maintains general reserves at 5% of annual revenue expenditure and holds an insurance and resource earmarked reserve to mitigate short-term financial challenges.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: reporting against planned savings

Key Finding: Although the revenue budget outturn for 2024/25 was better than planned, reporting to the Fire Authority does not clearly demonstrate whether the individual savings schemes contributing to the **£2.8 million** target were delivered as intended.

Evidence: The budget monitoring and outturn reports presented to the Fire Authority do not include any specific assessment of whether planned savings are being achieved in accordance with the approved budget for the year.

Impact: Specific reporting against savings would improve transparency and accountability, support more informed decision-making, and help ensure that financial plans are being delivered as intended.

Improvement Recommendation 1

IR1: The Authority should enhance its budget monitoring and outturn reporting by including a clear and regular assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting any variances or risks to delivery.

Governance – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Authority has robust arrangements in place to identify and manage risks. Updated risk management documents (Risk Management Policy, Risk Appetite Statement, and Risk Tolerance Matrix) were approved in April 2024, alongside revised templates for the Strategic and Corporate Risk Registers. A Corporate Risk Manager was appointed to lead the structured identification, assessment, and documentation of strategic and corporate risks and mitigation. Oversight of risk is provided by the Audit & Governance Committee. Assurance over the internal control framework comes from internal audit services (delivered by Kent County Council). Progress against the agreed audit plan is reported at each Audit & Governance Committee meeting, with progress reports setting out the status of individual audits, assurance opinions, and prospects for improvement. Open management actions are tracked, and at the end of 2024/25, four medium-priority management actions remained open - three were not yet due, and one was partially implemented. The Authority's internal control framework is supported by the Whistleblowing Policy, Customer Feedback Policy, and Codes of Conduct for Members and Officers, which enable the timely identification and investigation of breaches. Fraud prevention arrangements are underpinned by the Anti-Fraud & Corruption Framework and Whistleblowing Policy, with regular counter-fraud updates provided by to the Audit & Governance Committee by internal audit.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
approaches and carries out its annual budget setting process	The Authority has well-established and structured arrangements for budget-setting, underpinned by a clear timeline, stakeholder engagement, and scenario planning. The process is based on a roll-forward of the MTFP incorporating national intelligence from the Fire Finance Network, MHCLG, and the Home Office. Budget proposals are incrementally developed, with early scrutiny by CMB, followed by detailed engagement between budget managers and finance staff to assess pressures and uplifts. Critical challenge is provided by the Senior Leadership Board (SLB), where proposals are rationalised and prioritised. Scenario modelling, including top-end and lower-end funding projections, informs development of the budget. Members are actively engaged throughout the budget-setting process. Public consultation on Council Tax proposals is integrated into the CRMP process, with clear options presented and a strong response rate. Final budget decisions are made following confirmation of funding allocations.	Green
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	During 2024/25, budget monitoring and outturn reporting provided timely, accurate financial information to the Fire Authority, with clear visibility of revenue and capital positions. Reports included supplementary annexes setting out previously approved changes in revenue and capital budgets as well as subjective and functional analyses of forecast revenue spend and forecasts for the year end reserves position. Financial updates were supported by relevant non-financial data to aid decision-making. Responsibilities for budgetary control are defined in the Financial Framework (2019) and Financial Management Policy (2020). Although both documents are overdue for review, Officers have confirmed plans to update them during 2025/26.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Authority has proper arrangements in place to support informed and appropriate decision-making. The structure of the Fire Authority and its Committees is set out in the Constitution, underpinned by the Fire Authority and Committee Terms of Reference and Standing Orders. Reports presented to the Fire Authority and its Committees are sufficiently detailed to ensure transparency and enable effective challenge and debate. The Authority has an independent member who also sits on the Audit & Governance Committee to provide additional scrutiny and challenge where necessary. No evidence of inappropriate decision-making has been identified, and all meetings of the Fire Authority and Committees were quorate during 2024/25.	Green
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Codes of Conduct for both Members and Officers outline expected standards of behaviour. The August 2025 inspection report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) highlights a positive working culture, with staff empowered to challenge poor conduct. Registers of interests are maintained and published online, with declarations a standing item at all meetings. The Authority's Procurement Policy and Regulations were updated in July 2025 to reflect the Procurement Act 2023. Direct awards over **£0.1 million** require approval from the Chief Executive or CMB and are only permitted in exceptional circumstances, with retrospective approvals prohibited. While direct contract awards are recorded in the contracts register and reported to CMB, they are not reported to the Fire Authority – this is an opportunity to strengthen transparency and oversight, set out in more detail in the audit insight on page 25.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Authority uses available information to effectively assess its performance and identify areas for improvement. Regular performance updates are provided to the Fire Authority, with summary-level reporting throughout the year and more detailed analysis at year-end. A balanced scorecard is reviewed monthly by CMB, tracking performance across four domains: Economy, Efficiency, Effectiveness, and Customer & Corporate. Although the scorecard does not include detailed analysis of areas of concern or mitigating actions, it is sufficient to prompt discussion and there is evidence that more detailed analysis is presented to CMB where required. Additional scrutiny is provided through Steering and Delivery groups. We previously suggested that reporting detail could be enhanced, but conclude that the existing arrangements provide sufficient information to support challenge and further investigation where required, and the improvement recommendation has been closed. Performance data is drawn from multiple systems with varying data quality arrangements. Although the Authority committed to developing a data quality policy 2024/25 (in line with the requirements of the Fire Standard for Data Management) in 2024/25, this has not yet been completed. We have therefore raised an improvement recommendation on page 25. Benchmarking is undertaken using data from the Chartered Institute of Public Finance and Accountancy, with the most recent available dataset covering 2023/24. No significant concerns were identified from benchmarking, though response times remain longer than the comparator group, and continue to fall short of the Authority's target of 71% of life-threatening incidents responded to within 10 minutes. The Authority has amended the response time measures and targets from 2025/26 to reflect the differing characteristics of emergency vs non-emergency and rural vs urban incidents.	Amber

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

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

We considered how the Authority:	Commentary on arrangements:	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Service received ratings of “outstanding” or "good" in eight themes in the recent HMICFRS inspection report, published in August 2025, with the Service assessed as “adequate” for three themes. Inspectors were pleased to see that the Service maintained the high standards of performance noted in the last inspection in July 2022, with further improvements in some areas also noted. Six Areas for Improvement (AFIs) were reported, and we will follow up on the development of an action plan to address these in our next review. The Authority actively tracks actions from external reviews, including HMICFRS thematic reports such as *Values and Culture in Fire and Rescue Services* and *Standards of behaviour - The handling of misconduct in fire and rescue services*. Progress is published online and included in the information update report presented at each Fire Authority meeting.	Green
ensure they deliver their role within significant partnerships and engages with stakeholders they have identified, in order to assess whether they are meeting their objectives	The Authority actively engages stakeholders and partners in shaping strategic priorities. Public consultations were held in 2023/24 on the CRMP 2025–29 and in 2024/25 on proposed changes to performance targets for response times, and the Council Tax precept. Partnership activity is recorded in a central register; partnership working is reported to the Fire Authority in regular information updates. The latest HMICFRS inspection commended the Service’s strong collaborative approach, particularly its effective engagement with other fire and rescue services and emergency responders. Authority Members have received regular reports on key strategic projects involving partners, such as the Networked Fire Services Partnership project to collaboratively procure and provide fire control services using a combined command and control system (due to go live in 2026/27).	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

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

We considered how the Authority:	Commentary on arrangements:	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Authority's updated Procurement Policy and Regulations, approved in July 2025, reflect the requirements of the Procurement Act 2023. These are supported by a comprehensive Contract Management Toolkit, which guides contract managers in classifying contracts by priority and managing them accordingly—focusing efforts on high-risk, high-value contracts. We previously recommended that the Authority review policy documents relating to procurement and contract management, and address issues raised by internal audit. Since then, the Procurement Policy and Regulations have been updated, and internal audit has completed fieldwork for the 2025/26 review of procurement, which included follow-up of the open action. The outcome of this review is expected to be reported to the Audit & Governance Committee later in 2025. While the Contract Management Toolkit has not yet been updated to include a date of issue or a target date for review, we consider the core elements of the recommendation to have been sufficiently addressed. Therefore, the improvement recommendation has been closed although we do continue to encourage the Authority to ensure that all policy documents are clearly dated and subject to regular review to maintain transparency and accountability. Officers have confirmed active contract management is in place for significant contracts, including regular meetings and monitoring of standards and KPIs. Audit insights in relation to contract management are provided on page 25. The Authority is committed to securing value for money in procurement and has identified savings by removing discretionary price increases from the MTFP wherever possible, helping to offset unavoidable inflationary pressures. Oversight of major capital projects, such as the Ashford Live Fire Training Facility (due to be completed in 2026/27) is provided by CMB, with individual projects managed through dedicated Programme Boards and reported to the Fire Authority via the regular information update report.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

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

Area for Improvement identified: data quality

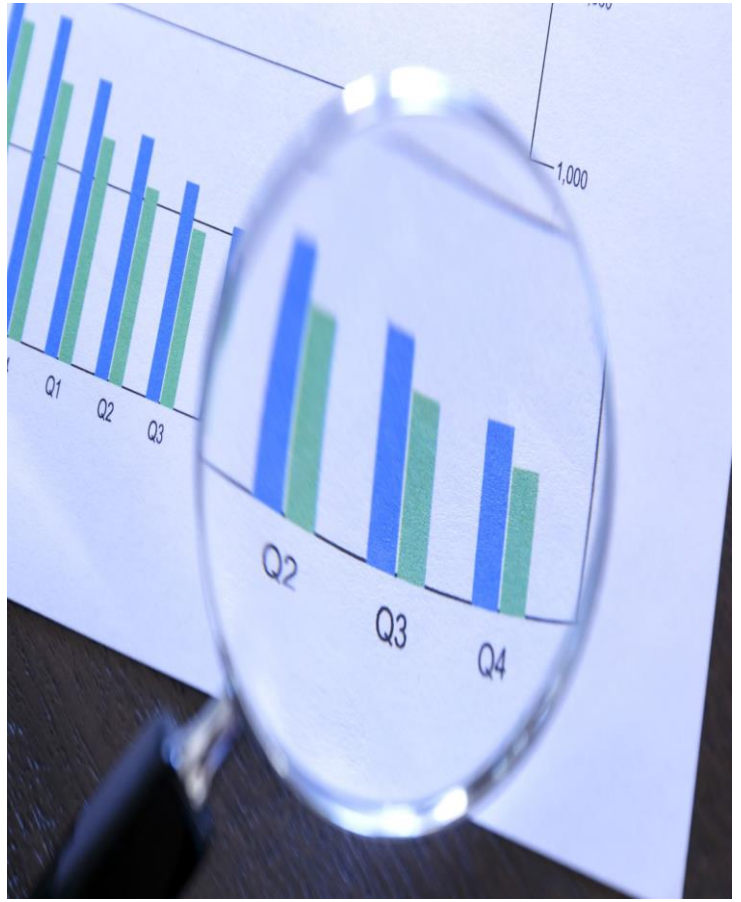
Key Finding: Performance reporting relies on data sourced from multiple systems and departments, each governed by varying data quality standards and procedures. However, the Authority does not currently have a formal data quality framework or policy in place to ensure consistency and reliability across all data sources.

Evidence: While some supporting arrangements for data quality are in place – such as the Data Steering Group which oversees the collection, retention and use of data, and the Data Enablement Plan - the Authority has not yet met the requirements of the Fire Standard for Data Management because there is no overarching framework or policy currently in place to guide and coordinate data management practices across the organisation.

Impact: The absence of a formal data quality framework reduces assurance over the accuracy and reliability of data used for performance monitoring and decision-making. Establishing such a framework would strengthen governance, support informed decision-making, and improve confidence in reported outcomes.

Improvement Recommendation 2

IR2: The Authority should finalise and formally approve a data quality policy and/or framework, ensuring it aligns with the Fire Standard for Data Management. A review schedule should be established, and training provided to members and officers where necessary to support effective implementation.



Grant Thornton insights – learning from others

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

What the Authority is already doing:

- The Authority has a clear scheme of delegation in place for approval of new contracts. All procurements are monitored and recorded centrally in a contract register.
- There is a clear framework in place to support effective contract management. Contract management arrangements for high-risk contracts assessed as high priority include regular meetings and performance monitoring.

Our national report on procurement and contract management sets out lessons learned from our VfM audits. Key findings include:

- Align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.
- Consider how contract management arrangements can protect against and identify potential fraud.

The Authority could consider:

- Enhancing assurance by introducing central oversight of contract management activity, ensuring that high priority contracts are consistently managed in line with the framework.
- Updating the Contract Management Toolkit to include a date of issue and target date for review, to support transparency and accountability
- Reporting on the use of direct contracts awards to the Audit & Governance Committee, to increase transparency and oversight.

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

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Authority should enhance its budget monitoring and outturn reporting by including a clear and regular assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting any variances or risks to delivery.	Financial sustainability (page 18)	Actions: The Authority accepts this recommendation. While the Authority already employs a robust and sustainable strategy for identifying savings, we recognise the value in enhancing our monitoring and reporting, particularly now that the outcome from the Fair Funding Review is likely to mean the Authority needs to deliver sustainable savings to balance the budget over the next 3 financial years (2026/27 – 2028/29). Our approach to budget management is to only include savings in the annual budget that have been thoroughly assessed as achievable, such as the deletion of a vacant post or the cessation of a third-party contribution. We do not use a 'salami slicing' approach or set generic, top-down targets. Instead, savings are identified and directed to specific areas based on an assessment of strategic priorities and risks, with all approved savings detailed in the Authority's annual Budget Book. To implement this recommendation, the Authority will enhance its budget monitoring reports presented to members. These reports will now include a dedicated section providing a clear and regular assessment of progress against all planned savings. This section will track delivery against the approved budget and highlight any variances or risks, alongside remedial actions. This will ensure members are fully sighted on the delivery of savings throughout the year and will further strengthen our financial governance. This new reporting format will be implemented for the 2026/27 financial year. Responsible Officer: Head of Finance Executive Lead: Director of Finance Due Date: 30 June 2026

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR2	The Authority should finalise and formally approve a data quality policy and/or framework, ensuring it aligns with the Fire Standard for Data Management. A review schedule should be established, and training provided to members and officers where necessary to support effective implementation.	Economy, efficiency and effectiveness (page 25)	Actions: The Authority accepts this recommendation. While the Authority does carry out data quality checks across its systems of record, it is recognised that a formal policy is required to strengthen the position. We have carried out a gap analysis with the published Fire Standard for Data Management and have highlighted this as a task that needs to be carried out. In addition, the Authority will shortly be trialling the data quality methodology assessment as published by the NFCC and will be looking to expand this across all systems of record over the next year. To implement this recommendation, the Authority will create a data quality policy and implement it before the end of this calendar year. The policy will include individuals' responsibility for data quality alongside how this links to the role of the information asset owner for the particular dataset. The Authority will also create a plan to carry out the aforementioned data quality assessment against all systems of record. Reporting of progress against these actions will be reported to Corporate Management Board. Responsible Officer: Head of Data and Intelligence Executive Lead: Chief Executive Due Date: 31 March 2026

07 Appendices

Appendix A: Responsibilities of the Authority

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

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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to Senior Officers and the Authority
Interviews and discussions with key stakeholders	External review such as by CIPFA
Progress with implementing recommendations	Regulatory inspections such as from HMICFRS
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Authority should ensure that performance data available to the public on its website is updated in a timely manner.	2023/24	The Authority's 2024/25 performance is published on its website in report card format. Detailed performance data for the year was included in the published papers for the July 2025 meeting of the Fire Authority.	Implemented	No further action required.
IR2	Reports on the Service's performance prepared for the Fire Authority and balanced scorecards discussed at CMB could be further enhanced by including more detail in relation to areas where performance is below target or where performance is deteriorating, such as the causes and mitigating actions being taken. The Authority should work to improve response times for life-threatening incidents.	2023/24	The level of detail in reporting to the Fire Authority and CMB is sufficient to support effective scrutiny, challenge and discussion of performance. In 2024/25, 66% of life-threatening incidents were reached within 10 minutes, below the target of 71%. In April 2025, the Authority changed the way in which response times are measured to reflect the differing characteristics of emergency vs non-emergency and rural vs urban incidents. Performance information for 2025/26 is not available at the time of reporting.	Not implemented	Improvement recommendation closed. We will assess the Authority's performance against the revised response time measurement framework once the new reporting becomes available.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Authority should ensure that the current review of policy documents relating to procurement and contract management includes: • elimination of inconsistencies • dating of documents and clear timeframes for review • address issues raised by Internal Audit.	2023/24	• The Authority approved revised Procurement Regulations and a revised Procurement Policy in July 2025. • The Contract Management Toolkit does not include a date of issue or target date for review. • Internal audit has completed the fieldwork for a review of procurement, which included following up on the open action. The outcome of this will be reported to the Audit & Governance Committee.	Partially implemented	While the Contract Management Toolkit has not yet been updated, we consider the core elements of the recommendation to have been sufficiently addressed. Improvement recommendation closed.
IR4	Develop a trackable savings plan with responsible owners, targets, KPIs and timescales. Incorporate this as part of your budget monitoring processes.	2023/24	The Authority uses a bottom-up approach to identify savings, without setting specific targets. Confirmed savings are incorporated into the annual budget approved by the Fire Authority each February. Budget monitoring and outturn reports presented to the Authority do not include any specific assessment of whether planned savings are being achieved in accordance with the approved budget for the year.	Not implemented	Replaced by IR1 – see pages 18 and 28.

Item Number: B3

By:	Director of Finance
To:	Audit and Governance Committee - 29 January 2026
Subject:	TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2026/27 - 2029/30
Classification:	Unrestricted

FOR DECISION

SUMMARY

The Chartered Institute of Public Finance and Accountancy (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 as part of the annual budget papers in February of each year. Part of the Terms of Reference of the Audit and Governance Committee is to review the Treasury Management Strategy and Investment Strategy and agree the draft 'in principle' prior to it being presented to the full Authority in February each year as part of the suite of budget papers.

The capital and reserve figures detailed within the draft strategy provide a current estimate of forecast spend but may be subject to refinement prior to the February Authority meeting, as projects progress or slip and more detailed work in costing and profiling is undertaken, to ensure affordability.

The Authority continues to prioritise security and liquidity over potential yield in line with CIPFA guidance, whilst ensuring that the treasury activity undertaken complies with the agreed strategy.

RECOMMENDATION

Members are requested to:

1. Agree 'in principle', the Treasury Management and Investment Strategy for 2026/27 (paragraphs 8 to 64 refer).

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Nicola Walker
CONTACT DETAILS: T: 01622 692121 | E: kmfraclerk@kent.fire-uk.og
BACKGROUND PAPERS: None

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2026/27

Introduction

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice as:

   "The management of the Authority's borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. There are two parts to the treasury management operations, the first is to ensure that the Authority's cashflow is adequately planned, with cash being available when it is needed to support business and service objectives. Surplus monies are placed in low-risk counterparties or instruments in line with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of treasury management is the funding of the Authority's capital plans. The Capital Strategy provides a guide to the borrowing need of the Authority, essentially the longer-term cashflow planning to ensure that the Authority can meet its capital spending obligations.

3. The CIPFA Code of Practice on Treasury Management (TM) and the CIPFA Prudential Code require local authorities to determine and set the Authority's Treasury Management Strategy, its Strategy relating to investment activity, and Prudential Indicators on an annual basis. The Authority currently has cash backed reserves and balances of circa £52.1m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key elements of the Strategy covering the borrowing requirements and investment arrangements.

4. The Authority's Investment Strategy has regard to the TM Code and the Guidance. It has two objectives: the first is security, in order to ensure that the capital sum is protected from loss, ensuring that the Authority's money is returned; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.

5. This Strategy has been created based on the CIPFA 2021 Prudential and Treasury Management Codes, which requires the Authority to prepare a Capital Strategy. The Capital Strategy is a document in its own right which will be reported seperately to the Authority as part of the February budget papers. This Authority does not envisage any commercial investments and has no non-treasury investments.

Policy Statement

6. The Authority regards the successful identification, monitoring and control of risk to be the main criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

7. The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives including its Customer and Risk Management Plan and long term Capital Strategy. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurements, within the framework of effective risk management.

National Guidance and Governance

8. This Strategy complies with the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the TM Code"), and guidance on Local Government Investments issued by the Secretary of State for Communities and Local Government under section 15(1)(a) of the Local Government Act 2003 ("the Guidance"). Specific decisions on the timing and amount of any borrowing will be made by the Authority's Director, Finance and Corporate Services in line with the agreed Strategy.

9. **Governance:** The Authority is required to receive and review a number of financial reports each year, which cover the following:

   (a) **An Annual Treasury Management and Investment Strategy:** This Strategy forms part of the February 2026 budget report to Authority. This Strategy therefore includes: -

   - the Capital Programme together with the appropriate prudential indicators.
   - the Minimum Revenue Provision (MRP) policy, which details how residual capital expenditure is charged to revenue over time.
   - the Treasury Management Strategy, which defines not only how the investments and borrowings are to be organised, but also sets out the appropriate treasury indicators; and
   - an Investment Strategy which sets out the parameters on how deposits are to be managed.

   (b) **A Mid-year Treasury Management Report:** This will usually be presented to Members of the Audit and Governance Committee for review in the autumn prior

to submission to the Authority meeting and provides an update on the Capital Programme, amending prudential indicators and/or the Strategy, if necessary.

(c) **A Year-end Annual Report:** This provides the final outturn position for the year in relation to investments and deposits made during the year, prudential and treasury indicators, and a summary of the actual treasury activity during the year.

10. A quarterly review by Corporate Management Board (CMB) monitors the treasury management and prudential indicators as part of the Authority's general revenue and capital monitoring reporting.

External Support

11. **Treasury Management Advisor:** The Authority uses MUFG Pension & Market Services (previously known as Link Group) as its external Treasury Management Advisor. The Authority recognises that the responsibility for treasury management decisions remains with itself and will ensure that undue reliance is not placed upon the external advisor. The current contract expires in October 2028.

THE CAPITAL PRUDENTIAL INDICATORS 2026/27-2029/30 AND THE MINIMUM REVENUE PROVISION (MRP) STATEMENT

12. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the Capital/Infrastructure Plan is reflected in the Prudential Indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

13. **Capital Expenditure:** This can be funded from a variety of sources such as directly from the revenue budget, capital receipts (money received for the sale of the Authority's assets) capital grants or from borrowing. The Authority's Capital Plan, and the revenue and capital resources being used to finance it, are shown in **Table 1** below. Where there is a difference between planned expenditure and cash resources, this will result in an increase in the net financing need and hence the potential need to consider external borrowing. The Authority will only ever borrow to fund capital expenditure. Given that interest rates remain high, it is prudent to consider internal borrowing as opposed to external borrowing until such time as interest rates reduce.

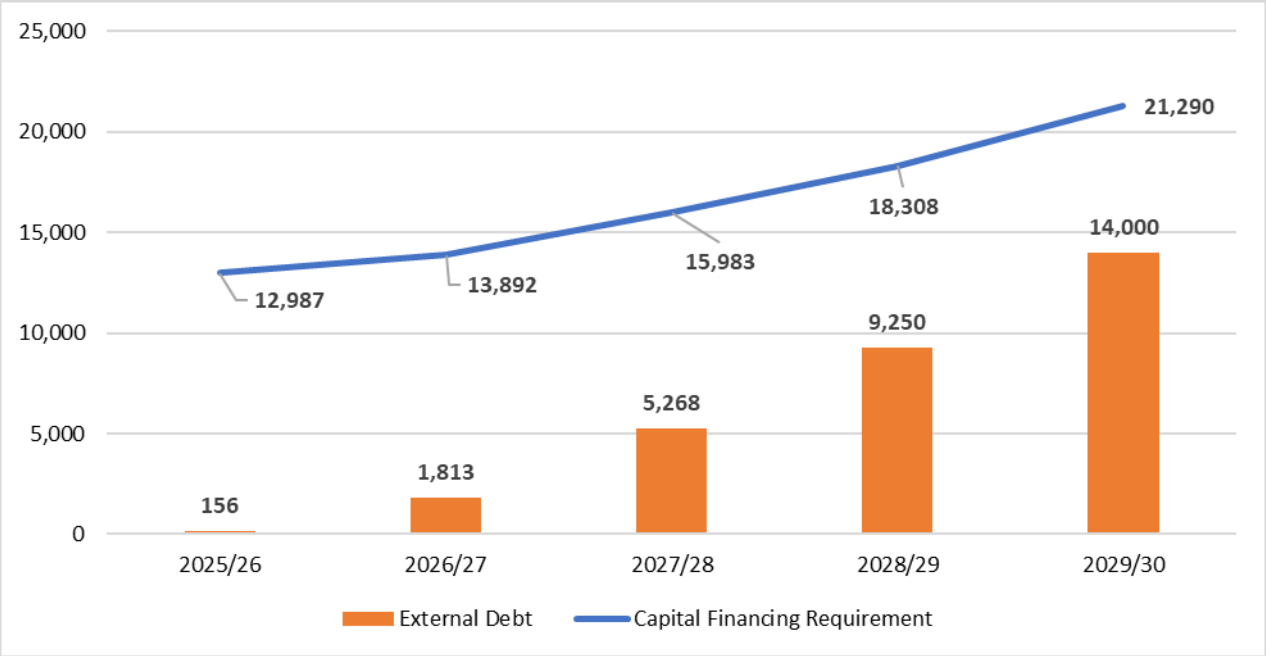
Table 1 Capital Expenditure	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Capital Expenditure	**13,475**	**8,011**	**8,089**	**7,555**	**11,476**
Funded By:					
Revenue / Infrastructure funding	-1,527	-4,199	-3,155	-2,264	-4,981
Capital Receipts	-1,625	-1,546	-1,263	-1,241	-1,745
One off Capital Funding	0	0	0	0	0
Net Financing Need (Borrowing) for the Year	**10,323**	**2,266**	**3,671**	**4,050**	**4,750**

14. **The Authority's Borrowing Need [the Capital Financing Requirement (CFR)]:** The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through revenue or capital resource will increase the CFR. The CFR projections are shown in **Table 2.**

Table 2 Capital Financing Requirement	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
Opening CFR	3,959	12,987	13,892	15,983	18,308
Movement in CFR	9,028	905	2,091	2,325	2,982
Closing CFR	**12,987**	**13,892**	**15,983**	**18,308**	**21,290**
Movement in CFR represented by					
Net Financing Need (Borrowing) for the Year	10,323	2,266	3,671	4,050	4,750
Less: Long-term Debtor Lease Principal (MRP)	-41	-43	-45	-68	0
Less: Provision for Principal (MRP/VRP)	-1,254	-1,318	-1,535	-1,657	-1,768
Movement in CFR	**9,028**	**905**	**2,091**	**2,325**	**2,982**

*The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the indebtedness in line with each asset's life.

Capital Financing Requirement Profile vs External Debt Profile (year-end position). (Shown in £'000s)



Note: External Debt includes other long-term liabilities such as leases

15. **Core Funds and Expected Investment Balances:** The application of resources (capital receipts, reserves, etc.) to finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments/deposits. Detailed below in **Table 3** are estimates of the year-end balances for each cash-backed resource, working balances and the net amount of capital expenditure funded from internal resources (historical under-borrowing). The sum of these balances is the amount estimated as available for investment.

16. Working balances comprise of the estimated net difference between amounts owed to or by the Authority (debtors and creditors and other amounts paid or received but not yet charged to the accounts). The amount under-borrowed in this table relates to historical capital expenditure that was identified as needing to be funded from borrowing in earlier years and Ashford Live Fire Project, but where a decision was made to use internal cash balances instead of external debt, less the actual amount of external debt at the end of each year. **Table 7** further below details how the under-borrowing is then calculated.

Table 3 Reserves and Balances	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
General reserve	4,890	5,190	5,290	5,390	5,590
Earmarked reserves	30,456	23,323	21,051	22,528	21,559
Insurance Provision	494	494	494	494	494
Capital grants unapplied	0	0	0	0	0
Capital Receipts	7,462	5,916	4,653	3,412	1,667
Total Core Funds	**43,302**	**34,923**	**31,488**	**31,824**	**29,310**
Working Capital Surplus/(Deficit)	21,625	-3,566	-3,566	-3,566	-3,566
Under borrowing	-12,831	-12,079	-10,715	-9,058	-7,290
Expected Investments	**52,096**	**19,278**	**17,207**	**19,200**	**18,454**

17. **Financing Cost to Net Revenue Stream:** This indicator shows the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It is an indication of how affordable the borrowing required to fund the capital programme is and shows the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream.

Table 4 Financing Costs to Net Revenue Stream	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Ratio of Financing Costs	1.32%	1.37%	1.67%	2.16%	2.64%

18. **Minimum Revenue Provision (MRP) Policy Statement:** The Ministry of Housing, Communities and Local Government (MHCLG) sets out the regulations around determining the annual charge that must be made to the revenue account in order to repay what has been borrowed to fund capital expenditure. This charge is called the Minimum Revenue Provision (MRP). As explained above the MRP calculation has an impact on the year end value of the CFR and the Code is clear that the outstanding debt cannot be greater than the CFR. The Policy for MRP is detailed below:

    (a) **Borrowing for capital expenditure incurred before 1 April 2008 -** The MRP is calculated as 4% of the opening CFR balance for the year. As the Authority no longer has any old debt this has not been applied for future years.

    (b) **Borrowing for capital expenditure post 2008** - The Authority will calculate the MRP for all new borrowing (internal or external) using the Asset Life method. This method uses the estimated life of the asset to calculate a yearly revenue charge which ensures sufficient provision is set aside to reduce the borrowing need over

the life of the asset. Repayments for leases on the balance sheet are applied as MRP.

At this moment in time, it is prudent that future borrowing is funded temporarily through internally borrowing against the Authority's available balances for investment.

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred.

Capital expenditure financed by borrowing in 2025/26 will not be subject to an MRP charge until 2026/27, or in the financial year following the one in which the asset first becomes available for use.

(c) **Leases** - The adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value.

When the assets and liabilities in relation to a lease contract are brought onto the balance sheet, the Authority will increase its long-term liabilities and as a result this will increase the debt liability. An MRP charge equal to the amount that is taken to the balance sheet to reduce the liability will be made.

19. **MRP Overpayments:** As defined in the Code, the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised MHCLG MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed for use in the budget. Up until the 31 March 2025 the total VRP overpayments were £8.39m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term.

20. **Forecast for Bank Rate:** Forecasts on the Bank Rate are constantly being reviewed given the current economic and political climate. At its meeting on 18 December 2025, the MPC voted by a majority to reduce Bank Rate by 0.25 percentage points, to 3.75%. The Bank of England gradually reduced rates throughout the year in response to slowing inflation and weaker economic growth. Inflation has fallen since the previous meeting, to 3.2%, the lowest level in eight months. Although above the 2% target, it is now expected to fall back towards target more quickly in the near term.

MUFG Corporate Markets Interest Rate View 22.12.25												
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25

21. **Limits on External Debt:** The Treasury Indicators set limits for interest rate exposures in relation to borrowing and the maturity structure of long-term borrowing. The objective of these indicators is to restrain the activity of the treasury function within certain limits, thereby managing the risk of re-financing and adverse movements in interest rates.

22. **Interest Rate Exposures for Borrowing:** All the borrowing undertaken by the Authority previously has been on a fixed rate of interest with the Public Works Loans Board (PWLB). Currently the Authority is not looking to borrow externally immediately due to high borrowing rates, however, as capital projects progress and their figures are finalised within the capital strategy and interest rates reduce, this requirement will be reviewed and reported. It is likely that any external borrowing undertaken would be on a fixed rate of interest due to the need for certainty and affordability over future payments.

23. **Interest Rate Exposures for Deposits:** The Authority primarily deposits its cash balances on a fixed rate basis and therefore limits its exposure to any reductions in interest rates. Whilst security of the deposit remains a prerequisite, interest rates are forecast to remain at a higher level for a while yet and therefore surplus cash will be invested across a range of durations up to one year so as to provide a degree of certainty in respect of the level of return achieved. The Authority defines fixed rate investments as those where the interest rate does not fluctuate during the period of the investment. Up to 100% of surplus cash can be invested in fixed rate deposits but to provide maximum investment flexibility, up to 100% of surplus cash may also be invested in variable rate investments if deemed appropriate.

Table 5 **Limit of Deposit Exposure**	**2025/26 Limit**	**2026/27 Limit**	**2027/28 Limit**	**2028/29 Limit**	**2029/30 Limit**
Fixed Interest Rates	100%	100%	100%	100%	100%
Variable Interest Rates	100%	100%	100%	100%	100%

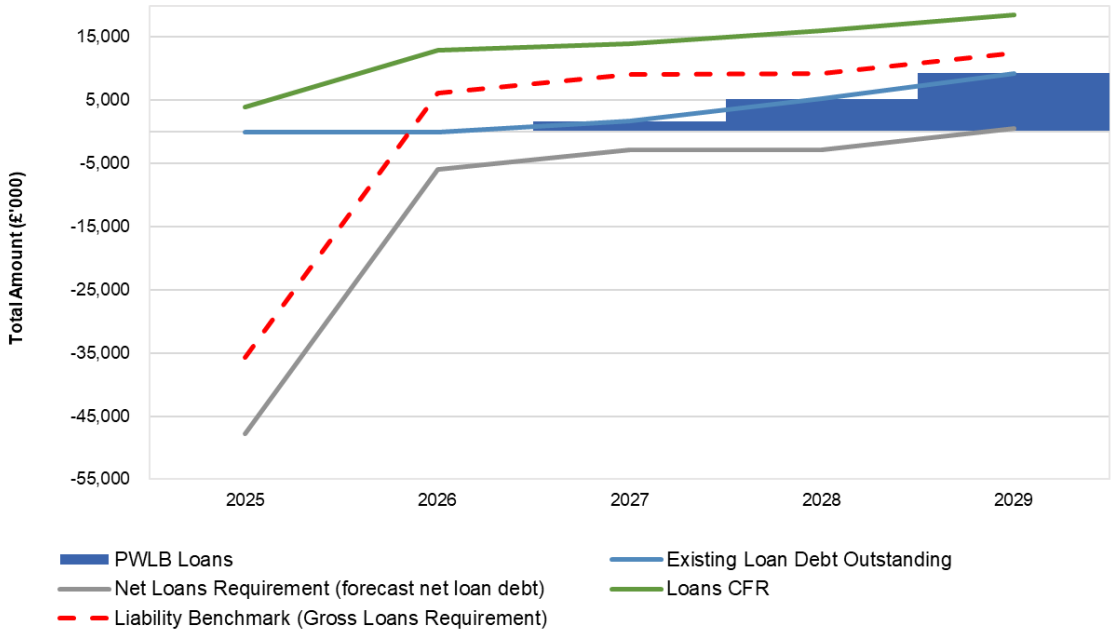
24. **Maturity Structure of Borrowing:** The current maturity profile of the Authority's existing loans, as at 31 March 2026 is set out in **Table 6** below.

Table 6 **Existing Loan Profile**	**Amount £'000**	**Percentage Maturing**
	0	0%
Total borrowing to be repaid	**0**	**0%**

25. **Debt Liability Benchmark:** the liability benchmark indicator 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.

26. 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.



1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

BORROWING

27. **Borrowing Arrangements**: The Authority has been actively trying to reduce its cash balances by deferring long term external borrowing and therefore borrowing internally from its own cash balances. The Authority will continue with this prudent strategy which has resulted in savings in borrowing interest costs and has minimised the risk of counterparty loss. The Authority is currently under-borrowed by £12,987k and, based on current interest rates has saved approximately £603k per annum by not borrowing this money.

28. **Timing of Borrowing:** Officers engaged in treasury management monitor interest rates on a daily basis and receive advice from the Authority's Treasury Management Advisor on changes to market conditions, so that borrowing and investing activity can be undertaken at the most advantageous time. If borrowing is required, given the high borrowing rates and the Authority's high cash balances, it is proposed to undertake internal borrowing in the interim.

29. **Volatility to Inflation:** The Authority will keep under review the sensitivity of its treasury liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

30. **Periods of Borrowing:** In general, the period of borrowing is linked to the life of the assets acquired, although regard is also given to the maturity profile of borrowing to mitigate the risks that might arise on any re-financing. However, on occasions, borrowing decisions may be taken to borrow over shorter or longer periods where this is considered to be the cheapest option in the long term.

31. **Sources of Borrowing:** The Authority could borrow from the Public Works Loan Board (PWLB), other Local Authorities, the money markets, or through Finance Leasing depending on which terms are the most favourable overall.

32. **External Debt:** The Authority's current debt portfolio position for the next five years is detailed in **Table 7** below. It shows the actual external debt against the underlying capital borrowing need (the CFR) highlighting any over or under-borrowing.

Table 7 **Current Debt Portfolio**	**2025/26** **Forecast**	**2026/27** **Estimate**	**2027/28** **Estimate**	**2028/29** **Estimate**	**2029/30** **Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Borrowing 1 April	**0**	**156**	**1,813**	**5,268**	**9,250**
New Borrowing	0	1,700	3,500	4,050	4,750
New Other Long-term liabilities (OLTL)	197	0	0	0	0
Expected change in OLTL	-41	-43	-45	-68	0
Loans Repaid	0	0	0	0	0
Borrowing as at 31 March	**156**	**1,813**	**5,268**	**9,250**	**14,000**
Less closing CFR	-12,987	-13,892	-15,983	-18,308	-21,290
Under borrowing	**-12,831**	**-12,079**	**-10,715**	**-9,058**	**-7,290**

33. The Authority's debt should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) for the current year and the next two financial years. This allows the Authority the flexibility to borrow for future years whilst ensuring that borrowing is not undertaken for revenue purposes. The level of actual borrowing and the CFR will often be different for a combination of reasons. It could be due to timing differences between amounts set aside for the repayment of debt and the actual timing of loan repayments, but it could also be due to a decision to defer the borrowing relating to capital expenditure that has already been incurred.

34. **The Director of Finance** reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans and the proposals within the budget report.

35. **The Operational Boundary for External Debt:** This is the limit which external debt is not normally expected to exceed. The proposed Operational Boundary for external debt is based on the Authority's plans for capital expenditure and financing, and is

consistent with its treasury management policy, statement and practices to provide sufficient headroom to switch funding for capital projects from reserves, receipts and revenue contributions to external borrowing.

36. The Authority has some projects where there is the potential to lease rather than buy, and so the limit recognises that such leases may be classified as finance leases. Accounting changes with regard to leases (IFRS16) mean that some existing lease arrangements, that in the past have been accounted for within the revenue budget, may now be reflected on the Authority's balance sheet as a liability for the commitment of the contract so this now needs to be considered as part of the Treasury Strategy under the other long-term liabilities heading. Risk analysis and risk management strategies have been considered, as have estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes when determining this limit.

37. **The Director of Finance** has confirmed that the Operational Boundary is based on expectations of the maximum external debt of the Authority according to probable - not simply possible - events and is consistent with the maximum level of external debt projected by estimates. This indicator is a key management tool for in-year monitoring and acts as an "alert" for the possibility of an imminent breach of the Authorised Limit. The Operational Boundary for external debt excluding investments is shown in **Table 8** below.

Table 8 - Operational Boundary	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Borrowing	35,000	35,000	35,000	35,000	35,000
Other long term finance liabilities	3,500	3,500	3,500	3,500	3,500
Total	**38,500**	**38,500**	**38,500**	**38,500**	**38,500**

38. **Authorised Limit for External Debt:** The Authorised Limit provides for additional headroom over and above the Operational Boundary to allow for unusual and unexpected cash movements. This represents a limit beyond which external debt is prohibited. The Authorised Limit for the Authority's total external debt, excluding investments, is shown in **Table 9** below.

Table 9 Authorised Limit	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	39,000	39,000	39,000	39,000	39,000
Other long term finance liabilities	3,500	3,500	3,500	3,500	3,500
Total	**42,500**	**42,500**	**42,500**	**42,500**	**42,500**

39. **Borrowing in Advance of Need:** The Authority will not borrow in advance of its needs in order to profit from any short term interest rate advantage. Any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds. The risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual treasury reports.

40. **Debt Rescheduling:** Whilst short term interest rates may be cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of the debt repayment (premiums incurred). The reasons for rescheduling may include the generation of cash savings in annual interest payments or to amend the maturity profile of the portfolio. The premium now charged by the PWLB generally makes restructuring debt for interest rate reasons unattractive. Consideration would be given to debt restructuring if there was a significant change in the PWLB's policy. Any debt rescheduling will be reported to the Authority at the earliest opportunity following the rescheduling. But given that as at 31 March 2026, there is no outstanding external debt, this realignment of debt is not an issue that this Authority needs to consider currently.

41. **Gearing:** Gearing is used as a measure of financial leverage and indicates how much of the Authority's activities are funded by debt. The higher the percentage, the more risk the Authority has, as it must continue to service this level of debt. Gearing is calculated as (total debt/total assets). The Authority's current gearing level is a very low 0.11%.

42. **Borrowing Strategy:** The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flows have been used as a temporary measure. This Strategy is prudent as borrowing rates are currently high, but are expected to fall over the medium term, and counterparty risk is also still an issue that needs to be considered.

43. Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Director of Finance will monitor

interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions taken will be reported to the Authority at the next available opportunity.

ANNUAL INVESTMENT STRATEGY

44. **Investment Policy - Management of Risk:** The Authority's Investment Strategy has regard to the CIPFA Treasury Managment Code 2021 and the CIPFA Treasury Management Guidance Notes 2021. It has two main objectives: the first is security, in order to ensure that the capital sum is protected from loss; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and portfolio liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters. Where appropriate the Authority will also consider the value available in periods up to 12 months with high credit rated financial institutions. The Authority will ensure that robust due diligence procedures cover all external investment. This Strategy is reviewed and updated annually.

45. The Treasury Management Code of Practice details that the term "investments" used in the definition of treasury management activities also covers other non-financial assets which an organisation holds primarily for financial returns, such as investment property portfolios. The Authority does not hold non-financial assets primarily for financial returns, nor does it propose to do so.

46. The above guidance places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable **credit criteria** are applied to generate a list of highly credit worthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- **Other Information** - ratings will not be the sole determinant of the quality of an institution, it is important to continually assess and monitor the financial sector and take account of the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the

opinion of the markets. To achieve this the Authority engages with its Treasury Advisors.

- **Other Information sources** used will include the press and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

47. **Volatility to Inflation:** The Authority will keep under review the sensitivity of its treasury assets to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.

48. **Specified or Permitted Investments:** These are investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. All such investments will be sterling denominated. These are considered low risk assets where the possibility of loss of principal or investment income is small and will include deposits with: -

- the UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- other local authorities.
- Money Market Funds (CNAV and LVNAV).
- banks, building societies and other financial institutions of **high credit quality**.

49. **High Credit Quality:** The Authority's Treasury Management Advisor provides a creditworthiness service which, taking into account the ratings provided by the credit agencies, market data, market information and information relating to government support for banks, provides a recommendation on counterparty, group and country limits as well as investment duration. Officers have considered this, together with other information available and views on risk, in order to produce a counterparty list. The Authority defines "high credit quality" as being: -

- UK Banks
- UK part-nationalised banks.
- Institutions domiciled in the UK that have been classified by MUFG Pension & Market Services as being appropriate for deposit durations of between 100 days and one year; that have a minimum sovereign long-term rating of A- and have, as a

minimum, the following credit rating from at least one of Fitch, Moody's and Standard and Poor's (where rated): -

(a) Short term – F1 (or equivalent).

(b) Long term – A- (or equivalent).

- The Authority's own banker for transactional purposes, or except if the bank falls below the above criteria, in which case balances will be minimised in both monetary size and time.

- Institutions domiciled in a foreign country where that country has a sovereign rating of AAA.

50. **The Monitoring of Investment Counterparties:** The credit rating of counterparties will be monitored regularly, based on credit rating information received from MUFG Pension & Market Services. On occasions ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list. If this requires revision of the Treasury Strategy, then this will be reported to the Authority for approval.

51. **Investment Duration for Deposits:** The longest duration for any investment will be one year. The Authority will only use specified investments, the criteria for which are set out in paragraphs 48 and 49 above and may restrict the period of investment to a period shorter than the maximum.

52. **Environmental, Social and Governance Policy:** The Authority is committed to considering environmental, social and governance (ESG) issues, and has a particular interest in taking actions against climate change and pursuing activities that have a positive social impact. The Authority will not knowingly invest directly in institutions whose activities are inconsistent with the Authority's mission and values. As part of the Authority's Counterparty list, the Authority has access to two sustainable fixed term deposit accounts with NatWest and Standard Chartered.

53. The Strategy for 2026/27 will be to use only those institutions detailed on the counterparty list, shown in **Table 10** below:

Table 10 – Investment Duration for Deposits

Permitted Forms of Investment 2026/27	Minimum Credit Criteria
Cash Deposits with the Debt Man. Office	N/A
UK Treasury Bills	N/A
Call Accounts/Notice Accounts	UK Banks, UK part-nationalised bank or an institution rated by MUFG Pension & Market Services as suitable for investment for 100 days or more
Term Deposits	

Certificates of Deposit	N/A
Money Market Funds CNAV	AAA
Money Market Funds LVNAV	AAA
Term Deposits with Other UK Local Authorities	**AA**

Counterparty List 2026/27	**Counterparty Limit**
Debt Management Office (incl. Treasury	Unlimited
RBS Group: Royal Bank of Scotland/Nat West	£7m Group Limit
Lloyds Bank: Lloyds TSB/HBOS, Corporate Markets	£7m Group Limit
Barclays Bank plc	£5m
Coventry Building Society	£5m
HSBC Bank plc	£7m
Leeds Building Society	£5m
Nationwide Building Society	£5m
Skipton Building Society	£5m
Yorkshire Building Society	£5m
Santander UK plc	£7m
Goldman Sachs International Bank	£5m
Standard Chartered Bank	£5m
Handelsbanken plc	£5m
SMBC Bank International plc	£5m
Al Rayan Bank plc	£5m
National Bank of Kuwait International plc	£5m
Clydesdale Bank PLC	£5m
Australia and New Zealand Banking Group Commonwealth Bank of Australia National Australian Bank Ltd Westpac Banking Corporation Macquarie Bank Ltd.	£5m per institution but £5m Country Limit
Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce National Bank of Canada Royal Bank of Canada Toronto Dominion Bank	£5m per institution but £5m Country Limit
Danske A/S	£5m per institution but £5m Country Limit
Bayerische Landesbank	£5m per institution but £5m Country Limit
Commerzbank AG Deutsche Bank AG DZ BANK AG Deutsche Zentral-Genossenschaftsbank Landesbank Baden-Wuerttemberg Landesbank Hessen-Thueringen	

Landwirtschaftliche Rentenbank	
Norddeutsche Landesbank Girozentrale	
NRW.BANK	
ING Bank N.V.	£5m per institution but £5m
ABN AMRO Bank N.V.	Limit
BNG Bank N.V	
Cooperatieve Rabobank U.A.	
Nederlandse Waterschapsbank N.V.	
DNB Bank ASA	£5m per institution but £5m
	Limit
DBS Bank Ltd	£5m per institution but £5m
United Overseas Bank Ltd	Limit
Oversea-Chinese Banking Corp. Ltd.	
Svenska Handelsbanken	£5m per institution but £5m Country Limit
Skandinaviska Enskilda Banken	
Swedbank	
UBS AG	£5m per institution but £5m
	Limit
Bank of America N.A	£5m per institution but £5m
The Bank of New York Mellon	Limit
JP Morgan Chase Bank	
Wells Fargo Bank	
Citibank	
Other Local Authorities	£5m per Local Authority - £20m limit
Money Market Funds (CNAV and LVNAV)	£5m per fund - £25m limit

Banks that qualify using this credit criteria as at the date of this report are shown above. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

54. **Investment Returns Expectations:** The Authority is expecting investment income of approximately £2.622m for 2025/26, averaging a return of 4.06% for the year. Any new information that alters the outlook for inflation, growth or financial stability could result in changes to these assumptions. Consequently, these will be regularly monitored and Members will be kept updated through the mid-year Treasury report.

55. Returns on Treasury Bills have fallen since last year. They offer a high degree of security and are currently returning an average rate of 4.03%. The Authority continues to make use of Money Market Funds (MMFs) which are included in the treasury strategy. They offer a high degree of security, being AAA-rated, with instant access and

carry rates currently of circa 3.98%. The rates generally track the base rate. They are deemed to be a good way of diversifying cash and spreading risk as the credit rating agencies put strict limits on how much they can have in any one counterparty and what the average duration of the underlying portfolio can be.

56. There are three types of Money Market Funds, which are: -

- **Constant Net Asset Value (CNAV)** – Short term funds that have a high level of investment in government assets. Units in the fund are purchased or redeemed at a constant price.

- **Low Volatility Net Asset Value (LVNAV**) - Short term funds that are primarily invested in money market instruments, deposits and other short-term assets. Units in the fund are purchased or redeemed at a constant price so long as the value of the assets do not deviate by more than 0.2% (20bps) from par (i.e. 1.00)

- **Variable Net Asset Value (VNAV)** – Funds that are invested in money market instruments and deposits and other Money Market Funds. The funds are subject to looser liquidity rules and may invest in assets with a longer maturity than CNAV and LVNAV funds. Units in the funds are purchased or redeemed at a variable price.

57. A review has been undertaken of the available funds and the Authority will only invest in CNAV and LVNAV Money Market Funds as they are considered more appropriate for the Authority's investment risk appetite.

58. **Local Authority Loans:** As set out above, the Authority does make provision to allow loans to be made available to other Local Authorities, however the maximum duration for any loan will be one year, in line with the maximum timeframe for other deposits set out in this Strategy. Prior to agreeing to any such loan, the Authority will undertake appropriate due diligence to establish the financial stability of the Authority that requires the loan. Reviews will be undertaken on issues such as past audit reports / opinions, balance sheet reviews, any adverse public reporting.

59. The maximum duration for investments suggested by MUFG Pension & Market Services can be revised at any time, which means that the Authority could find that the remaining duration of a fixed term investment is greater than the maximum suggested at that time. When there is a change to reduce the suggested duration downwards, and early redemption would cause a penalty or loss of interest, the investment will be allowed to run to maturity. If the suggested duration is changed to zero, the investment will be monitored and the need for early redemption reviewed.

60. Some of the institutions on the Authority's counterparty list charge for transferring the investment income into the Authority's main bank account. Where such charges apply, it is not cost-effective to transfer the investment income out of these accounts on a monthly basis. For these institutions, therefore, investment income will be transferred

annually. As a consequence, the counterparty limit may be exceeded during the year by up to the amount of the annual interest due for the year.

61. The Authority has a weighted maturity average of 69 days and therefore, as the closest available benchmark, uses the backward looking 3 month Compounded SONIA (Sterling Overnight Index Average) Index to compare itself. The reason the Authority chooses to look at the backward-looking Compound SONIA is that it is based on real data, and not a forecast rate like the forward-looking data is. Currently the portfolio is slightly higher than the benchmark with a rate of 4.02% against the SONIA rate of 3.99%.

62. **Training:** The Authority has processes in place to ensure that the appropriate level of training is delivered to both Members and staff who are involved in the delivery and scrutiny of the treasury management function. A training session on the latest economic forecast was provided by MUFG Pension & Market Services to Audit and Governance members at the January 2026 meeting, with a subsequent update to be undertaken at the January 2027 meeting. 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. One team member has recently completed the Certificate in Treasury qualification for the Association of Corporate Treasurers and direct line managers that oversee Treasury activity are CIPFA qualified accountants.

63. The Authority's treasury team continue to run the Kent Treasury Forum; a forum which aims to bring together treasurers from all districts within Kent to discuss key policies and compare portfolios. The forum has enabled the Authority to benchmark its rates against other local authorities' rates and therefore help identify areas where the Authority is performing well, as well as areas that can be improved. It also enables our own newly formed Treasury Officers to network with more experienced Kent Treasurers and enhance their understanding of the types of investments available and the advantages and disadvantages of such investment types.

64. **Current Portfolio** - below sets out the investment portfolio of the Authority as at 12 December 2025.

Table 11 – Current Portfolio	Fixed Deposits	Call Account	Notice Call Account	Money Market Funds	**Total**	**Average Interest Rate**
	£'000	£'000	£'000	£'000	**£'000**	
Debt Management Office (including Treasury Bills)	15,685	0	0	0	**15,685**	**4.03%**
RBS Group: Royal Bank of Scotland/ Nat West	5,000	100	0	0	**5,100**	**3.96%**
Barclays Bank plc	0	0	5,000	0	**5,000**	**4.05%**
HSBC	0	0	5,000	0	**5,000**	**3.70%**
Lloyds Bank	6,000	1,000	0	0	**7,000**	**4.11%**
SMBC	2,000	0	0	0	**2,000**	**4.14%**

Standard Chartered Bank	5,000	0	0	0	**5,000**	**4.03%**
Goldman Sachs International Bank	5,000	0	0	0	**5,000**	**4.12%**
Aviva Sterling Liquidity Fund	0	0	0	5,000	**5,000**	**4.04%**
Aberdeen Sterling Liquidity Fund	0	0	0	5,000	**5,000**	**3.97%**
Goldman Sachs Sterling Liquidity Reserve	0	0	0	2,510	**2,510**	**3.93%**
Total Per Deposit Type	38,685	1,100	10,000	12,510	**62,295***	**4.02%**
Average Interest Rate Per Deposit Type	4.08%	3.61%	3.88%	3.99%		

* This includes the pensions grant over-payment

IMPACT ASSESSMENT

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

RECOMMENDATION

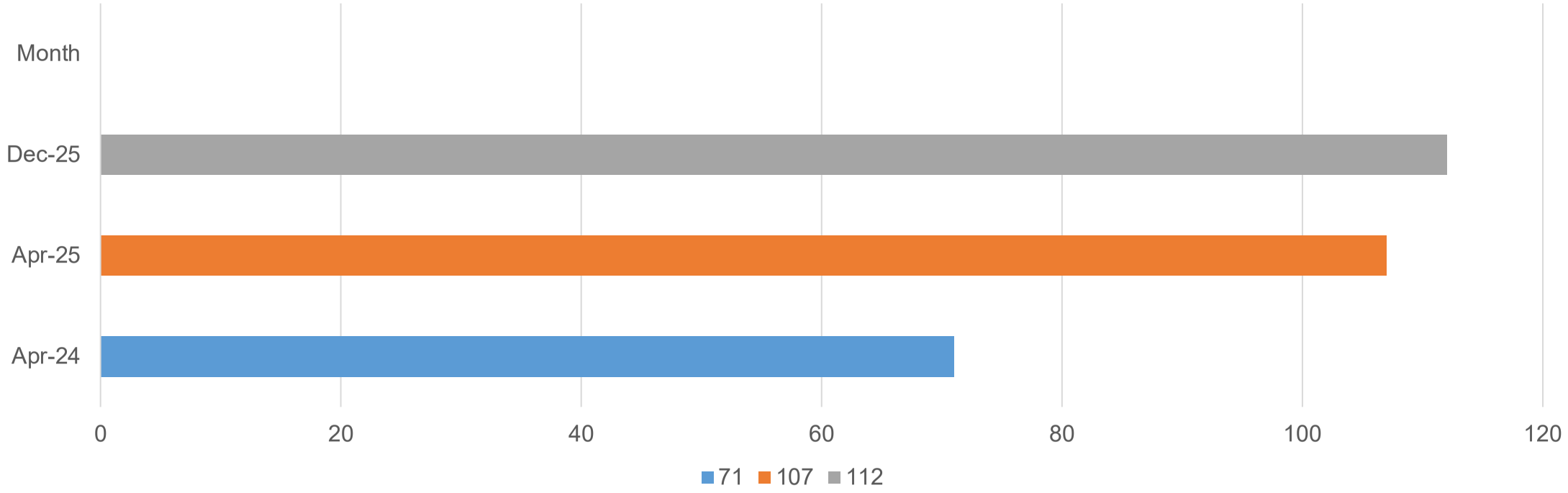
66. Members are requested to:

66.1 Agree 'in principle', the Treasury Management and Investment Strategy for 2026/27 (paragraphs 8 to 64 refer).

Corporate and Strategic Risk Register Update

Audit & Governance Committee
29 January 2026

No. of risks since new process

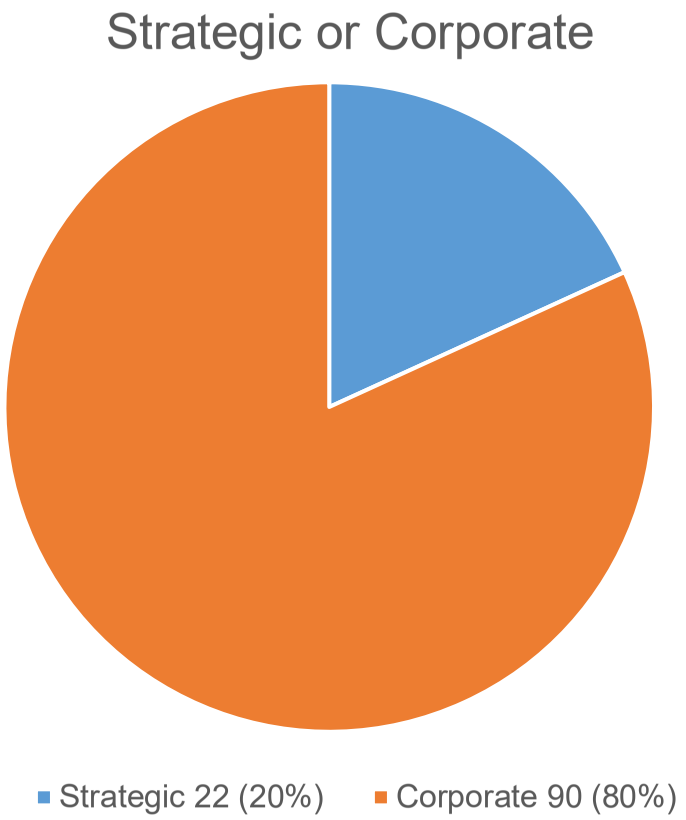


Strategic And Corporate Risks

- The KFRS Corporate Risk Register comprises:

    - Strategic risks, identified and defined by CMB as the major risks that could prevent management from fulfilling the objectives in the service's agreed strategy; and
    - Corporate risks, mainly identified by teams across the service. It does not include all the organisation's operational risks – a FRS will often have hundreds of these – just the most significant ones. These are identified through several mechanisms including evaluation of risks in the main strategic programme of projects.

Strategic or Corporate



Likelihood rating for risks		
Score	**Likelihood**	**Description**
5	Almost Certain	Expected to occur; probable this year and highly probable in the longer term.
4	Likely	Will probably occur; it would be surprising if this did not happen.
3	Possible	Unlikely in the near future but reasonably likely in the longer term.
2	Unlikely	Do not expect it to happen in the near future but might occur in the longer term.
1	Remote	It would be surprising if this happened; may occur in exceptional circumstances.

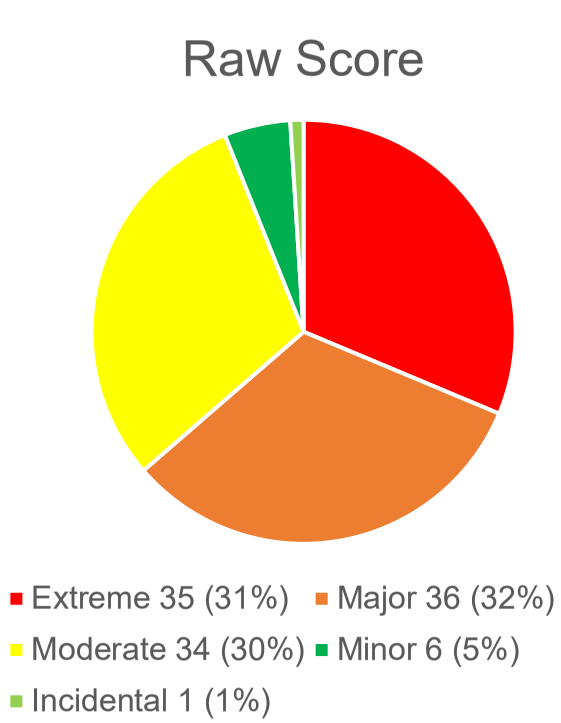
Impact rating for risks		
Score	**Impact**	**Description**
5	Extreme	May cause key objectives to fail. Very significant impact on organisational goals. Legal or regulatory implications. Significant reputational impact.
4	Major	Risk factor may lead to significant delays or non-achievement of objectives.
3	Moderate	Risk factor may lead to delays or increase in cost.
2	Minor	Some impact of the risk, fairly minor.
1	Incidental	Fairly insignificant, may lead to a tolerable delay in the achievement of objectives or minor reduction in quality, quantity and/or an increase in cost.

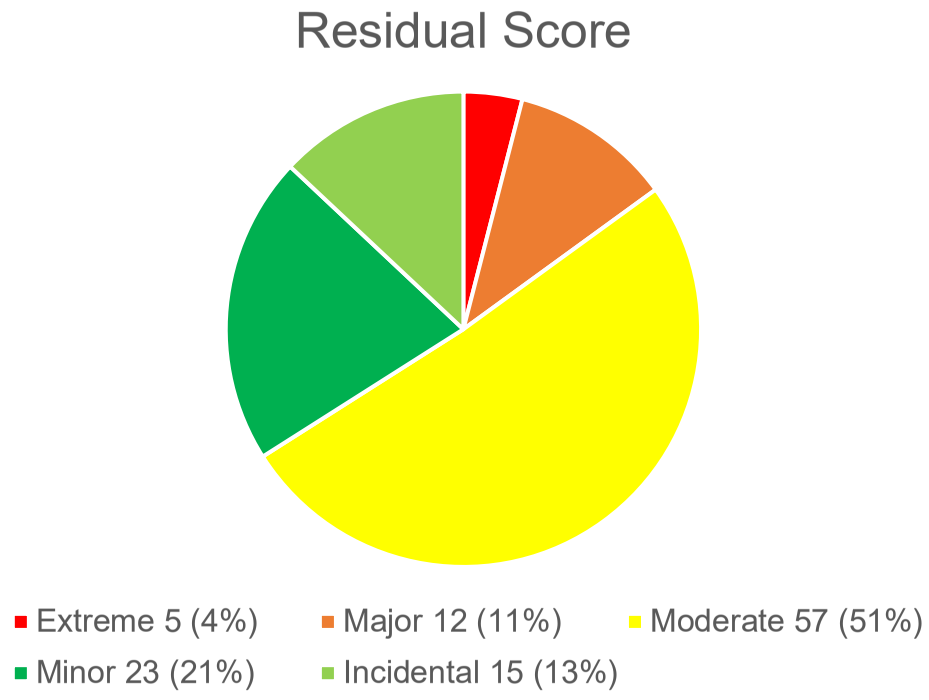
Risk Evaluation

Ranges from 1-25, on 5x5 grid, with five grades of risk

Likelihood x Impact
Extreme 20-25
Major 15-16
Moderate 8-12
Minor 4-6
Incidental 1-3

Raw and Residual Risk Score





Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
1	**IF** we have Industrial Action ... **THEN** we face a loss of effective services to our customers, Including potential loss of life, loss of reputation, fines, impact on finances and intervention into the Service.	15	2	12
2	**IF** Financial sustainability is compromised ... **THEN** we may not be able to deliver our mission critical services or changes required by our CRMP.	16	1	16
3	**IF** sufficient firefighting and rescue equipment and vehicles of the required standard were unavailable as required ... **THEN** an effective emergency response could not be provided.	20	2	10
4	**IF** the arrangements for mobilising emergency resources failed ... **THEN** an effective emergency response couldn't be maintained including potential for loss of life, fines and reputational damage.	25	5	10
7a	Death of colleague in service (Incident): **IF** an employee is seriously injured/killed in any area of activity ... **THEN** we would have a serious impact on our customers (internal and external), with potential significant financial, cultural, legal and reputational impacts on the Service.	20	5	10
7b	**IF** a volunteer is assaulted or killed while they are attending an incident as a member of the Volunteer Response Team or while they are attending an event or open day … **THEN** we would have a serious impact on our customers (internal and external), with potential significant financial, cultural, legal and reputational impacts on the Service.	20	5	10

Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
12	**IF** we have extreme weather ... **THEN** the impacts on customer safety will increase and our ability to respond to customers need reduce, causing further risk to customer safety.	20	4	15
14	**IF** effective safeguarding arrangements aren't put in place ... **THEN** customers may not receive specialist support or onward referral which may result in the customer experiencing neglect or harm.	20	4	5
15	**IF** Building Safety monitoring and enforcement is ineffective ... **THEN** a serious incident could lead to an extended investigation or scrutiny of the Service.	25	4	8
19	**IF** water provisions are insufficient to extinguish a fire due to water companies pressure reduction techniques ... **THEN** the Authority could fail to manage an incident fail to extinguish a fire, resulting in potential loss of life or property, and significant reputational damage and financial loss.	20	5	16
25	**IF** we fail to understand and design data fully ... **THEN** we will potentially make mistakes in decisions at all levels as we won't have the right facts to support decisions.	16	3	9
31	**IF** the Authority is unable to obtain the required levels of insurance cover ... **THEN** the Authority's reserves will be impacted.	12	3	6

Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
34	**IF** crews are exposed to contaminants ... **THEN** operational colleagues could have long term health implications and the Service could face legal expenses and fines and associated reputational loss.	16	2	12
36	**IF** the Authority suffers a large-scale data breach, examples of which include deliberate or accidental sharing of data by an employee, cyber attack or unintended result of a cyber attack ... **THEN** it may be liable to significant fines from the ICO, legal claims from affected parties, loss of sensitive data, some of which may also be operationally sensitive, and significant loss of trust and reputational damage. Recovery may be protracted, resource intensive and costly.	25	5	20
38	**IF** the Service has a loss of Information Technology (IT) due to system failure ... **THEN** the ability to maintain critical functions and services may be impacted, resulting in a failure to maintain legal duties, resulting in significant financial loss and/ or reputational damage.	12	5	9
40	**IF** the Service is impacted by a Cyber (malicious) attack ... **THEN** the ability to maintain critical functions and services may be impacted, resulting in a failure to maintain legal duties, resulting in significant financial loss and/ or reputational damage.	25	5	20
45	**IF** we lose a KFRS site (including access to the site) ... **THEN** there could be impacts on the Service and its ability to discharge critical functions and activities. This could be FRCC, stations, SHQ or training facilities. Impact varies dependent on the cause and/ or the locations affected but significant reputational risk is possible	8	5	4

Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
76	**IF** the Authority fails to respond to change of customer demographic … **THEN** the Authority may not have suitable and sufficient resource for prevention, protection and response measures, e.g. community Intelligence engagement, and Prevention team, visits by RIT.	8	3	3
86	**IF** we fail to appropriately prioritise and plan resources to deliver … **THEN** we will create confusion, lack of direction and focus, inefficiencies and degradation of colleagues. Programmes, projects and BAU will not be delivered.	25	2	15
89	**IF** website support service supplier data centre is hacked … **THEN** our website could fail and we wouldn't be able to fulfil our duties under the Civil Contingencies Act.	9	5	6
96	**IF** Dynamics 365 suffers a catastrophic failure … **THEN** we will be unable to access premises and customer risk information when delivering Building Safety, Customer Safety and Operational Response.	4	5	3
98	**IF** there are further successful legal challenges in relation to the firefighter pension scheme regulations … **THEN** the Authority may take decisions to address any issues before new or amended pension scheme legislation is in place, which could have a financial impact on individuals who have retired, or will be retiring, and subsequently lead to legal, financial and reputational impacts on the Authority.	20	2	3

To Note

- **Legislation and Compliance Register** – Has brought together a comprehensive list of all legislation and guidance relevant to a Fire and Rescue Service. Shared with the NFCC.
- **Business Plans and Exercise/ Testing Register** being developed to provide clarity around the relationship between risk, resilience and business continuity. This will also help ensure that exercises and business continuity plans are tested on a consistent basis.

INTERNAL AUDIT PROGRESS REPORT
January 2026

Author: Russell Smith, KMFRA Chief Audit Executive
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1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place, within the Authority, is effective and supports Audit and Governance Committee in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within Kent and Medway Fire and Rescue Authority (KMFRA) that are most at risk of impacting on the KMFRA's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Audit and Governance Committee and Management with summaries of 3 completed piece of work between September 2025 and January 2026.

2. Key Messages

- 3 audits has been finalised in the period reported. **Appendix A**
- 33% of the 2025-26 Audit Plan is either in planning or fieldwork stage.
- Audit definitions relating to opinions and issue priorities are detailed in **Appendix B**
- Internal Audit Performance for the period is detailed in **Appendix C**
- The Counter Fraud Team were Highly Commended by the CIPFA 2025 Public Finance Award judges in the Outstanding Fraud Prevention, Detection and Recovery category. The nomination was in respect of the work done on developing a Counter Fraud Culture across Kent County Council and our client base.

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3. 2025/26 Internal Audit Plan Progress

This report also provides an update on the work completed between September 2025 and January 2026. The Audit Plan progress is slightly below target however; there are no material concerns at this point in delivery of the Audit Plan by 31 March 2026 as all audits have commenced. Please note that the Mental Health audit was only recently added to the plan, which introduces a risk that this review many not be fully completed by the end of March. The audit summaries are provided at **Appendix A**.

Plan Revisions

Following discussions with Officers, 2 Audits have been deferred to the 2026-27 Internal Audit Plan:

- FS02-2026 – Ethical Standards (likely to be merged with a Bullying and Harassment audit)
- FS04-2026 - ICT – Supply Chain Security

It was agreed with officers that the following audit would be added to the Internal Audit Plan:

- FS09-2026 – Mental Health

The above revisions have been communicated and agreed with the Chair of the Audit and Governance Committee. The revisions have been included for information for Members of the Audit and Governance Committee.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not Started	0	0%
Planning	1	11%
Fieldwork	2	22%
Draft Report	0	0%
Final Report	4	44%
Removed/ Deferred	2	22%
Total	9	

Note: Totals above are inclusive of 1 addition to the Internal Audit Plan.

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Table 2 below provides an update on our progress against the 2025/26 Audit Plan:

Ref	Audit	Quarter	Status	Assurance Opinion	Prospects for Improvement	Reported to Members
FS01	Procurement	Q1	Complete	HIGH	VERY GOOD	September 2025
FS02	Ethical Standards	Q1	Deferred			
FS03	Targeted Education Programme	Q2	Fieldwork			
FS04	ICT – Supply Chain Security	Q2	Deferred			
FS05	Recruitment	Q3	Complete	SUBSTANTIAL	VERY GOOD	January 2026
FS06	Management of Grants	Q3	Complete	SUBSTANTIAL	VERY GOOD	January 2026
FS07	Resource Management at Stations (Crew & Resource Allocation)	Q4	Fieldwork			
FS08	Channel Tunnel	Q4	Complete	ADEQUATE	GOOD	January 2026
FS09	Mental Health	Q4	Planning			

Assurance Level	No	%
High	1	25%
Substantial	2	50%
Adequate	1	25%
Limited	0	0%
No	0	0%

Prospects for Improvement	No	%
Very Good	3	75%
Good	1	25%
Adequate	0	0%
Uncertain	0	0%

4. Issue Implementation

This is a position statement setting out the open actions from audits undertaken (Implementation of Agreed Management Actions). There are currently 8 open issues however, these are currently not due for implementation.

The status of implementation agreed actions is summarised below:

Table 3 - Status of all Open Agreed Management Actions

Ref	Audit	Audit Date	Assurance Opinion	Issue	Priority	Status	Revised Date
FS05-2025	Disaster (Cyber Security) Recovery and Back-up Arrangements	2 July 2025	Adequate	• Issue 1 – Disaster Recovery Plan • Issue 2 – Recovery Time Objectives • Issue 3 – Cyber Incident Response Plan • Issue 5 – Cyber Security Due Diligence • Issue 6 – Supplier Arrangements	Medium	Not Due	
FS06-2024	Climate Change	1 March 2024	Substantial	• Issue 2 – Devising a Plan for Funding Arrangements	Medium	Partially Implemented	Note: The target for carbon neutrality has been amended from 2030 to 2050
FS06-2025	Incident Command Training	16 June 2025	Substantial	• Issue 4 – Kronos Skills and Rotas • Issue 5 – Records tracking command hours	Medium	Not Due	

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4. Counter Fraud

No frauds or irregularities have been reported during the period starting 01 April 2025.

5. Resources

In accordance with the Global Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- There is one vacancy within the Internal Audit Team.
  - The Head of Internal Audit and Counter Fraud Service left the service at the beginning of September 2025 – interim arrangements remain in place; an interim Head of Internal Audit and an Interim Head of Counter Fraud have been internally resourced until a recruitment exercise is undertaken to fill the post permanently.
- A Data Analyst has been recruited into the Internal Audit Team which will seek to enhance the use of Data Analytics and continuous auditing within the service.
- An additional Principal Auditor has been recruited into the service to support delivery.

- Audit Management software development and enhancements to Internal Audit processes are ongoing.
- There is adequate technology available to support the completion of the Rolling Internal Audit Plan including data analytics tools such as PowerBi.
- The use of Artificial Intelligence is actively being explored to create efficiencies and enhance delivery.

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5. Performance Indicators - 2025-26 Performance

As part of the Service Level Agreement between KCC and KFRS, Performance Indicators are in place to measure both the performance of Internal Audit and the timeliness of officers' responses to audit plans and reports. Current performance in relation to the performance indicators is given in **APPENDIX C**. Two performance indicators (% completion of Annual Plan and % completion of actions due) are reported at year end only.

Agreed draft report dates are not always met for audits completed to date. Improvement actions on performance against this indicator will be included within the action plan for the Quality Assurance and Improvement Programme (QAIP) which will be reported as part of the Annual Opinion Report.

Officers begin fieldwork on the date stated in the final Engagement Plan, as agreed with key contacts. This means fieldwork may start less than 2 weeks after agreement of the final Engagement Plan.

As we have an agile audit approach we provide regular verbal feedback throughout the audit.

KPIs are currently being reviewed to enhance their relevance and effectiveness in future years.

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FS05-2026 - Recruitment

Audit Objective	KFRS has restructured HR, strengthening systems, processes, and compliance. Following the 2025 HMICFRS report, action plans are well progressed. Key initiatives include a refreshed People Impact Assessment process and Talent Bench. Recruitment improvements feature reduced lead times, recruiting to hard-to-fill roles, and revised interview and assessment scoring aligned to competencies and the KFRS behavioural framework.

Audit Opinion	Prospects for Improvement
Substantial	Very Good

Actions	Number	Agreed	Risk Accepted
High	0	N/A	N/A
Medium	0	N/A	N/A
Low	2	2	0

Audit Scope and Scope Limitations

Areas Covered	
Legislation, regulations, policies, procedures, structure, roles and responsibilities, recruitment systems, Counter Fraud and Bribery	
Specifications and induction, training and development, technical and hard to fill roles, recruitment processes and staff surveys	
Workforce Planning and Key Performance Indicators	
Action Plans developed for each area of scope	
Scope Limitations	None

Key Strengths

Compliance with UK Law	✓ Recruitment policies ensure compliance, fairness, and transparency, supported by anti-fraud measures, right-to-work checks, and EDI metrics integrated into the Draft Workforce Plan 2025–2030.
Action Plans	✓ An action plan addressing HMICFRS findings including EDI, recruitment consistency, and workforce gaps, is being implemented, with improved processes already mitigating key risks. Progress is on track.
Structure, Systems and Processes	✓ HR processes have been reviewed with system upgrades being evaluated. Roles and responsibilities are defined and streamlined recruitment is reducing lead times.
Alignment with objectives	✓ The Workforce Plan is progressing; agency roles have been converted to permanent and hard-to-fill posts are being filled. On-call hiring is underway, and People Impact Assessment processes have been revised and training arranged.
Internal Promotion	✓ The Talent Bench Refresh Programme includes revisions to 'Career Review Conversations' to identify Pathways to Mastery, and further Development Centres are planned.
Equality Diversity and Inclusion (EDI)	✓ Policies support diverse recruitment, standardised interview questions and scoring will reduce unconscious bias; recruitment campaigns are monitored for diversity. neuro-diverse applicants are supported; Protected Characteristics are analysed to inform workforce planning.
Performance Reporting	✓ Management information was compiled and maintained. A dashboard is being created to provide organisational metrics to support decisions.

Areas For Development

Low	**Issue 1: Job Description & Person Specification** Equality, Diversity and Inclusion information was omitted from 1 of the 5 JDPS sampled. There was inconsistent wording in others.
Low	**Issue 2: Corporate Statutory and Mandatory Training** The system in place to monitor completion and manage statutory and mandatory training was not adequate in its current form.

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FS06-2026 – Management of Grants

Audit Objective

As part of the KFRS 2025/26 Internal Audit Plan, a review of grant management was conducted on five government grants totalling £3,435,994.

Administration and monitoring were robust, with strong compliance on objectives, conditions, and audit evidence. Formal procedures and targeted training will strengthen the framework, as grant management currently occurs alongside routine responsibilities.

Audit Opinion	Prospects for Improvement
Substantial	Very Good

Actions	Number	Agreed	Risk Accepted
High	0	N/A	N/A
Medium	1	1	0
Low	2	2	0

Audit Scope and Scope Limitations

Areas Covered
Policies and Procedures
Grant Governance
Due Diligence

Scope Limitations	None

Key Strengths

Financial Policies and Procedures	✓ Are thorough and incorporate relevant legislative requirements, as well as clearly defined roles and responsibilities within the finance function.
Operational Objectives	✓ Grants support the organisation's operational objectives by enabling employees, advancing safety initiatives, or directly contributing to core priorities.
Segregation of Duties	✓ Segregation of duties is maintained, with authorisation and expenditure sign-off performed by different individuals to minimise error or fraud risk.
Grant Conditions	✓ Grant conditions have been met, with documented requirements supporting compliance and accountability.
Management & Monitoring	✓ A grant register tracks all active grants and includes year-on-year income comparisons, supporting oversight and trend analysis.
Audit Trail	✓ A robust audit trail links grant income to expenditure, with detailed invoices and transaction records facilitates easy tracking and verification.
Fraud Risk Assessments	✓ Internal Audit reviewed five sampled grants and confirmed with Counter Fraud that a fraud risk assessment was unnecessary, as it is only required when grant activity involves a third party.

Areas For Development

Low	**Issue 1: Grant Policies and Procedures** • There are no grant specific policies or procedures in place to provide clarity and guidance on the overall management of grants. However, there is a grant income schedule, that needs updating, that details the grants, their purpose, operational framework, and original values.
Low	**Issue 2: Staff Training** • There is no grant-specific training provided to colleagues, which may limit their understanding of unique requirements and risk associated with grant management.
Medium	**Issue 3: End of Funding** • Two of the five grants sampled had ended. Internal Audit was advised that post-funding reviews are not currently conducted to confirm achievement of objectives, verify no further expenditure after funding ceased, or assess the grant's impact on organisational resources.

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FS08-2026 – Channel Tunnel

Audit Objective	This audit reviewed Channel Tunnel arrangements following KFRS's exit from its 24/7 fire cover contract in February 2025. KFRS remains Second Line of Response under statutory obligations, supporting FALCK. No incidents have required attendance, but readiness is maintained through updated procedures, training, Tactical Advisor certification, site familiarisation, and participation in exercises such as Valex, Comex, and Binational drills.

Audit Opinion	Prospects for Improvement
ADEQUATE	GOOD

Actions	Number	Agreed	Risk Accepted
High	1	1	0
Medium	1	1	0
Low	0	0	0

Audit Scope and Scope Limitations

Areas Covered	
Policies and Procedures	
Escalation Protocols	
Handover Documentation	
Specialist Channel Tunnel Training	
Lessons Learned	
Scope Limitations	None

Key Strengths

Policies and Procedures	✓ Updated Operational Information Notes (OINs) for Channel Tunnel response were promptly published after KFRS exited First Line of Response; OINs are approved, version-controlled, signed, dated, and aligned with National Operational Guidance.
Escalation Protocols	✓ Escalation protocols set clear criteria, roles, and coordination steps, supported by checklists for mobilisation, notifications, and key contacts for above and below-ground incidents; incident levels (A1, A2, A3) are clearly defined.
Handover Documentation	✓ Handover comply with National Operational Guidance, supported by formal documentation and reviewed through multiagency exercises, debriefs, and officer surveys.
Specialist Channel Tunnel Training	✓ There is a FirePro blended learning package with assessments, annual familiarisation visits for SLOR stations have been completed and there are 12 Channel Tunnel certified Tactical Advisors. Driver training exceeds targets (Folkestone 96%, Dover 88%). An officer survey shows over 80% reviewed updated procedures, 93% find them clear, and 85% feel confident responding to SLOR incidents.
Lessons Learned	✓ There are documented templates for the debrief procedure within KFRS as well as multiagency and binationally.

Areas For Development

Medium	**Issue 1: Policy and Procedure Review** • **Escalation Protocols** – This document is not version controlled. It was last updated in May 2024, but changes were made since, to reflect KFRS's exit from the FLOR contract. • **Bi-Nat Guidance -** this document is dated as 2019 and requires review to ensure it remains reflective of practices; however, this is a multiagency plan not KFRS owned and the delay in part created due to the impact of COVID AND BREXIT.
High	**Issue 2: Training** • **Annual training schedule** lacks a complete view of Channel Tunnel training and does not define attendance expectations. • **Training records** are fragmented, preventing central monitoring of delivery and attendance against agreed expectations. • No full-scale **Bi-Nat exercise** since KFRS exited First Line of Response due to timing and resource constraints. **Officer Survey findings:** • 46% of officers feel lack sufficient practical SLOR experience. • 36% feel remote training does not adequately cover SLOR responsibilities. • 89% believe further training, exercises & site visits would improve confidence and readiness.

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Audit Opinion

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

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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.

Issue Risk Ratings

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.

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Appendix C – Internal Audit & Counter Fraud Key Performance Indicators

Internal Audit & Counter Fraud

No	Indicator	Target Performance	Performance to Date
1	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	90%	33%
2	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	50%
3	Draft Reports to be issued by the date specified in the Engagement Plan	90%	50%
4	Final Report to be issued within 5 working days of receiving management response	90%	75%
5	% Completion of Annual Internal Audit Plan @ 31 March 2026	90%	N/A

Kent Fire and Rescue

No	Indicator	Target Performance	Performance to Date
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%	N/A

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Anti-Fraud and Corruption Action Plan 2025-2027

-

Progress Update

Audit & Governance Committee
29 January 2026

Anti-Fraud & Corruption Plan 2025-2027

The Plan is created every two years alongside the Anti-Fraud and Corruption Policy and Anti-Fraud and Corruption Framework.

The 2025-27 Plan was agreed at the Audit and Governance Committee meeting in November 2024 .

The Plan has recently been reviewed with actions updated.

The Plan includes KFRS participation in the National Fraud Initiative (NFI) bi-annual audit.

National Fraud Initiative (NFI) Audit

KFRS took part in NFI 2024/25 National Exercise

The exercise is carried out every two years using data matching/analytics to compare different datasets across participating organisations to identify potentially fraudulent claims, errors and overpayments.

The 2023/24 exercise recovered £510m across the UK.

Data is cross referenced to Council Tax and DWP submissions & shared with HMRC

Risk matches for 2024/25 exercise were made available by NFI in January 2025

In-house review of matches has been completed for:

- Trade Creditors
- Payroll
- Pensions

The Anti-Fraud and Corruption Plan

2025-2027

Action Number	Action	Responsible Officer(s)	Target Date	Progress/ Commentary
Objective 1- To accurately identify and assess the risk of fraud, corruption and bribery				
1	Review the action plan yearly to combat the risks of fraud identified by the annual risk assessment.	Senior Accountant	Quarter 2 each year	Review completed in September 2025 in line with the Internal Audit annual opinion.
2	Any potential fraud related issues will be discussed at the quarterly internal audit meetings.	Director Finance, Head of Finance & Senior Accountant	Quarterly	Permanent item on the meeting agenda where it is discussed with the KCC Counter Fraud Manager. Latest meeting 07/10/25.
3	Review the NFI data matches to identify any issues and trends, updating the risk assessment accordingly.	Senior Accountant	January 2025 and January 2027	Data matches received for review 23/01/25. All matches identified (262) have been reviewed. 2 duplicate creditor payments identified (£6k), recovery of 1 payment achieved.
4	Undertake annual risk assessment and provide assurance to members.	Head of IA	Quarter 1 each year	Completed by Head of IA & presented to members at September 2025 Authority meeting. No irregularities identified.
Objective 2- To continue to build upon a strong anti-fraud culture across the Authority and take appropriate action against those found to have acted inappropriately.				
5	Review and update the Anti-fraud and corruption framework	Senior Accountant	Annually in Quarter 2	Reviewed November 2025
6	Work with the Engagement Team to utilise National Fraud Awareness Campaigns during National Fraud awareness week 2nd week in November to maintain staff awareness.	Senior Accountant	2nd week in November each year	Launch of Fraud Awareness Week (16/11/25) to all internal colleagues including our new Fraud Awareness Video and

				information on the new Failure to Prevent Fraud offence (Economic Crime & Corporate Transparency Act).
7	Implement Fraud Awareness videos produced by KCC Counter Fraud team for - fraud risks within financial transactions, recruitment and insider fraud and procurement fraud. To be available for all employees to view to raise awareness of fraud, corruption and bribery with the aim of continuing to build upon a zero tolerance culture.	Head of IA/ KCC Counter Fraud	January 2025	A draft Fraud Awareness Video was issued by KCC Fraud Team and then amended to cater for our KFRS audience by our internal Media Team. This was published as part of Fraud Awareness Week launch in November 2025.
8	Team specific fraud training sessions to be provided for Building Safety and Business Support Teams	Head of IA/ KCC Counter Fraud	Biannually	Two training days have been planned for early 2026. Candidate invites are currently in progress.
9	KCC Counter Fraud Team to provide Fraud Awareness presentations at Staff seminars including Fire Futures, Corporate Staff and Station Managers	Head of IA/ KCC Counter Fraud	Annually	Presented to Fire Futures 16/09/25 to date.
10	KCC Counter Fraud Team to conduct a Counter Fraud Cultural Survey across the service to inform the requirements of future workshops	Head of IA/ KCC Counter Fraud	February 2025	Survey completed 30th April 2025. Results analysed to inform the content of presentations and workshops.
11	Internal Audit to provide Counter Fraud Culture Workshops, targeting a wide range of roles across KFRS employees on a biannual basis.	Head of IA/ KCC Counter Fraud	2025/26	Workshop content and workshop dates agreed for early 2026. Attendees identified and invitations issued.
12	Risk Management Training for Authority Members at Audit & Governance Committee	Strategy & Risk Manager	January 2025	Training will cover the new process, what we have done, the current risks, bow tie analysis, Presentation completed 29/01/2025
13	Training on Financial Statements for Members of Audit & Governance Committee	CIPFA	September 25	Completed 8/09/25

14	Counter Fraud Culture presentation to Authority Members at Audit & Governance Committee	Head of KCC Counter Fraud	December 25	Fraud awareness training 06/11/24 next due in November 2026.
15	Finance, Procurement and Customer Support Teams to utilise the free online Fraud Awareness training events provided by the banks.	NatWest, Barclays	Ongoing	Both banks provide regular training videos and information alerts Latest from Barclays Bank - Fraud Trends September 2025
16	Annual review of procurement procedures to combat fraud and corruption.	Head of Commercial and Procurement	Ongoing	
17	To disseminate any fraud alerts received from KCC Internal Audit & Counter Fraud Team, Kent Police, CIPFA, Action Fraud and CIFAS to raise awareness of emerging fraud risks.	Senior Accountant	Ongoing	Ongoing
Objective 3- Build upon control mechanisms and procedures within the Authority ensuring they are adequate, appropriate and proportionate.				
18	Ensure the policies and procedures below are reviewed and updated in line with new legislation and publications. • The Anti-fraud and Corruption Framework • The Anti-fraud and Corruption policy • The Anti-Fraud and Corruption Plan • The Fraud Response Plan • The Anti-bribery policy • The Money Laundering Policy • The Speak Up policy	Senior Accountant HR & Culture Director	Ongoing	Last reviewed September 2025
19	Complete a Purchasing Card transaction audit with a focus on potential risks of fraudulent activity	Internal Audit/Finance Team	2026/27	Internal review of purchasing card use and spend is ongoing & reported on the monthly transparency report
20	Identify a process for ensuring new employees are appropriately trained and understand the correct processes, procedures and controls when dealing with all financial/ payroll transactions, particularly when working from home.	Head of HR	2025	A review of the induction programme is currently in place which will consider the appropriate fraud risk training to be implemented

21	An annual discussion with IT to ensure regular health checks, reviews/test have been undertaken to ensure the security of the IT infrastructure.	Head of IT	Ongoing	Cyber Insurance cover in place since April 2025 including integrated real time threat monitoring & alerts, incident response planning, 24/7 support & incident response service.
Objective 4- Review and maintain an effective and robust response to incidents of identified fraud or corruption.				
22	Where appropriate continue to circulate and identify information relating to potential frauds and review internal procedures to minimise the probability of similar future situations against the Authority.	Senior Accountant	Ongoing	Ongoing

Revised by	Head of Finance
Date implemented	November 2024 Reviewed December 2025
Revision No	3
Review By	30 September 2026

Members are requested to:

note the contents of the Fraud Response Plan and its progress of actions

Item Number: C5

By:	Director of Finance
To:	Audit and Governance Committee – 29 January 2026
Subject:	COMMUNITY INTEREST INVESTMENTS
Classification:	Unrestricted

FOR INFORMATION

SUMMARY

Following a request from the Audit and Governance Committee on 25 September 2025, Officers have examined the feasibility of utilising surplus cash balances for community interest investments.

This report provides a conclusion based on a review of the Fire and Rescue Services Act 2004, the CIPFA Prudential Code, and the Authority's 10-year Capital Programme. The report outlines the risks to liquidity, statutory compliance, and the delivery of core operational services and concludes that such investments are not legally or financially viable.

RECOMMENDATION

Members are requested to:

1. Note the contents of the report.

COMMENTS

Background

1. Following a request from the Audit and Governance Committee on 25 September 2025, Officers have investigated the feasibility of utilising surplus cash balances for community interest investments. Discussions have since been held with the Authority's external Treasury Management Advisors to assess the viability, risk profile, and regulatory implications of such an investment strategy.

2. It is important to clarify that a decision to invest in local communities constitutes a service policy decision for the Authority and not a Treasury Management function. Providing loans to third parties for community benefit is classified as a non-treasury activity and is usually treated as capital expenditure. Consequently, such investments are managed separately from day-to-day treasury operations and must align with the Authority's wider Capital Strategy and service objectives. Furthermore, any such investment activity must be evaluated within the statutory framework of the Fire and Rescue Service Act 2004 and other relevant legislation applicable to Fire and Rescue Authorities (FRAs). This involves assessing whether this type of activity falls within the defined roles and responsibilities of a Fire and Rescue Service, which are:

    - Extinguishing fires in their area.
    - Protecting life and property in the event of fires.
    - Rescuing and protecting people in the event of road traffic collision.
    - Rescuing and protecting people in the event of other emergencies.

3. The Fire and Rescue Services Act 2004 also gives the Government responsibility for producing the Fire and Rescue National Framework which outlines the high-level priorities and objectives for FRAs in England. The National Framework priorities for FRAs are to:

    - Identify and assess the full range of foreseeable fire and rescue related risk their areas face, make provision for prevention and protection activities and respond to incidents appropriately.
    - Work in partnership with their communities and a wide range of partners locally to deliver their service.
    - Be accountable to communities for the service they provide.

4. In addition, the Civil Contingencies Act 2004 sets out FRAs responsibility to react to emergencies as a category 1 responder.

Investment in Local Communities

5. A suggestion made by the Audit and Governance Committee was focussed on whether the Authority had considered investing in the “no use empty” type loan scheme that Kent County Council currently runs, but a review of legislation shows that this is for Local Housing Authorities to provide and therefore not within the Fire Services Act 2004, nor a statutory duty for a Fire and Rescue Service to provide.

6. Local councils have statutory duties in relation to housing under the Housing Act 1985. The regulatory reform (Housing Assistance) (England and Wales) order 2002 is a key piece of legislation that enables local councils to provide a wide range of financial assistance for home repairs and improvements as well as having the discretion to offer assistance to private housing owners. This legislation does not extend to FRAs, as its powers are reserved for Local Housing Authorities. Therefore, any financial assistance or community investment provided by the Fire Authority must instead be justified under the Fire and Rescue Services Act 2004. This requires a demonstrable link between the investment and the Authority's statutory duties, such as the promotion of fire safety and the protection of life and property

7. These types of investments can incur high revenue administrative costs, primarily from administering and managing the loan portfolio; undertaking due diligence; overseeing repayment and debt recovery that can lead to the need to obtain legal services to place a charge on a specific property to ensure the repayment of money in the event of that property being sold. Moreover, loans of this type lock resources away for long periods of time and tend to be undertaken more for the social value and regeneration opportunities they provide as opposed to an investment opportunity.

8. The Authority maintains a 10-year capital programme designed to align available resources with the replacement of fleet, equipment, and the maintenance of the estate. At present, the programme has no capacity to support community investment schemes. Furthermore, entering into such arrangements would present a liquidity risk, as it would commit funding to long-term projects and reduce the Authority's financial flexibility to respond to future operational requirements.

9. While the Authority’s current Treasury Management and Investment Strategy permits lending to other Local Authorities, such lending is primarily a treasury function to manage liquidity. It is noted that Local Authorities already possess the statutory duties and funding streams via their own council tax precepts to deliver community and housing services. Utilising Fire Authority resources to subsidise services that fall under a local council’s remit could be perceived as a duplication of the local tax burden, effectively resulting in residents paying twice for the same service delivery.

Recommendation of the Director of Finance

10. In response to the Committee's request, Officers have explored the feasibility of the Authority providing community-based investments. It is concluded that such activities do not align with the statutory duties of a Fire and Rescue Service as defined by current legislation. Furthermore, proceeding with such initiatives would likely be deemed ultra vires, as the Authority lacks the requisite legal powers to undertake these types of investments. Consequently, formal legal advice would be essential before any such proposal could be progressed.

11. In addition, the Authority's 10-year capital programme is currently fully committed to the essential replacement of the vehicle fleet, operational equipment, critical IT infrastructure and estate development. To designate funding for third-party community loans, the Committee would first need to identify which specific operational assets would be removed from the capital programme. This would represent a significant shift in the Authority's risk appetite and a departure from the current long-term capital strategy.

12. Following a comprehensive review of the legal, financial, and strategic implications, it is concluded that pursuing community interest investments is not feasible for the Authority. Such activity would fall outside the Authority's current statutory remit and could lead to a breach of legal compliance, requiring significant and costly external legal advice to even consider. Furthermore, diverting funds from the fully committed capital programme would directly and detrimentally impact the Authority's ability to deliver its statutory fire and rescue functions. Officers, therefore, recommend that no further action be taken on this initiative.

IMPACT ASSESSMENT

13. The re-allocation of capital expenditure within the existing 10-year Capital Strategy to support community investment would have a detrimental impact on the vehicle fleet and operational equipment replacement programme and the station maintenance programme, which could impact the Authority's ability to deliver its core statutory duties. Proceeding without specific legal powers also poses a significant governance and legal risk.

CONCLUSION

14. Members are requested to:

    14.1 Note the contents of the report.