



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Authority

Thursday, 17 December 2020

10.30 am

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Thursday, 17 December 2020, 10.30 am

Ask for: Marie Curry

To be held virtually via Microsoft Teams

Telephone: (01622) 692121 ext 8291

UNRESTRICTED ITEMS

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

A Routine Business

- A1. Chairman's Announcements
- A2. Membership Changes and Apologies for Absence
- A3. Declarations of Interest in Items on this Agenda
- A4. [Minutes of the Meeting of the Authority held on 15 October 2020 \(for approval\)](#)

B For Decision

- B1. [Proposed Calendar of Member Meetings and Other Events for 2021/22](#)
- B2. [Customer and Corporate Plan Update](#)
- B3. [Financial Update for 2020/21](#)
- B4. [Draft Financial Strategies for 2021/22](#)

C For Information

- C1. [Information Update](#)

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

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

Marie Curry
Clerk to the Authority
4 December 2020

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.

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KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of a Meeting of the Kent and Medway Fire and Rescue Authority held virtually via Microsoft Teams on Thursday, 15 October 2020.

PRESENT:- Mr N Chard (Chairman), Mrs A Allen, Mr J Angell, Mr A Booth, Mr D Brazier, Mr I Chittenden, Mr N Collor, Mr A Cook, Miss E Dawson, Mr D Farrell, Mr P Harman, Mrs S Hohler, Mr B Kemp, Mr P Lake, Mr G Lymer, Mr V Maple, Mr S Manion, Ms D Marsh, Mr J McInroy, Mr A Ridgers, Mr C Simkins, Mr B Sweetland, Mr R Thorne and Mr S Tranter (Vice-Chairman).

APOLOGIES:- Mr D Daley and Mr M Scott, Kent Police and Crime Commissioner.

OFFICERS:- The Chief Executive, Miss Ann Millington QFSM; the Director, Operations, Mr Chris Colgan; the Director Finance and Corporate Services, Ms Alison Kilpatrick; the Director, Prevention, Protection, Customer Engagement and Safety, Mr Jon Quinn; the Assistant Director, Operational Response, Mr Mark Rist; the Assistant Director HR and Learning, Ms Karen Irvine; the Assistant Director, Corporate Services, Mr James Finch; the Assistant Director, Customer and Building Safety, Mr Colin King and the Clerk to the Authority, Mrs Marie Curry.

IN ATTENDANCE:- Sarah Ironmonger and Tina James, Grant Thornton

UNRESTRICTED ITEMS

20. Chairman's Announcements

(Item A1)

- (1) The Chair welcomed Sarah Ironmonger and Tina James to the meeting.
- (2) Members' gave their congratulations to Colin King and Mark Woodward on their recent promotions.
- (3) Members' gave their congratulations to Sean Bone-Knell, former Director Operations, on receiving the QFSM and Tina Butler, Head of Procurement, on receiving an MBE in the Queen's Birthday Honours.
- (4) The Chair congratulated Paul Grimwood following a piece on social media about Paul's exceptional career within the Fire Service.

21. Membership Changes

- (1) The Chair welcomed back Ann Allen to the Authority who replaces Mrs Stockell.
- (2) Members' placed on record their thanks to Mrs Stockell for the contribution she has made to the Authority over the years.

22. Minutes – 23 July 2020

(Item A4)

RESOLVED that the Minutes of the Authority meeting held on 23 July 2020 be approved and signed by the Chairman as a correct record.

23. Hearings Panel – 18 September 2020

(Item A5)

RESOLVED that the minutes of the Hearings Panel held on 18 September 2020 be noted.

24. Finance and Treasury Update 2020/21

(Item B1- Report by Director, Finance and Corporate Services)

- (1) The Authority received the latest forecast outturn position on the revenue and capital budgets for 2020/21; details of various one-off Section 31 Grants and update on

forecast spend against Covid-19 grants; update regarding disposal of vacant day crewed houses and surplus land; a request to allocate additional funding resources to Ashford Fire Station and Training Facility project; a mid-year treasury management update as well as an update on other financial issues.

- (2) RESOLVED that:-
- (a) the allocation of £4.5m from a combination of revenue contributions and the Infrastructure Reserve to increase funding for the Ashford Fire Station and Training Facility Project be approved;
 - (b) the designation of land currently in the footprint of Faversham Fire Station as public highways owned land and controlled by Kent County Council, with the Authority maintaining ownership of the subsoil be approved;
 - (c) the draft response to the Exit Cap Consultation be approved;
 - (d) the remaining contents of the report be noted.

25. Update on the Final Accounts for 2019/20 and the External Auditors Audit Findings Report 2019/20

(Item B2 – Report by Director Finance and Corporate)

- (1) The Authority considered the External Auditors' Audit Findings Report relating to the 2019/20 Financial year and the subsequent changes that had been made to the draft accounts on outstanding matters since this was reviewed at the meeting on 23 July 2020.
- (2) The Authority was also informed that there is still one area of work outstanding with regards to the Kent Pension Fund in relation derivatives and as such the final accounts can not be formally signed until the issue relating to this matter is resolved. Therefore an additional recommendation to the report was presented for approval;

Agree that any further minor changes that are required to the Financial Statements, will be made following discussions with the Chief Executive and Chairman.

- (3) RESOLVED that:-
- (a) the changes made to the Financial Statements be approved;
 - (b) any further minor changes that are required to the Financial Statements, will be made following discussions with the Chief Executive and Chairman be approved;
 - (c) the remaining contents of the report be noted.

26. Development of the 2021/22 Budget and Medium Term Financial Plan

(Item B3 - Presentation by Director, Finance and Corporate Services)

- (1) The Authority received a presentation from the Director, Finance and Corporate Services, on the development of the 2021/22 Budget and Medium Term Financial Plan.
- (2) Members' placed on record their thanks to the Director, Finance and Corporate Services and her Finance team for their hard work in looking after the Authority's finances, in particular the challenges they have faced this year.
- (3) RESOLVED that:
- (a) the assumptions being adopted to develop the Authority's 2021/22 budget and Medium Term Financial Plan, as described in the presentation to the meeting, be approved in principle;

- (b) the options for the Authority's Council Tax level for 2020/21, as described in the presentation to the meeting, be approved for public consultation.

27. Safety and Wellbeing Plan Update 2021

(Item B4) – Report by Assistant Director, Corporate Services)

- (1) The Authority considered the draft Safety and Wellbeing Plan text for 2021 together with the proposed wording to the questionnaire included within it.
- (2) Mr Booth asked whether it was the intention to publicise the consultation on Twitter, to which the Assistant Director, Corporate Services responded by saying that it was.
- (3) In a response to a discussion around the Road Safety Experience, Mr Maple asked if he and his fellow Medway Members could have a meeting with the relevant officers to discuss this and any future Road Safety Initiatives.
- (3) RESOLVED that:-
 - (a) the text for the draft Safety and Wellbeing Plan 2021, as attached at Appendix 1 to the report, be approved for consultation subject to the Chief Executive, in consultation with the Chairman, being authorised to make any minor amendments that may be necessary.

28. Information Update

(Item C1 - Report by Chief Executive)

- (1) The Authority considered information updates on:-
 - A. Pandemic Update
 - B. Inspection Update
 - C. Performance Update
 - D. Operational Update
 - E. Prevention, Protection, Customer Engagement and Safety Update
 - F. Freedom of Information and Customer Feedback Update
 - G. Annual Report on Members' Standards and Allowances
 - H. Insurance Update
 - I. European Union Transition Update
 - J. Pension Board Update
- (2) On D above, Mr Maple placed on record his thanks on behalf of Medway Council to all those involved in dealing with the recent Hoo and St Mary's Island incidents.
- (3) On D above, Members' sent their heartfelt condolences to the family and staff involved in the tragic Incident in Bobbing.
- (4) On E above and in response to a question raised by Mr Maple, the Chief Executive agreed to bring a report to a future meeting on Equality of Access.
- (5) On E above and in response to a query raised by Mr Cook about Development Control, it was agreed to provide a briefing to Members at a future meeting on the new Building Legislation once enacted.
- (6) On I above, Mr Maple asked if the Service has any concerns from a financial and operational perspective in relation to the EU Transition and whether there would be any changes to protocols or procedures at the Channel Tunnel as a result. The Chief Executive responded by saying that Members will be provided with a briefing at a future meeting on the work the Service is doing with regards to the Transition.

- (7) In I above, Mr Maple asked if a copy of the submission to the Department of Transport consultation could be shared with Members when available.
- (8) RESOLVED that:-
 - (a) the contents of the report, and subsequent discussions, be noted.

At the close of the formal business of the meeting, the Chairman thanked all staff for their continuous commitment and hard work in what has been a very difficult and challenging year so far.

By: Chief Executive

To: Kent and Medway Fire and Rescue Authority - 17 December 2020

Subject: PROPOSED CALENDAR OF MEMBER MEETINGS AND OTHER EVENTS FOR 2021/22

Classification: Unrestricted

FOR DECISION

SUMMARY

This report sets out for Members' consideration and approval, the proposed Calendar of Member Meetings and Other Events for 2021/22.

RECOMMENDATION

Members are requested to:

1. Approve the proposed Calendar of Member Meetings for 2021/22 as set out in **Appendix 1** (paragraphs 2 and 3 refer).

LEAD/CONTACT OFFICER: Clerk to the Authority – Marie Curry
TELEPHONE NUMBER: 01622 692121 ext 8291
EMAIL: marie.curry@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Introduction

1. It is the Authority's normal practice at the end of each calendar year to approve the programme of Member meetings for the forthcoming municipal year (June to June).

Member Meetings for the Remainder of 2020/21 Calendar Year

2. In December 2019 (Minute 27), the Authority set dates for its meetings for the remainder of the current Authority year (through to the Annual Meeting in June 2021). These dates are shown for completeness in the first part of **Appendix 1**.

Proposed Meeting Dates for 2021/22

3. Suggested dates for Authority meetings from June 2021 until June 2022 are shown in the second part of **Appendix 1** for Members' consideration and approval. Within that Members will see that there is a proposed amendment to the June 2021 Authority date which had previously been agreed by Members. It is proposed to move that date to July to allow sufficient time for all the necessary work to be undertaken for the closing of the Authority's accounts.
4. All currently known dates which have an influence on the meetings programme (such as local elections, LGA Conferences, and annual meetings of the constituent authorities) are also shown.
5. The suggested dates for 2021/22 follow a similar pattern to that adopted for 2020/21, with five Authority meetings during the year (avoiding school holiday periods as far as possible).
6. As usual, in drawing up the proposed calendar of meetings, discussions have taken place with relevant officers at both Kent County Council (KCC) and Medway Council to try to avoid any significant date clashes. As it is often necessary for the constituent Councils to call meetings at short notice, it is inevitable that clashes will occur from time to time, despite the best efforts of all parties.

IMPACT ASSESSMENT

7. All costs associated with the meetings are contained within existing budgetary provisions.

RECOMMENDATION

8. Members are requested to:
 - 8.1 Approve the proposed Calendar of Member Meetings for 2021/22 as set out in **Appendix 1** (paragraphs 2 and 3 refer).

PROPOSED CALENDAR OF MEMBER MEETINGS AND OTHER EVENTS 2021/22

Part 1: Remainder of 2020/21 - Previously Approved

2021

Tuesday 23rd February	10.30	Authority Budget
<i>Early March</i>		<i>LGA Annual Fire Conference</i>
Tuesday 27 April	10.30	Authority
<i>Thursday 6 May</i>		<i>PCC Election</i>
<i>Thursday 6 May</i>		<i>Kent County Council Election</i>
<i>Wednesday 19 May</i>		<i>Medway Council Annual Meeting</i>
<i>Thursday 27 May</i>		<i>Kent County Council Annual Meeting</i>

The Authority Meetings listed above will continue to be held virtually unless Members are informed otherwise.

Change of Date for Approval

Thursday 22 July	10.30	Authority AGM (<i>Previously agreed for Tuesday 29 June</i>)
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Part 2: Proposed Dates – for Approval

Thursday 14 October	10.30	Authority
Thursday 16 December	10.30	Authority

2022

Thursday 17 February	10.30	Authority Budget
Thursday 28 April	10.30	Authority
Thursday 30 June	10.30	Authority AGM

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By: Chief Executive

To: Kent and Medway Fire and Rescue Authority – 17 December 2020

Subject: UPDATE ON PROGRESS TO DELIVER THE CORPORATE STRATEGIES

Classification: Unrestricted

FOR DECISION

SUMMARY

At the meeting held on 18 April 2018, Members agreed the Authority's Customer and Corporate Plan and the eight strategies that support its delivery. Together with the strategies, Members also had the opportunity to consider the actions that underpin each of the strategies. This report provides a final update on progress made to deliver those actions, as they approach being replaced.

It seeks also Members' endorsement to a Charter for Families Bereaved through Public Tragedy, delivered as part of the People Strategy.

RECOMMENDATIONS

Members are requested to:

1. Endorse the Charter for Families Bereaved through Public Tragedy (paragraph 64 and **Appendix 1** refers).
2. Note the update on delivery of the Authority's Corporate Strategies.

LEAD/CONTACT OFFICER: Assistant Director, Corporate Services - James Finch
TELEPHONE NUMBER: 01622 692121 ext. 8453
EMAIL: james.finch@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. In April 2018 the Authority approved the Customer and Corporate Plan 2018-22 as well as the strategies developed to support the delivery of the Plan.

Customer and Corporate Plan

2. The Customer and Corporate Plan itself is not structured around the strategies. Instead it is structured in a customer-facing way around safety at home, safety on the roads, community resilience, business safety and operations. **Figure 1** below shows this pictorially and, forms the basis of communications both on the Authority's website and to everyone that works for us. Each of these five areas has an outwardly-focused objective of what the Authority is seeking to achieve. Additionally, a new aim and vision statement, which has its genesis in the Joint Emergency Services Interoperability Programme (JESIP), was developed. Ten values are included, and these are principles which underpin all that we do as a Service.

Figure 1: Aim and Objectives for 2019-23



Aim, Vision and Objectives

3. Members will recall that the Authority's aim was agreed in April 2018 as:

Working Together, Saving Lives, Reducing Harm.

4. The Authority's vision is:

Helping everyone to be safer by working towards a future where no one is killed or seriously injured by a fire or other emergency.

5. The Authority's objectives are:

- *Responding effectively when you need us;*
- *Promoting behaviours which help you to stay safe and well in your home;*
- *Encouraging you to adopt behaviours which keep you safe on the roads;*
- *Supporting businesses to help people to stay safe in their buildings and comply with legislation;*
- *Helping you and the broader community to stay safe from harm caused by accidents, natural events or people intending harm.*

6. These were subsequently reaffirmed in the Customer and Corporate Plan 2019-23.

The Eight Strategies

7. The strategies cover all aspects of the Authority's work and explain what we are doing to deliver the Authority's aim and objectives. The list of strategies is presented below:

- Community Safety Strategy
- Operational Response Strategy
- Procurement Strategy
- Engagement Strategy
- Performance and Data Strategy
- Assets Strategy
- IT and Business Change Strategy
- People Strategy

8. The first two strategies are outwardly-focused, whereas the remaining six focus primarily on internal processes, essential for the delivery of an effective and efficient

fire and rescue service. Underpinning each strategy is a set of action plans. A summary is presented below highlighting progress made in delivering the strategies since these were agreed by Members in April 2018.

Community Safety Strategy

9. As an Authority we are committed to working together, saving lives and reducing harm. The Community Safety strategy sets out how we will achieve that aim in terms of preventing fires, serious road traffic incidents and other emergencies. For many years the Authority has worked with partners to prevent emergency incidents in Kent and Medway. Our prevention and protection work aims to provide people with the information, skills and incentives to prevent incidents happening in the first place, but also the ability to minimise the impact on people and businesses when incidents do happen.
10. The strategy supports the Authority's objectives by:
 - Promoting behaviours which help communities to stay safe and well in their home;
 - Encouraging people to adopt behaviours which keep them safe on the roads;
 - Supporting businesses to help people stay safe in their buildings and to comply with legislation.
11. Following the restructure of departments in 2019, the Authority has continued to invest in the teams responsible for delivering the strategy. For example throughout 2020 nine new inspectors were recruited within the Building Safety team, and recruitment is currently underway to appoint another full time and two temporary inspectors. This will bring the total number of Fire Risk Inspectors to 34 officers. In addition to this, 18 members of the team completed their fire safety diploma this year. The investment in staff and training is essential to ensure the Authority is well placed to meet the new National Fire Chiefs' Council Competency Framework for Fire Safety Inspectors which will be adopted by all Fire and Rescue Services by 2021.
12. The Collaboration team (newly created as part of the restructure) continues to work to develop a framework that will drive our work around inclusion and especially equality of access to services. The aim of the framework is to ensure collaboration activities are delivered efficiently and economically, whilst making sure benefits to customers, and the different risk groups, and the Authority can be tracked and evaluated.
13. The Customer Experience and Behaviour Change team has continued to implement the framework and methodology for behaviour change, using customer insight and research to develop safety programmes that ensure customers' needs are put first. The team has also completed a very comprehensive evaluation of Safe and Well visits, which had remained unchanged since they were introduced in 2015. The review has

recommended changes to the scope of the visits delivered by station personnel, which will be renamed to Home Fire Safety Visit, as well as those delivered by the expert Safe and Well team. As part of this project, the risk model used to target home visits has also been refined to increase the focus on socio demographic factors which influence behaviour and other risks.

14. Last year it was identified that the Authority's brand was in need of a review. Following a series of focus groups with a wide range of stakeholders a project was set up to develop and deliver a clearly defined brand vision and a new style guide. One of the key objectives of this work was to ensure our brand supported the Authority's cultural transformation, helping us communicate clearly and effectively with internal and external customers to achieve changes in behaviour. The new Brand, which was launched internally on 1 October 2020, has a wider focus on accessibility for customers. A roll out plan has been developed and is currently being implemented across all departments in the organisation. A campaign for external audiences will begin in January 2021.
15. Work is well underway on the project to replace the Authority's website with a new digital customer experience platform, which will improve the customer experience and offer more integration with other social media platforms. The platform is currently in the procurement process with delivery of the new Authority's website estimated for Summer 2021.
16. A review of how the Authority uses social media is about to be completed. The main purpose of this review is to ensure we are using social media platforms effectively to target our audiences, on the right channels with the right messages.
17. The project to improve the way the Authority's risk data is used and managed has now moved into Phase II having successfully completed the implementation of Phase I, which focused on the redesign of processes and build of the system to support the work of the Risk Information Team. Phase II will focus on the system build and delivery of process improvements and remote working technology for the Building Safety team.
18. Work continues on the project to review in-depth why the Authority has seen a rise in the number of calls originating from automatic fire alarms, most of which turn out to be false alarms. The project is looking to identify the causes for this increase and to work with providers and partners to find innovative solutions to reduce the volume of false alarms. Although some elements of the project were halted due to the social distancing restrictions imposed by Covid-19, all other components relating to research and review of existing policies is now underway.

Engagement Strategy

19. The Authority's Customer and Corporate Plan places great emphasis on better understanding customers' priorities and motivations as well as treating them with fairness and respect. Providing clear information and guidance is fundamental to achieving this. To that end we are currently developing detailed equality of access action plans for specific risk groups which will help us understand better how to serve customers inclusively. The Engagement Strategy provides a framework to allow the Authority to keep its customers – both internal and external – informed about our work, plans and safety messages.
20. All the actions underpinning the delivery of this strategy are now being progressed. Most of these are ongoing actions now fully embedded into day to day activity. Examples include:
 - Work with the Customer Safety team to develop engaging campaigns that highlight risks and help local people and businesses keep themselves safe;
 - Promote road safety campaigns to help reduce those killed and seriously injured on the roads, particularly young people;
 - Support the Building Safety team to promote business safety, and increase online information on the Authority's website and social media.
21. In addition to this the Engagement team has responded to the Covid-19 pandemic by delivering content and campaigns to support customers and staff during the changing environment brought by the pandemic. During this challenging time the team have also adapted their approach to be able to deliver content creatively using technology and our existing digital platforms, which has been welcomed by schools.
22. A project to implement a new Intranet was completed in early October when the new portal was launched. This new tool plays a crucial part in the Authority's efforts to enhance our channels of internal engagement. The new Intranet is task focused and, as well as being easier to navigate, it offers an advanced search facility that allows customers to find information and access help in an easier way. The feedback received from staff has been very positive.

Operational Response Strategy

23. The Operational Response Strategy is concerned with making sure the right resources are in the right place at the right time. This refers to fire stations and equipment, our fleet of vehicles and everyone who works for us to deliver emergency response. The strategy is underpinned by an action plan that focuses on:

- Continue to review our emergency response provision and challenge our current planning assumptions to explore models which could provide improved value for money whilst maintaining and, where possible, enhancing response capability;
 - Continue to review and invest in our operational capability;
 - Operational learning;
 - Placing operational decision-making and accountability at the right level and creating a culture where our leaders are confident to own the responsibility and are able to understand and justify their actions.
24. The Authority continues to make progress in delivering this strategy with 57% of the individual actions underpinning the strategy already being completed and 35% already in progress. Since the last update was presented to Members in December 2019 we have delivered a number of projects including the completion of the Ramsgate Fire Station build, the delivery of the National Workwear Framework, the review of High Rise procedures, the rollout of smoke curtains to all appliances, and the implementation of National Operational Guidance.
25. The National Operational Guidance project has helped the Authority to adopt and embed National Operational Guidance at pace to minimise the risks of living between old and new national policy and guidance. Following a review and impact analysis of all existing guidance (Phase I) work started to deliver blended learning packs and guidance notes (Phase II) before the project was completed with the introduction of NOG scenarios (Phase III). National Operational Guidance is now the Authority's 'go to' guidance supported by Operational Information Notes, and National Operational Guidance based training.
26. Whilst the National Operational Guidance project established the foundations, work still continues to ensure the national guidance is fully embedded. A new project called Station Based Training started to be implemented in February with the aim to provide operational personnel including Fire Control with background knowledge of relevant National Operational Guidance as well as local risk based guidance. The project will put in place a new National Operational Guidance scenario-based framework of station training (aligned to the requirements of the Institute of Fire Engineers) that will replace the existing training calendar and will allow individuals to demonstrate that they can successfully transfer the knowledge into practical skills in line with the 26 National Operational Guidance scenarios.
27. Members may recall that following the tragic Grenfell Tower fire in June 2017, the Authority took a very proactive approach to preventing incidents of that scale. A programme of works was established to coordinate all the activities including our response to the findings and recommendations from Phase I of the Grenfell Tower

Inquiry published in October 2019. Some of the actions completed as part of the programme included:

- An independent baselining of operational staff knowledge and understanding across all command levels;
 - Independently run focus group interviews with operational staff followed by a report highlighting the findings;
 - Research into human behaviour in high rise fires was completed and guidance widely published;
 - Tracking of each day of the Phase I Grenfell Inquiry, highlighting issues for consideration and action;
 - Analysis of the Phase I Grenfell Inquiry report;
 - Integration of the People Impact Assessments carried out for fires in the home and high rise fires into the wider staff baselining work.
28. All the recommendations resulting from this work are now being prioritised and progressed. Completion of the work is regularly reported and monitored through the existing governance structures already in place.
29. Other activities currently being progressed as part of this strategy include:
- Continue the work to review planning assumptions for emergency cover;
 - Review and explore opportunities for improvements within the fire and rescue control centre from point of call to arrival of crews to the incident;
 - Continue to improve the data we hold on people and premises and how we use this data;
 - Review of water, flooding and unstable ground;
 - Replace the National personal protective equipment framework;
 - Replace the National Specialist Firefighting personal protective equipment Framework.

Commercial and Procurement Strategy

30. The Commercial and Procurement Strategy supports the delivery of the Authority's aim and objectives by recognising that goods and services will need to be purchased in a way that delivers Value for Money, whilst complying with EU Directives and UK Government Policy that govern public sector procurement.
31. A number of actions underpinning the delivery of the strategy have already been completed. These include the review and publication of the Procurement Service Order and Disposal policies, and the delivery of a new contract for the provision of CCTV and Telematics on the Authority's fleet.

32. Many other actions are now in progress including:
- Development of savings targets within each category based on rigorous understanding of current spend on each area;
 - Implementation of new category plans with frequent monitoring and review of priorities with relevant business areas;
 - Embedding processes to ensure that Small, Medium Enterprises (SMEs) and Black Minority Enterprises (BMEs) bid for contracts without discriminating against larger firms;
 - Roll out of a toolkit and evaluation template that can be adopted to ensure social value and social wellbeing can be accurately and realistically quantified and tracked throughout the life of new contracts;
 - Advising on the impacts of EU exit on our existing procurement processes.
33. One key part of the strategy involves supporting the objectives of the National Fire Commercial Transformation Programme to improve its commercial strategy through a more joined-up and collaborative approach. This collaborative approach is more efficient and leads to better value for money and more competitive contracts.
34. The Authority is leading on three projects to support this objective:
- Delivery of the Specialist Firefighting PPE Framework
 - Delivery of the National Training Framework
 - Delivery of the National Workwear Framework
35. Whilst the first two projects were impacted by delays due to Covid19 and are still being implemented, work on the National Workwear Framework was completed early in 2020 with the award of contracts for two lots: workwear and undress uniform. Through this project we led in the development of standardised specifications for workwear and put in place arrangements which allow Fire and Rescue Services across the country to purchase workwear through an agreed framework. The Authority now manages the framework.
36. The Authority also led on the creation and establishment of the first National Fire Chiefs' Council Clothing Committee. This governance structure has been put in place to enable national consensus and approval of standard specifications for Personal Protective Equipment, station wear and corporate uniforms for the sector, helping to eliminate barriers to commercial transformation and reform across the Fire and Rescue Service.

Performance and Data Strategy

37. The Authority has a responsibility to be open and accountable to both internal and external customers. This Strategy sets out how the Authority is delivering transparency in a way which is both safe and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. The Strategy also defines how good quality data is being collected and handled to inform evidence-based decision making.
38. A total of 92% of the individual actions identified in order to deliver this strategy have been completed. Most of these related to ensuring the Authority is fully compliant with the 2018 Act and included the roll out of mandatory training to all staff about data protection and the principles of data protection and security. Now this training is part of the induction package for any new staff joining the Service.
39. In particular since the Data Protection Act 2018 was introduced, the Authority has recognised that the way we protect and manage information is a key risk area with significant associated financial and reputation impacts. As a result the audit plan for 2019/20 included a review of the Authority's existing arrangements on information governance. The outcomes of this internal audit, which were presented to Members at the July's Authority meeting, concluded that there is a 'Substantial' assurance over information governance. The audit report also highlighted a number of actions that need to be implemented in order to achieve further improvements in this area.
40. Other activities that have been delivered as part of this strategy include:
 - The development of the Safety and Wellbeing Plan (presented to Members at the October 2020 Authority meeting) setting out the key changes to the way services are provided to the communities and businesses of Kent and Medway.
 - The implementation of a new emergency modelling toolkit, which is being used to model a range of fire cover scenarios and provide evidence to support decision making as part of the Authority's work to review the provision of fire cover.
41. Work continues on premises risk intelligence, which will implement new processes and technology for the collection and management of risk information. The project has already delivered Phase I, which focused on the redesign of processes and system build to support the work of the Risk Information team. This included the provision of tablet devices to facilitate mobile working, in particular the collection of data when undertaking Site Specific Risk Information visits at sites. The project has now started

Phase II, which will deliver similar process improvements and system functionality for the Building Safety Team.

Assets Strategy

42. The Assets Strategy allows the Authority to deliver its aim and objectives by ensuring the estate and fleet of vehicles are located in the right places and are fit for purpose to provide rapid operational response. The aim is to do this by maximising the space available in the existing buildings and sites owned by the Authority through alteration, refurbishment and redevelopment opportunities. When provision is not fit for purpose, a programme of new-builds will deliver multi-use response bases across Kent and Medway.
43. Likewise key activities underpinning the strategy will ensure the Authority's fleet is well maintained, ensuring assets are utilised as fully as possible and are able to be deployed to emergency incidents as required.
44. The Assets Strategy is underpinned by a high-level action plan, and 61% of the individual actions within the plan have been completed or are already in progress. This includes:

Property and Facilities

- Completed a restructure of the Property and Facilities team, including the appointment of a new Head of Property;
- Completion of conditions surveys of the estate, which have been used to inform future works and supported the development of a comprehensive future plan of work and procurement needs;
- Disposed of the redundant site at Ramsgate;
- Demolition at Westwood Cross site is complete and sale of the site is currently being negotiated
- Progressed the disposal of sites at Medway fire station, and redundant day crewed houses at Larkfield, Whitstable and Faversham;
- Continue the delivery of the planned maintenance programme with significant investment in electrical and gas safety across our estate, as well as upgrading emergency lighting and fire alarm systems;
- Extension of licences for occupation of our premises by blue light and public sector partners. Further developments of improved collaborative relationships at these sites will include truly shared amenities and living spaces between partners;

45. A recent review identified a number of issues with the adequacy of the firefighting training facilities at Ashford as well as the resources available at the Fire Station such as welfare facilities for students, overall footprint of the building, and parking space. In order to address these issues a project has now started to replace the existing brick build training structure with a new 'fit for purpose' training facility. The new development will also deliver new classroom and welfare provisions to support the additional training facilities, as well as additional accommodation within the existing fire station, which will be achieved through the re-design of the internal footprint of the Ashford Fire Station.
46. The COVID pandemic has allowed us to think about what the future of our estate could be, with a higher proportion of staff working from home more frequently. Whilst it is in its early stages of development, this issue will form a key part of the new asset strategy.

Fleet

47. The vehicle equipment and replacement programme aims to ensure the Authority's fleet and operational equipment are fit for purpose, efficient and provide value for money. The programme manages all aspects of the replacement work including identifying business requirements, undertaking reviews to assess the suitability of the current provision, explore innovative solutions available in the market, purchase of new vehicles and equipment, and disposal of the old. Taking advantage of the latest developments in vehicle and equipment technology to make the job of firefighters safer and more efficient is a primary objective of the programme.
48. The vehicle equipment and replacement programme agreed its first 10-year delivery plan in December 2018. A number of activities to replace ageing vehicles have now been completed and the programme team continues to work to progress the remaining of the planned work:
 - Replacement of nine fire engines: The Authority awarded last year a five-year contract for the replacement of fire engines and an order was placed for nine. Delivery of the vehicles, originally planned for the summer was unexpectedly delayed. However the supplier has now confirmed that the vehicles are going through the registration process and will be delivered imminently. An order has also been placed for the replacement of a further six fire engines with delivery expected by the end of March 2021.
 - **Rescue and heavy rescue fire engines:** work continues on writing the specification for the replacement of 14 rescue and 5 heavy rescue fire engines

expected to all have been delivered by early 2023. The procurement process is expected to start in January 2021.

- **Vans:** a total of 48 new vans have been introduced into the fleet to replace the legacy Ford and Vauxhall Combo vehicles that were between 10 and 15 years old. All of the vans are diesel powered and are manufactured to the Euro6 emission standards, these are the most environmentally efficient diesel rating there is. Forty two of the new vans are standard panel vans with a bulkhead and dedicated stowage/storage solution. The remaining six vehicles are crew-cab vans with capacity to sit five people and incorporating a sizable storage area separated by a bulkhead.
 - **Pool cars:** following the replacement of 11 legacy pool cars with hybrid vehicles earlier in the year, work is underway to replace a further 81 vehicles. As is normal practice through the vehicle replacement programme research is taking place using vehicle usage data obtained via the telematics system to assess whether the size of the fleet can be reduced. It is expected that the tender process will start early in the next financial year.
 - **Response cars:** the Authority has joined the Metropolitan Police in the procurement process for the replacement of response cars. This collaboration opportunity will provide access to savings through economies of scale. It is estimated that the contract will be awarded by April 2021.
 - **Specialist vehicles:** four new eight-seat minibuses have been introduced into the fleet to replace a number of old larger minibuses. These spacious new vehicles can carry more than four people and offer the advantage of being able to be driven by anyone with a car driving licence as opposed to the old minibuses that required a special licence. Delivery of one dog van is expected imminently and this will be followed early in 2021 by the delivery of a Tele Handler.
 - The Programme team have been exceptionally busy in 2020 with a significant amount of work still in progress including amongst others the replacement of minibuses, prime movers, line rescue unit, ladder truck, and command support unit. All of this work will continue into the new financial year.
49. As well as continuing with the delivery of VERP, the Authority is running a number of other projects which support the delivery of this strategy. For example a new four year contract for the supply and delivery of bulk diesel fuel was awarded this year. The Authority is currently exploring options for the replacement of the contracts currently in place for the servicing and maintenance of the fuel storage tanks and pumps, as well

as the fuel management system, which is the application required for managing and dispensing the fuel. Other projects underway include the utilisation of telemetry data to drive efficiencies, and the implementation of a new Fleet Management system.

IT and Business Change Strategy

50. The Information, Technology and Business Change Strategy has been constructed to enable the Authority to achieve maximum benefit from information and technology, supporting colleagues when responding to operational incidents or carrying out preventative and planning activities. The strategy also supports everyone who works for us in back-office functions.
51. To support operational response there are a number of projects that aim to update a range of aging and end of life services, software and equipment. The objective is to provide technology and services which are durable, mobile and flexible to support the vital work of the operational crews and control staff. This programme of work includes the replacement of the Airwave service, which is dependent on the national Emergency Services Mobile Communications Programme currently affected by significant delays in delivery. In the meantime work on other projects continues to progress. For example as part of the Mobile Data Terminals project we have replaced vital end of life equipment, which has already had a measurable improvement on reliability. The project is now focused on the development of the new Mobile Data Terminals software and the roll out of the companion devices, which will provide access to risk and vehicle information on a mobile device. The project is expected to complete by the end of 2021.
52. The Authority has also started work on the project to replace the current command and control system. The project, which is still in its infancy, is currently focused on identifying the strategic direction, technical requirements and IT support arrangements. The project is also considering the impact of the announcement that Police HQ (where Fire Control is currently situated) is due to be vacated. The focus will then move to investigating and assessing different options that will deliver on the Authority's needs.
53. Another key piece of work ensures our key business applications meet the needs of the business, are upgraded and maintained in a timely manner. Projects within this area aim to improve compliance with security and best practice, information sharing, and efficiency.
54. Work has recently been completed on the Learning Management System project, which successfully introduced a new Cloud hosted certified Moodle service including backups, training and ongoing technical support. The project also procured a new e-learning authoring tool which will allow a range of users to create and deploy online training material.

55. In addition, work is underway on two new projects:
- Replacing the current Fleet Management system with a solution that will allow us to manage our fleet and operational assets;
 - Replacing the Workforce Planning system.
56. There are also a number of projects that focus on the technical solutions that provide the backbone to services in relation to infrastructure, network, enterprise applications, security and IT Service Management. Over the past year the Authority awarded a four-year contract for the procurement of phones and rolled out new phones to all officers. It also migrated core services to the Microsoft Cloud including e-mail, document management and backup. To respond to the pandemic there has also been a rapid deployment of Microsoft Teams to enable virtual meetings with external organisations and the live streaming of Authority Meetings.
57. Examples of projects currently being progressed include:
- Upgrading the network infrastructure across the Authority's sites;
 - implementing Microsoft Teams and Microsoft Streams as part of our wider programme of moving services to the Microsoft Cloud;
 - beginning the process of replacing the existing laptop and desktop provision for all users.

People Strategy

58. The People Strategy considers the changing role of the Service in order to deliver what will be required of the organisation over the next four years. It considers these change drivers to establish how we need to support everyone who works for us to maintain and enhance their achievements and help the Authority achieve its aim and objectives. In doing so it recognises the need to have a highly skilled and motivated workforce. The Strategy focuses on six key areas:
- Recruitment and development of the right leaders with the right skills to support organisational change and support community outcomes;
 - Development of cultural values and behaviours which make Kent Fire and Rescue Service a great place to work;
 - Development of ways of working that are able to respond to service needs (internally and externally);
 - Provision of excellent learning, training and education to ensure that a high quality service is provided to customers of all types;
 - Provision of support and guidance to everyone that works for us to maintain and improve their health and wellbeing;

- Strengthening our ability to provide an excellent service by creating a fair and inclusive place to work, with people who have a wide variety of background and skills.
59. The Authority has already completed 46% of the individual actions underpinning the Strategy and 30% of the work is currently in progress.
 60. Over the past three years the Authority carried out a recruitment exercise for wholtime firefighters. As a result a total of 58 firefighters were recruited. Plans were in place this year to continue with the programme of full-time recruitment which was due to open in April 2020. However, as a result of the restrictions brought by the pandemic changes were made to the recruitment process to ensure the Authority was fully compliant with the Covid19 Health and Safety guidance. Online assessments and interviews were introduced and submission of applications was staggered to allow better management of the process. This process will complete in February 2021.
 61. Another important initiative that started earlier this year is the development of the Integrated Learning and Assurance Model. The Integrated Learning and Assurance Model combines ten elements of the Authority's operational learning and assurance work to create an integrated approach to learning and testing policy, procedures and professional practice in a cohesive way. The aim is to ensure we have an effective and safe operational workforce that has been tested as competent and is licenced to respond to the variety of emergencies and situations that affect our customers. The Integrated Learning and Assurance Model is designed to help individuals maintain and build confidence in their skills. An essential element of this continuous professional development will be the expectation and requirement that all operational members of staff will be members of the Institution of Fire Engineers, the professional body for fire professionals.
 62. As part of the People Strategy, the Authority is putting greater focus on the use of blended learning including the review of course content and delivery mechanisms. Following a procurement process the Authority launched in October 2020 a new learning platform called LinkedIn Learning. This well-known platform offers over 16,000 courses across a range of professional areas and includes learning pathways to take students from beginner to expert. The platform offers flexible access to professional learning at a time that suits the individual, something quite important in this time of remote working.
 63. The Authority continues to implement and promote a number of initiatives to support the corporate wellbeing agenda. Great importance is placed on supporting staff with their physical and mental wellbeing. A two day mental health first aid training course has been rolled out to all managers in the organisation and wellbeing webinars are

delivered regularly, something particularly important during this period of uncertainty caused by the pandemic. The Authority has also introduced the Welfare Support Officers team, who provide 24-hour telephone welfare support to staff, 365 days a year. The officers, who are certificated in Mental Health First Aid and have the relevant support experience, are available to listen and to signpost staff to the most appropriate support available.

64. In the wake of various major incidents and consequent public enquiries over the years there has been a growing disquiet about how some public sector bodies have seemingly withheld or misused information. Lord Bob Kerslake chaired the review of the Manchester Arena bombing. When he published a progress report outlining the work carried out in the Enquiry he recommended that all public bodies adopt the Charter that was inspired by the Hillsborough families and proposed by The Right Reverend James Jones KBE. He specifically asked that Greater Manchester public bodies to adopt the 'Charter for Families Bereaved through Public Tragedy' as the progress report was published. Since then many public bodies have committed to this Charter. We believe we should sign and commit to the principles of the charter and all three main accredited representative bodies in Kent have confirmed they are supportive of the commitment to these principles. Members are requested to endorse the Charter, attached at **Appendix 1**.
65. Other activities in progress include:
- Development of a retirement transition programme;
 - Enhancement of recruitment and selection processes through the implementation of the 'License to Recruit' programme in Spring 2021;
 - Development of LGBTQ+ network;
 - Continue to deliver PIA training and embed PIA in work design;
 - Development of equality of access business cases;
 - Implementation of Station Based Training project;
 - Replacement of the Time and Attendance system;
 - Implementation of a new Learning Management System which completed in November 2020;
 - Roll out of the suicide prevention awareness e-learning training completed in June-September 2020.

Next steps

66. A new suite of strategies will be brought to Members for consideration at the meeting to be held in April 2021, using the outcomes of the current consultation on the Safety and Wellbeing Plan.

IMPACT ASSESSMENT

67. The Authority continues to make progress in implementing the action plans underpinning the eight strategies approved by Members in April 2018. Overall 70% of the activities have already been completed or are being progressed. This report shows that the Authority is working to deliver the aim and objectives set out in the Customer and Corporate Plan.

RECOMMENDATIONS

68. Members are requested to:

68.1 Endorse the Charter for Families Bereaved through Public Tragedy (paragraph 64 and **Appendix 1** refers).

68.2 Note the update on delivery of the Authority's Corporate Strategies.

Charter for Families Bereaved through Public Tragedy

In adopting this Charter we commit to ensuring that Kent Fire and Rescue Service learns the lessons of the Hillsborough disaster and its aftermath, so that the perspective of the bereaved families is not lost.

We commit to Kent Fire and Rescue Service becoming an organisation which strives to:

1. In the event of a public tragedy, activate its emergency plan and deploy its resources to rescue victims, to support the bereaved and to protect the vulnerable.
2. Place the public interest above our own reputation.
3. Approach forms of public scrutiny – including public inquiries and inquests – with candour, in an open, honest and transparent way, making full disclosure of relevant documents, material and facts. Our objective is to assist the search for the truth. We accept that we should learn from the findings of external scrutiny and from past mistakes.
4. Avoid seeking to defend the indefensible or to dismiss or disparage those who may have suffered where we have fallen short.
5. Ensure all members of staff treat members of the public and each other with mutual respect and with courtesy. Where we fall short, we should apologise straightforwardly and genuinely.
6. Recognise that we are accountable and open to challenge. We will ensure that processes are in place to allow the public to hold us to account for the work we do and for the way in which we do it. We do not knowingly mislead the public or the media.

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By: Chief Executive
To: Kent and Medway Fire and Rescue Authority - 17 December 2020
Subject: FINANCIAL UPDATE FOR 2020/21
Classification: Unrestricted

FOR DECISION

SUMMARY

This report provides a number of updates on a variety of financial issues, some of which are for note and some are for Members approval. The key points are as follows:

- the latest forecast outturn positions for the revenue and capital budgets for the 2020/21 financial year;
- an updated Treasury Management and Investment Strategy for 2020/21, which reflects in year changes that are required to enable the Authority to respond to the changing financial markets;
- a revised and expanded Corporate Risk Register, which reflects three new risks, arising in the current climate; and
- the final sign off on the 2019/20 accounts from the External Auditors.

RECOMMENDATIONS

Members are requested to:

1. Note the financial update for 2020/21 (paragraphs 4 and 5);
2. Note the contents of the Annual Audit Letter (**Appendix 1** refers);
3. Agree that the Director of Finance and Corporate Services writes to the Public Sector Audit Appointments body (PSAA) to challenge the proposed increase in the Audit Fee (paragraph 7 and **Appendix 1**);
4. Agree the revised Treasury Management and Investment Strategy (paragraphs 9 to 16 and **Appendix 2** refer);
5. Agree the Corporate Risk Register (paragraphs 17 to 25 and **Appendix 3** refer).

COMMENTS

Background

1. This report provides Members with an updated forecast outturn position of spend against the revenue and capital budgets for 2020/21. Also contained within the report is copy of the Annual Audit Letter (attached at **Appendix 1**), following the formal sign off of the final accounts by the External Auditor on the 13 November.
2. With the Bank of England base rate remaining at 0.10% the Authority has seen the rates of return on its investments reduce significantly due to the reduction in interest rates offered by banking institutions, now ranging between 0.58% and 0.01%. In addition, the impact of Covid-19 on the UK economy remains unknown and there is continuing uncertainty over a potential Brexit deal. Members will be aware that the Treasury Management and Investment Strategy is kept under regular review, to ensure it remains fit for purpose. On many occasions it has not been necessary for the Strategy to be amended in-year, however, to ensure that it provides the flexibility required to respond to the currently changing financial markets and to ensure good quality counterparties are maintained and funds remain secure, it is appropriate that the Strategy is amended in-year to reflect the current circumstances. Therefore, Members are asked to approve the changes as set out in **Appendix 2** and explained in paragraphs 9 to 16 below.
3. A full review of the current Corporate Risk Register has also been undertaken given the changing environment in which we reside and three new emerging risks have been identified and are set out within the report (paragraphs 17 to 25) and at **Appendix 3** for Members' approval.

Financial Update for 2020/21

4. **Revenue Budget** - Members may recall that the previously reported forecast revenue outturn, at the October Authority meeting, was an underspend of £956k. Having undertaken a thorough review of spend to date, the indications are that the forecast underspend has now increased to just over £2m. Virtually all of this increase in the underspend has arisen in the pay and pensions area of the budget, with the main changes being in relation to the whole time recruitment process where a change in approach and a reduction in the number of courses being delivered, is resulting in less costs being incurred than previously anticipated. The fast tracking of some recruits from the on-call establishment to wholetime has also contributed to the reduction in costs. Activity payments to on-call staff are lower than previously expected and vacancies in corporate teams are taking longer to recruit to in the current environment.
5. **Capital Budget** - Forecast capital expenditure has reduced by £124k from the position reported to the Authority in October, down from £4.459m to £4.335m. The reason for the reduction in the forecast is slippage on the vehicle replacement programme where

some expenditure previously expected to fall in 2020/21 has now been re-phased to 2021/22.

Other Finance Issues

6. **The 2019/20 Financial Statements** - Since the last update on the audit of the Financial Statements, to the October Authority meeting, Members will be pleased to know that the Authority has now received the final audit opinion which has confirmed an unqualified finding for both the Financial Statements and Value for Money. Members may also wish to note that no further amendments were required to the Financial Statements, other than those detailed in the report to the October Authority meeting. A copy of the Final Annual Audit Letter is provided at **Appendix 1** for Members information.
7. **Additional Fee Charge** - The Public Sector Audit Appointments (PSAA) each year set the fee for the external audits for opted-in public bodies. For this Authority the agreed fee is £27,418 for work in relation to the 2019/20 accounts. However, the External Auditors are this year proposing a number of increases to the proposed fee, which amount to some £10,500 (+38%) and are set out in the Audit Letter attached at **Appendix 1**, pages 12 and 13. Any proposed increases will need to be agreed with the PSAA through their variation process before any payment is made. Whilst the Director, Finance and Corporate Services appreciates that the pandemic has no doubt created uncertainties over a number of financial issues for external auditors across the public sector, as can be seen by recent press announcements, she does not accept, from this Authority's perspective, that the rationale and justification for some of the additional charges, particularly relating to Covid, have not adversely affected this Authority. As such Members are asked to agree that the Director of Finance and Corporate Services writes to the PSAA to challenge the levying of some of these additional charges.
8. **Provisional Local Government Finance Settlement 2020/21** - In order to prioritise the response to Covid-19 the Government has confirmed a one-year Spending Review, setting department's resources for 2021/22. Whilst the Chancellor's announcements in the Spending Review on the 25 November threw some light on the various financial implications for next year, the final impact will not be known until the provisional Local Government Finance Settlement for 2021/22 is announced, which is expected to be sometime in the week beginning the 14 December. Therefore, a verbal update on the latest position will be provided to Members at the meeting.

Annual Treasury Management and Investment Strategy

9. The Chartered Institute of Public Finance and Accountancy Treasury Management Code and the Guidance on Local Government Investments issued by the Secretary of State under Section 15(1)(a) of the Local Government Act 2003, requires the Authority to approve an annual Treasury Management Strategy and an Annual Investment Strategy. To comply with these requirements, a combined Treasury Management and

Investment Strategy was presented for Members approval at the February Authority meeting with the budget papers.

10. Since the initial approval of the Strategy we have seen the impact of Covid-19 on the UK economy and economies around the world. After the Bank of England took emergency action in March to cut the Bank Rate to first 0.25% and then to 0.10%, it left the Bank Rate unchanged at its subsequent meeting to 5th November, although some forecasters had suggested that a cut in to negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. Currently no increase in Bank Rate is expected over the coming years as the economic recovery is expected to be only gradual and therefore, prolonged.
11. The Strategy, outlines the approach to the Authority's treasury management and investment activities, and defines the limits for borrowing and investment activities for the financial year 2020/21. It also includes the Prudential Indicators required by the 2017 Prudential Code and the 2017 Treasury Management Code. But in order to react appropriately to the current market conditions, it is necessary realign elements of the Authority's Investment Strategy. As such a revised Strategy is attached at **Appendix 2**, for Members approval, which reflects the proposed changes, with paragraphs 12 to 16 below expanding on the rationale for these four main amendments.
12. **Deposit Limits** - Currently the Authority is receiving favourable rates with direct fixed term investments from some of the Banking Institutions, so it is therefore proposed to increase the Counterparty Limit for both the HSBC Bank and Santander from £5m to £7m. This will enable the Authority to gain some stability in the average rate of interest by making use of the fixed rates of interest that are available.
13. **Money Market Funds** - Whilst in many areas interest returns have been reducing, there have been some accounts where returns have turned negative, and the Debt Management Office is one such account. It would therefore not be appropriate to deposit funds in accounts where you will knowingly get less back than the amount you deposited. However, due consideration also needs to be made about the liquidity of funds and therefore the use of Money Market Funds are an appropriate and suitable alternative to the Debt Management Office account. These have always been available in the Treasury Strategy, but until now not yet utilised.
14. Money Market funds are a mutual fund that invests in very short-term assets. They work by issuing redeemable units or shares to investors, but the fund may invest in a number of items such as Treasury Bills, Certificates of deposits, Repurchase agreements, etc. The Authority has recently opened two Money Market Funds, they are the Aberdeen Standard Liquidity Fund – Sterling Fund and Blackrock Sterling Liquidity Fund. The Authority and Kent County Council can monitor the investments/fund balances etc through the Institutional Cash Distributors portal daily.

The current Treasury Strategy allows for investment in Money Market Funds up to £5m per fund, but in order to ensure diversity of funds the proposed change would be to set an additional limit of a maximum of £15m in total of the Authority's available balances at any one time in funds of this type.

15. **Variable Interest Rates** - The Authority has seen an increase in the use of variable interest rate products in order to be able to respond to the changing markets. But it is also important to maintain the security of funds therefore it is necessary to review the prudential indicator that determines the percentage of investments that can be placed in variable interest rate products. As such it is proposed that the Strategy increases the percentage of funds that it can have deposited in the market on a variable basis, from 50% to 100% of deposits, to enable the flexibility to respond to the market.
16. **Local Authority Lending** - The final proposed change to the Strategy relates to loans to other Local Authorities. Whilst flexibility to do so does exist in the existing Strategy, with loans of up to £5m, this flexibility has not previously been made use of. However, recently the Authority has provided short term lending to Local Authorities, but for the purposes of transparency and clarity it is necessary to set an individual and collective limit on such loans. It is proposed therefore that the Strategy be amended to reflect the option of providing a maximum loan to any one Local Authority, up to a value of £5m, but collectively no more than £15m can be loaned. Members can be assured that due diligence checks, such as reviewing External Audit reports, reviewing both the level of reserves and their in-year monitoring reports, will be undertaken before any loan is agreed.

Corporate Risk Register

17. Members last received an update on the Corporate Risk Register at the July 2020 meeting. Since that time good progress continues to be made on a number of action plans, which will help mitigate or reduce the respective potential risks going forward. Corporate Management Board regularly monitor and review the risk register to ensure it is kept up to date and relevant. Any changes that have been applied since the Authority last reviewed the Risk Register are detailed in the following paragraphs and the full register is attached at **Appendix 3** for Members approval. However, Members may wish to note that there are three new risks (Risks 17, 18 and 19 detailed below) now incorporated in the risk register.
18. **Risk 1** - The Authority's industrial action plan was discussed and reviewed at the last service business continuity exercise. In addition to the plan, the Operational Planning team provide updates to the Home Office and the National Fire Chiefs' Council regarding the arrangements set out within our plan.
19. **Risk 7** - Recent announcements advise that the Comprehensive Spending Review will see a one year settlement as opposed to a three year settlement, the details of which are not expected to be released until later in December.

20. **Risk 9** - Good progress has been made with the Mobile Data Terminals rollout and the hardware has been replaced making the Mobile Data Terminals use more consistent and reliable. Software development continues and is likely to come online in the summer of next year. The companion device trials are due to start October 2020 and will roll out early next year.
21. **Risk 12** - Planning and preparation continues around Brexit and this has been reflected with a minor increase noted due to the impending deadline. An annual exercise was completed in July and as part of the Authority's continuous improvement, the new principles identified as part of the Integrated Learning and Assurance Model were applied. In light of Covid-19 and Brexit a review of the section business impact analysis has been undertaken and resources have been reallocated to reduce any impact on increased workloads.
22. **Risk 13** - The initial corporate risk in relation to required actions and legislation changes following the Grenfell enquiry have now been updated to reflect the regulatory progress made.
23. **Risk 17** - A new corporate risk has been identified as a result of the recent Government Actuary's Department Public Sector Insurance survey which has identified that
- "The survey results indicated a clear consensus on the outlook for the insurance market, with the vast majority (92%) anticipating adverse impacts. As well as price increases, there are concerns about restrictions on cover and reduced availability of some types of insurance
- To mitigate against this, authorities are expecting to self-insure more of their risk and explore alternative risk transfer arrangements"
- The full report is available <https://www.gov.uk/government/publications/the-impact-of-covid-19-on-public-sector-insurance>
24. **Risk 18** - A new corporate risk has been added to recognise the impact of non adherence to Government regulation in relation to Covid-19 and the impact that could have on the ability of the Authority to undertake statutory duties and the mitigating action that is being undertaken.
25. **Risk 19** - Is a new corporate risk to recognise the responsibility the Authority has to assist the Government in achieving the reduction in carbon emissions and reduction of the Authority's own carbon footprint.

Summary

26. This report presents an update on the forecast outturn position for the current financial year, alongside some proposed changes to the Treasury Management and Investment Strategy and Corporate Risk Register for Members approval. With the closure of the audit of the 2019/20 Financial Statements, the External Audit Letter is attached confirming the final audit opinion.

IMPACT ASSESSMENT

27. All Corporate Risk action plans will consider the necessary environmental benefits and impacts, health and safety issues and equality and diversity issues.

RECOMMENDATIONS

28. Members are requested to:
 - 28.1 Note the financial update for 2020/21 (paragraphs 4 and 5);
 - 28.2 Note the contents of the Annual Audit Letter (**Appendix 1** refers);
 - 28.3 Agree that the Director of Finance and Corporate Services writes to the Public Sector Audit Appointments body (PSAA) to challenge the proposed increase in the Audit Fee (paragraph 7 and **Appendix 1**);
 - 28.4 Agree the revised Treasury Management and Investment Strategy (paragraphs 9 to 16 and **Appendix 2** refer);
 - 28.5 Agree the Corporate Risk Register (paragraphs 17 to 25 and **Appendix 3** refer).



The Annual Audit Letter for Kent and Medway Fire and Rescue Authority

Year ended 31 March 2020

1 December 2020



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Kent and Medway Fire and Rescue Authority ('the Authority') for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority as those charged with governance in our Audit Findings Report on 15 October 2020.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £2,000,000, which is 2% of the Authority's gross expenditure.
Financial Statements opinion	<p>We gave an unqualified opinion on the Authority's financial statements on 13 November 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Authority's land and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Authority's financial position and its income and expenditure for the year.</p>
Whole of Government Accounts (WGA)	We completed work on the Authority's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 13 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of Kent and Medway Fire and Rescue Authority in accordance with the requirements of the Code of Audit Practice on 13 November 2020.

Working with the Authority

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Authority. Over the last nine months, the Authority has supported other emergency services and public bodies, including diverting capacity.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and included a significant risk in our Audit Plan issued in April 2020.

Restrictions for non-essential travel meant both Authority and audit staff have been working from home, requiring remote access to working papers and systems. Remote working was facilitated through use of our Inflo electronic filing system. As an audit team we considered alternative methods to verify the completeness and accuracy of information provided to us by the Authority. Remote working inevitably increased the time taken to execute the audit efficiently in 2019/20

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff .

Grant Thornton UK LLP
December 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's financial statements to be £2,000,000, which is 2% of the Authority's gross expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We set a lower threshold of £100,000, above which we reported errors to the Authority in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 26 May 2020; liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Authority's property valuation expert evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; evaluated whether sufficient audit evidence could be obtained through remote technology; evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>No issues to report.</p>
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined 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 considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions 	<p>No issues to report</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert wrote to the valuer to confirm the basis on which the valuations were carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation. This included how the impact of Covid-19 impacts on the valuations tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>As disclosed in notes to the financial statements, the outbreak of Covid-19 has caused uncertainties in markets. As a result, the Authority's valuer has declared a 'material valuation uncertainty' in their valuation report which was carried out with a valuation date of 31 March 2020. The Authority's valuer prepared their valuations in accordance with the RICS Valuation Standards using the information that was available to them at the valuation date in deriving their estimates</p> <p>As a result of the material uncertainty being identified on the valuation of Property, Plant and Equipment, our audit opinion included a Emphasis of Matter, drawing attention to the material uncertainty identified.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated 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 evaluated the design of the associated controls; • evaluated 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; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested 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; • undertook 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 • obtained 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. 	<p>As disclosed in notes to the financial statements, the outbreak of Covid-19 has caused uncertainties in markets. As a result, the pension fund intends to disclose a 'material valuation uncertainty' in their financial statements related to the valuation of directly held and pooled investment properties.</p> <p>As a result, our audit opinion included a Emphasis of Matter, drawing attention to the material uncertainty identified.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 13 November 2020.

Preparation of the financial statements

The Authority presented us with draft financial statements in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We initially reported the key issues from our audit to the Authority on 13 November 2020.

Annual Governance Statement and Narrative Report

We are also required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website and alongside the Statement of Accounts in line with the agreed timescales.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Authority was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Kent and Medway Fire and Rescue Authority in accordance with the requirements of the Code of Audit Practice on 13 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Authority in October 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	Findings	Conclusions
<p>Financial sustainability</p> <p>You continue to face significant financial pressures associated with reductions in government funding. You have taken a number of measures over recent years to address these issues. You have identified the need to make further savings to revenue budgets over the period of your Medium Term Financial Plan (MTFP).</p> <p>The continued strength of your financial planning framework is key to maintaining a sustainable financial position whilst delivering your key objectives over the medium term.</p> <p>We will update our understanding of your MTFP and review the supporting information trail.</p> <p>We will discuss with management the expected impact of Covid-19 on the budget and measures that are being taken to mitigate the risk to provision of services</p>	<p>The Authority has a history of sound financial management. You have delivered an underspend of £487,000 against the revenue budget for 2019/20.</p> <p>You continue to have a strong financial planning framework based on a 4 year medium term financial plan (MTFP) which is updated annually. Review of supporting trails for the current MTFP shows that this is based on a comprehensive consideration of the relevant income and expenditure streams and that the plan is supported by a detailed options analysis.</p> <p>Under the MTFP, you will need to make revenue savings of £2.935 million in 2020/21, with a need to make further savings of £6.3 million over the following three years.</p> <p>You have a significant medium term capital programme. Overall you continue to have an adequate level of reserves to address unforeseen risks and support future spending plans, with total usable reserves of £42.643 million at 31 March 2020. This includes capital receipts of £9.234 million.</p> <p>Reporting of financial planning information to members is comprehensive and transparent, with early scene-setting information provided ahead of the annual budget process, integrated reporting of the annual budget with the MTFP, and detailed analysis in the reporting of both the annual budget and future planning information.</p> <p>The current MFTP was produced prior to Covid-19 and the variances to the original budget are being kept under review and will be reported to the Authority meeting in July 2020. Management has kept members informed of the pressures during this period. Based on our knowledge of the client and discussions with management we are aware that the impact of Covid-19 has changed the spending profile of the Authority (e.g. reduction in costs related to travel) however we have not seen any indication at this stage that this would impact the overall aims of the MFTP.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that you have proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. There were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	20 April 2020
Audit Findings Report	15 October 2020
Annual Audit Letter	19 November 2020

Fees

	Planned £	Actual fees £	Additional fees for Covid-19 (see page 13) £
Statutory audit	32,918	32,918	5,000
Total fees	32,918	32,918	5,000

A. Reports issued and fees

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £27,418 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,750
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,750
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	1,500
New standards / developments	Additional work required for IFRS16 implementation and corresponding disclosure required in 19/20 under IAS8 and the impact of Covid-19	500
Total		5,500

Audit fee variation – Covid-19

Additionally, over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements has been multifaceted. This included:

- Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.
- Managements assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations. Our audit opinion included an emphasis of matter in respect of this.
- Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.

We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/about-the-frc/covid-19/covid-19-bulletin-march-2020> sets out the expectations of the FRC.

Fee variations are subject to PSAA approval.



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ANNUAL INVESTMENT STRATEGY

1. **Investment Policy – Management of Risk:** The Authority’s Investment Strategy has regard to the CIPFA Treasury Management Code 2017 and the CIPFA Treasury Management Guidance Notes 2018. 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. Accordingly, the Authority will ensure that robust due diligence procedures cover all external investment. This Strategy is reviewed and updated at least annually.

2. 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.

3. 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 in order 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** – this will include the press and other such information pertaining to the banking sector.

4. **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.
5. **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;
 - banks, building societies and other financial institutions of **high credit quality**.
6. **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 Link Asset 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, Moodys and Standard and Poors (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.

7. **The Monitoring of Investment Counterparties:** The credit rating of counterparties will be monitored regularly, based on credit rating information received from Link Asset 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.
8. **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 5 and 6 above, and may restrict the period of investment to a period shorter than the maximum.
9. The Strategy for 2020/21 will be to use only those institutions detailed on the counterparty list, shown in **Table 1** below.

Table 1 – Investment Criteria for Deposits

<i>Permitted Forms of Investment 2020/21</i>	<i>Minimum Credit Criteria</i>
Cash Deposits with the Debt Man. Office	N/A
UK Treasury Bills	N/A
Call Accounts/Notice Accounts Term Deposits	UK Banks, UK part-nationalised bank or an institution rated by Link Asset Services as suitable for investment for 100 days or more
Certificates of Deposit	N/A
Money Market Funds CNAV	AAA
Money Market Funds LVNAV	AAA
Term Deposits with Other Local Authorities	AAA

Counterparty List 2020/21	Counterparty Limit
Debt Management Office (incl. Treasury Bills)	Unlimited
RBS Group: Royal Bank of Scotland/Nat West	£7m Group Limit
Lloyds Bank: Lloyds TSB/HBOS	£7m Group Limit
Barclays Bank plc	£5m
Coventry Building Society	£5m
HSBC Bank plc	£7m
Leeds Building Society	£5m
Nationwide Building Society	£5m

Counterparty List 2020/21 (Cont'd)	Counterparty Limit
Santander UK plc	£7m
Handelsbanken PLC	£5m
Svenska Handelsbanken	£5m Country Limit

Australia and New Zealand Banking Group Commonwealth Bank of Australia National Australian Bank Ltd Westpac Banking Corporation	£5m per institution but £5m Country Limit
Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto Dominion Bank	£5m per institution but £5m Country Limit
Money Market Funds (CVNAV and LVNAV)	£5m per fund – collective total restricted to £15m
Other Local Authorities	£5m per LA – collective total restricted to £15m

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.

Prudential Indicators

10. The table below shows the Prudential Treasury Indicators agreed as per the February Authority with the proposed revised indicators for Members approval.

Table 2 Prudential Indicators for affordability, prudence and capital expenditure

Figures shown are in £'000	2020/21 Feb Authority	2020/21 Revised Dec Authority
Treasury Indicators		
Assumed Operational Boundary for external debt	18,000	18,000
Assumed Authorised Limit for external debt	22,000	22,000
Interest rate exposure for borrowing at fixed rates	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%
Interest rate exposure for investing at variable rates	50%	100%

Corporate Risk Register

Risk Tolerance Table

Descriptor	Definition
Very Severe	The Authority is extremely concerned about this risk as the impact is potentially highly disruptive for the Authority's key objectives, projects or targets. Management action in the form of a comprehensive action plan is required immediately to reduce the risk and progress will be assessed by CMB.
Severe	The Authority is concerned about this risk. The consequences could have a significant impact for the Authority. The proposed action to reduce this risk to an acceptable level should be established and reported to CMB. Monitoring reports are required by CMB on a quarterly basis thereafter.
Material	The Authority is uneasy about this risk as the consequences, though not severe, will be disruptive to the delivery of the objectives. Proposals should be drawn up to reduce the risk to an acceptable level within six months and reported to CMB.
Manageable	The Authority is content to carry the risk as the likelihood and impact are within acceptable tolerances. The status of the risk should be reviewed regularly by the risk-owner to ensure that it remains within acceptable tolerances, and reported to CMB.

Acronym Key for Risk Register	
MDT Project	Mobile Data Terminals
EMR	Emergency Medical Response
BC	Business Continuity
CRM/PRM	Customer Relationship Management and Premises Risk Management

Summary Risk Register for Authority Reports

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
1	IF the Authority is affected by prolonged industrial action THEN an effective emergency response wouldn't be maintained	Major Loss of life or property	AD Resilience	Material	Minor Reduction	Review Industrial action BC plan and update
		Fines or claims against the Authority				
		Increased financial costs				
		Public and media condemnation of the Service				
		Government intervention in the management of the Service				Provide refresher training to officers in appliance equipment etc.
2	IF sufficient firefighting PPE of the required standard was unavailable THEN an effective emergency response couldn't be maintained	Major Loss of life or property	AD Response	Severe	No Change	Review and test Disaster Recovery arrangements for current contract
		Fines or claims against the Authority				
		Increased financial costs				
		Public and media condemnation of the Service				
		Government intervention in the management of the Service				Annual Audit held and regular meetings established with incumbent supplier, with regard to operational continuity of supply of goods and services
3	IF the arrangements for mobilising emergency resources failed THEN an effective emergency response couldn't be maintained	Major Loss of life or property	AD Corporate Services	Material	Minor Reduction	Test system failure plans
		Fines or claims against the Authority				
		Increased financial costs				
		Public and media condemnation of the Service				
		Government intervention in the management of the Service				Identify key person weaknesses and address skill deficiency

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
4	IF emergency response skills and management are not maintained THEN operational intervention will become ineffective	Public condemnation of the Service	AD HR	Manageable	Minor Reduction	Address issue of recording of training and competencies
		Adverse media comments				Monitor attendance at training course for non-attendance
		Criticism from Fire Service inspectorate				Roll-out of Kirkpatrick model of training evaluation
		Legal action against the Authority				
5	IF Finance for externally funded services is withdrawn THEN the Authority will have to absorb existing staff over a short period	Industrial unrest	AD Response, AD Resilience	Material	No Change	Consider possibility of utilising earmarked reserves in short term. In the longer term establishment levels will be considered against recruitment needs.
		Staff Redundancies				
		Adverse media comments				Review overhead costs and scale back accordingly
		Overspending				
6	IF an employee is seriously injured/killed whilst on duty THEN a series of formal investigations will be instigated	Disruption at senior management level	Dir Operations	Material	No Change	Exercise a significant safety event/injury scenario
		Enforcement action against the Authority				
		Claims against the Authority				
		Resignation or dismissal of senior staff				
7	IF the government's funding plans (funding formula / spending review) disadvantage KFRS THEN its MTFP will be compromised	Further savings would be required	Dir Finance & Corp Serv	Material	No Change	Regular reviews of the MTFP
						Respond to any consultation document issued.

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
8	IF the Authority suffers a major unfunded loss/cost THEN additional in year savings would be required	A reduction in reserves	Dir Finance & Corp Serv	Material	No Change	Explore the potential use or earmarked reserves in the short term. Establish if new in year savings could be generated.
		Delay in delivering projects and investments				
		Further savings required				
9	IF customer and premises information cannot be made available to operational staff THEN there is an increased risk that an inappropriate response to an emergency might be delivered	Increased health and safety risk to staff and customers	Dir Operations	Material	Minor reduction	CRM/PRM project in progress to address this
		Adverse comments from public and media				
		Legal action against the authority				
		Intervention by HSE or other agencies				
10	IF workforce planning and development is ineffective THEN the Authority would not be able to maintain the range and breadth of non-statutory services	A reduction in service quality	AD HR	Material	No Change	Roll-out of Kirkpatrick model of training evaluation
		Loss of collaborative opportunities				
		Public dissatisfaction with the Service				
		Loss of staff				
11	IF a Kent run major procurement arrangement fails to meet expectations THEN partners' trust and reliance of the Authority will be damaged	Credibility affected, which may have an impact in future on leading other national collaborative procurement projects	Dir Finance & Corp Serv	Material	No Change	Clarify expectations at the outset with partners/ stakeholders
		Higher procurement costs				
		Legal action against the Authority				
						Establish clear mechanisms to monitor delivery of arrangements
						Review and improve standard terms and conditions

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions	
12	IF the Authority is unable to maintain mission critical services following an external disruption THEN the Authority could fail to meet its statutory duties	Loss Of Staff - Short or Long Term	AD Resilience	Material	Minor Increase	Transport disruption planning to be completed as part of EU exit preparation	
		Loss of Premises - Including access to site(s)					
		Loss of Information and Communication Technology (ICT) services				Annual exercise completed and learning identified	
		Loss of utilities					
		Loss of critical suppliers/ contractors					
		Loss of vehicles and essential equipment					
		Transport disruption - including severe weather					Review section business impact analysis
		Shortage of fuel supply					
13	IF changes to the Fire Safety Order and the creation of the Building Safety Regulator require changes THEN the Authority will need to review working practices and staffing levels.	Increased financial costs	Dir Protection, Prevention	Material	No change	Monitor the progress of the Fire Safety Bill and Building Safety Bill	
		Public dissatisfaction with the Service					

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
14	IF costs increase as a result of legislative changes THEN the Authority's MTFP will be compromised.	Increased financial costs	Dir Finance & Corp Serv	Material	No change	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified.
		Further savings would be required				Keep a watching brief for legislation changes
		A reduction in reserves				Request a revised pension report to understand the increased pension liability
15	IF a project/ programme board does not recognise and manage financial risks of project delivery THEN the Authority's MTFP will be compromised.	Increased financial costs	Dir Finance & Corp Serv	Material	No Change	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified or the project scaled back.
		Further savings would be required				Appropriate plans to be in place to highlight risk and steps taken to manage such risks
		A reduction in reserves				
16	IF the Council Tax base reduces as a result of an economic recession THEN the Authority's MTFP will be compromised	Further savings would be required	Dir Finance & Corp Serv	Material	New Risk	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified
		A reduction in reserves				Maintain regular contact with District Councils to understand the potential impact
						Respond to any Government Consultation/ Monitoring

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
17	IF the insurance market changes as a result of increased liability THEN the Authority's costs may increase.	Increased financial costs	Dir Finance & Corp Serv	Material	New Risk	Maintain regular contact with FRIC to understand the potential impact
		Reduced collaboration due to increased risk exposure of no insurance cover				Consider possibility of increasing earmarked reserves in short term. In the longer term continue to review the market to see if cover is available at a later date.
		Greater level of reserves required due to increased levels of self insurance				Ensure appropriate Policies and Procedures across the organisation
						Respond to any Government consultation/monitoring
18	IF the Authority fails to act appropriately within the requirements and restrictions of the Covid 19 National Pandemic Then the Authority could fail to meet its statutory duties	Loss of Staff - Short Term or Long Term	AD Resilience	Material	New Risk	Compliance with latest Government guidance
		Loss of Premises - including access to site(s)				Weekly Covid Management meetings
		Loss of critical suppliers/contractors/ third party support agencies				Review section business impact analysis in light of COVID
						Complete Covid Risk Assessments
						Authority's Estate Reviewed for Covid Compliance
		Increased financial costs				Purchase Covid Compliant PPE for Staff
		Fines or claims against the Authority				Engagement with the Local Resilience Forum
		Public dissatisfaction with the Service				Review of staff homeworking requirements

Risk No	Risk	Potential Consequences	Owner	Current Rating	Direction of Travel	Planned Risk Management Actions
19	IF the Authority does not reduce its carbon footprint THEN the Authority could fail to meet Government targets for 2050	Longer term impact on the Health and Environment of Kent Residents	AD Resilience AD Corp Serv	Material	New Risk	Ensure Policies and Procedures reflect the Authority's commitment to carbon reduction
		Public dissatisfaction with the Service				Incorporate an emissions reduction plan within the Asset Management Strategy
		Fines against the Authority				Increase knowledge across the Authority on carbon reduction
						Review smarter working policies to reduce staff mileage

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By: Chief Executive
To: Kent and Medway Fire and Rescue Authority - 17 December 2020
Subject: DRAFT FINANCIAL STRATEGIES FOR 2021/22
Classification: Unrestricted

FOR DECISION

SUMMARY

This report provides details of the proposed three key financial strategies for 2021/22 which support the Medium Term Financial Plan. The draft Strategies detail how the Authority will deliver its key priorities in an affordable, prudent and sustainable manner. These Strategies are presented to Members for their 'in principle' agreement today, but they will also be presented alongside the Budget for 2021/22 for Members final approval at the February 2021 Authority meeting:-

- Capital Strategy and draft Capital Programme;
- Treasury Management and Investment Strategy;
- Reserves Strategy.

RECOMMENDATIONS

Members are requested to:

1. Agree 'in principle' the Capital Strategy (paragraph 3 and **Appendix 1** refer);
2. Agree 'in principle' the Annual Treasury Management and Investment Strategy, (paragraph 6 and **Appendix 2** refer);
3. Agree 'in principle' to the Reserves Strategy (paragraph 15 and **Appendix 3** refer);
4. Agree that the level of the General Reserves should be equivalent to approximately 5% of the Net Revenue Budget for the medium term (paragraph 15 and **Appendix 3** refer).

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

COMMENTS

Background

1. This report provides Members with the draft three key financial strategies, namely the Capital Strategy (**Appendix 1**), Treasury Management and Investment Strategy and the appropriate Prudential Indicators (**Appendix 2**), and the Reserves Strategy (**Appendix 3**), all of which clearly set out the Authority's financial approach which underpin the Medium Term Financial Plan prior to receiving the main Financial Budget papers at the Authority meeting in February.
2. For the last two years Members have had early sight of the policies at the December Authority meeting, so that they can be considered and agreed in principle. However, it is important that they are finally approved alongside the Medium Term Financial Plan at the February 2021 Authority meeting as they are three key financial strategies that support the delivery of the Medium Term Financial Plan. There is the possibility that there may be some changes to the figures in the Strategies, as they cannot be finalised until the financial settlement and council tax figures are known for 2021/22.

Capital Strategy for 2021/22 and Draft Capital Programme

3. A requirement of the revised CIPFA Prudential Code for Capital Finance is that Authorities should produce a Capital Strategy (**Appendix 1**) advising on the key principles and framework for the setting, management and monitoring of the capital programme, highlighting any significant revenue implications. The Capital Strategy is set out at **Appendix 1** for Members consideration and 'in principle' agreement.
4. The Government has not announced any capital grant for 2021/22 or later years and so any investment in capital assets must be funded from local resources. For the purposes of identifying capital expenditure, items costing individually less than £10k, whilst they may be large when added together, are generally included in the revenue budget. The draft Capital Budget for 2021/22 totals £10,295k and details of the Capital Budget for 2021/22 and the medium term are shown within the Capital Strategy.

Annual Treasury Management and Investment Strategy

5. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code and the Guidance on Local Government Investments issued by the Secretary of State under Section 15(1)(a) of the Local Government Act 2003, requires the Authority to approve an annual Treasury Management Strategy and an Annual Investment Strategy.
6. To comply with these requirements, a combined Treasury Management and Investment Strategy is presented at **Appendix 2** for Members' consideration and 'in principle' agreement. The Strategy, outlines the approach to the Authority's treasury management and investment activities, and defines the limits for borrowing and

investment activities for the financial year 2021/22. The Strategy also includes the Prudential Indicators required by the 2017 Prudential Code and the 2017 Treasury Management Code. These indicators, are also detailed in **Appendix 2**, and relate to prudence, affordability, capital expenditure, limits for external debt, interest rate exposures, and the maturity structure of borrowing and long-term investments. The Authority's performance against these indicators is monitored and reported on throughout the year.

7. The final annual report for 2020/21 in respect of the performance of treasury management and investment activities will be presented to the Authority at its meeting in July. **Table 1** below details the position with regard to loans, cash and deposits as at 6 November 2020.

	£'000s
Long term borrowing – Public Works Loan Board	1,425
Cash Deposits - Santander	5,000
Cash Deposits - Nat West / RBS	6,500
Cash Deposits - Lloyds TSB	3,000
Cash Deposits - Barclays	5,000
Cash Deposits - HSBC	5,000
Cash Deposits – Treasury Bills	9,200
6-Month Fixed Term - Lloyds TSB	4,000
6-Month Fixed Term - Nationwide	5,000
Local Authority Loans	10,000
Total cash and deposits	52,700

8. **Long Term Borrowing** - The Authority has used its temporary cash balances to fund capital expenditure since 2008/09. The ongoing proactive management of revenue and capital spend over recent years has resulted, in many cases, in the release of earlier than anticipated savings, which has created a healthy balance in the Infrastructure Reserve, currently forecast to be £25,058k at 31 March 2021. Additionally, the Authority has generated capital receipts from the sale of day-crewed housing, fire stations and vehicles which have been replaced, and the unused balance is forecast to be £7,239k at 31 March 2021. The Authority's cash balances are expected to be utilised to fund capital expenditure over the next four years, mainly for Station improvements, redevelopments and vehicle purchases. Based on current rates of borrowing, for each £1m borrowed over a 10 year period, the Authority would have saved in the region of £240k in interest costs over that period. The use of internal borrowing also contributes towards a reduction in counterparty risk. Members should

be aware, however, that the Authority may consider borrowing to fund new capital spend in the future or if an alternative approach to funding is deemed appropriate.

9. **Minimum Revenue Provision Policy** - The Authority is required to make a prudent provision for the repayment of debt for any capital expenditure that has not been funded from existing resources and requires borrowing. The payment is called the Minimum Revenue Provision. The Authority is required to adopt a clear policy for how the provision is to be calculated, and this is set out within the Strategy detailed at **Appendix 2 (paragraph 17)**.
10. **Investment Returns** - The Authority's priority for cash management is to ensure the security of capital and liquidity of cash resources and to obtain an appropriate level of return which is consistent with the Authority's appetite for risk. The annual forecast for investment income is £71k, which equates to an average return for the year to October 2020 of 0.20%. It is expected that cash balances will continue to fall next year as the capital programme is delivered.

Reserves Strategy and Annual Review

11. **Reserves Strategy** - The Authority has for a number of years undertaken a comprehensive annual review of its reserves and the Government's recent consultation on the Fire and Rescue National Framework for England reinforced that requirement. This report therefore sets out the Strategy at **Appendix 3** for Members consideration and 'in principle' agreement and also included is the annual review of the General and Earmarked Reserves.
12. **Infrastructure Reserve** - This is the largest of the Earmarked Reserves and is used to fund both revenue and capital investment in infrastructure assets to ensure continuous development and improvement across the organisation. Details of its use for capital purposes are set out within the Capital Strategy (**Appendix 1**), however there are occasions where expenditure on assets is deemed to be revenue expenditure. This could be where individual assets are below the de-minimus capital limit of £10k or where existing assets are replaced but do not meet the stringent requirements for capitalisation. Quite often IT expenditure can be deemed as revenue expenditure, examples of this are the IT desktop replacement and existing system upgrades etc. The IT Investment programme is split into a number of headings:-
 - **Business Capability Programme** - Expenditure on key back office corporate systems such as Finance, Human Resources, Fleet, Property and Workforce Planning;
 - **IT Operational Response Programme** - Expenditure on responsive operational systems such as the Emergency Services Network, Command and Control System, Fireground radios;

- **Prevention and Protection Programme** - Expenditure on systems that underpin the pro-active work of the organisation and include the Operational Response Project and developments to the external website;
- **Technology Programme** - Expenditure on the underlying core IT infrastructure of the organisation and includes Network refresh, Cloud migration, replacement IT desktop, tablets and mobile equipment and the Authority's website.

13. Details of the revenue I.T. expenditure to be funded from the Infrastructure Reserve is detailed below:-

Table 2 - I.T. Revenue Programme	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
	£'000	£'000	£'000	£'000
Business Capability	26	824	1,050	0
I.T. Operation Response	223	915	600	296
Prevention and Protection	1,250	795	0	0
Technology Programme	473	525	291	411
	1,972	3,059	1,941	707

14. One-off revenue expenditure in relation to Premises and the Vehicle Replacement Programme that does not meet the criteria for capitalisation is also funded from this reserve.
15. **General Reserve** - As a precepting authority, the Authority is required under Section 32 of the Local Government Finance Act 1992 to have regard to the level of reserves required to meet estimated future expenditure when calculating its budget requirement. A review has recently been undertaken in line with current financial risks and it is proposed to maintain the level of General Reserves at approximately 5% of the net revenue budget (31 March 2020 the balance held was £3,510k). The need to maintain general reserves at an appropriate level continues to be supported by a comprehensive financial risk assessment, as detailed in **Appendix 3**, which highlights the extent to which the Authority may be exposed to uninsured and unbudgeted issues

Summary

16. This report presents an update on the draft three key Financial Strategies that require an 'in principle' agreement from Members. Having considered these strategies, they will support the development of the Medium Term Financial Plan and will be presented alongside the Budget for 2021/22 and the Medium Term Financial Plan at the February Authority meeting. There may however be a need to amend some of the figures in the

tables, once the financial settlement figures and council tax figures are known, to ensure they are in line with the Budget proposals.

IMPACT ASSESSMENT

17. The draft capital budget proposals and associated recommendations contained within this report should achieve the Authority's priorities as set out in the Customer and Corporate Plan. The proposals are sustainable over the medium term and provide the appropriate level of financial resilience. All improvements and investments in new projects will consider the necessary environmental benefits and impacts, health and safety issues and equality and diversity issues.

RECOMMENDATIONS

18. Members are requested to:
 - 18.1 Agree 'in principle' the Capital Strategy (paragraph 3 and **Appendix 1** refer);
 - 18.2 Agree 'in principle' the Annual Treasury Management and Investment Strategy, (paragraph 6 and **Appendix 2** refer);
 - 18.3 Agree 'in principle' to the Reserves Strategy (paragraph 15 and **Appendix 3** refer);
 - 18.4 Agree that the level of the General Reserves should be equivalent to 5% of the Net Revenue Budget for the medium term (paragraph 15 and **Appendix 3** refer).

CAPITAL STRATEGY

Background

1. **Statutory Requirement** - A revision to the CIPFA Prudential Code for Capital Finance in Local Authorities was issued in December 2017. It sets key objectives to ensure that decisions made around the capital programme are affordable, prudent and sustainable. A new requirement of the Code is that Authorities should produce a Capital Strategy and it sets out an outline of the reporting requirements that should be included. Members last agreed the Capital Strategy at the February 2020 Authority meeting and as this represents the long term capital investment for the Authority it this has been regularly reviewed and updated as necessary. The following paragraphs therefore set out the proposed updated Strategy for this Authority. Members are asked to consider and agree 'in principle' this updated Strategy at the December Authority meeting but agree the final version for 2021/22 as part of the budget papers presented to the Authority meeting on the 23 February 2021.

2. **Purpose and Principles of the Strategy** - The Capital Programme has been developed following the principles that are laid out in the Capital Budget Strategy which are shown below:
 - To ensure capital resources are aligned with the corporate priorities as set out in the Safety and Wellbeing Plan.
 - To maintain the assets and infrastructure across the organisation.
 - To maintain an affordable ten year rolling capital programme.
 - To undertake Prudential Borrowing only where there are sufficient monies to meet the full implications of capital expenditure, which include both borrowing and running costs.

Expenditure will be classified as capital if it meets the criteria set in Statute within the Local Government Act 2003 and CIPFA Statement of Recommended Practice. A minimum limit of £10k is applied per programme, expenditure falling below the minimum will be treated as revenue expenditure. The outlay should result in either the acquisition, construction or enhancement of a fixed asset that provides a benefit to the Authority in excess of a year.

Capital programme planning is reviewed and determined alongside the revenue budget planning process within the framework of the Medium Term Financial Plan (MTFP).

3. **Supporting Plans** - The Authority's Customer and Corporate Plan is supported by a number of strategies which set out the forward look in a number of specific areas. The

Customer Engagement and Safety Strategy and the Operational Response Strategy set out the rationale behind each service we provide. The Asset Strategy is a key document for consideration when developing the Capital Strategy as it is important that the Authority ensures that capital resources are directed at its existing assets to ensure that they are of good condition so as to achieve best use of them to deliver a better service. Where assets are identified as surplus to requirements they are disposed of in an appropriate manner, in line with the Authority's Disposal Policy, consequently generating a capital receipt which is, at some future point, used to contribute to the capital costs of asset investments or developments. This overarching Capital Strategy reflects the contents of a number of these supporting strategies, as they define the anticipated investment and development in areas such as the Property Estate, Fleet and IT.

Governance and Funding

4. **Governance and Monitoring** - An important part of the governance arrangements is the frequent monitoring of the agreed capital programme and probably more importantly the transparency, accountability and sustainability of the funding of the agreed programme. As such members of the Authority are responsible for approving the Capital Strategy which sets out the considerations for such investments. It is a prerequisite that all expenditure incurred in the delivery of the capital programme must be compliant with the defined Financial and Procurement policies and procedures.
5. **Officers Responsibility** - Within the Authority, Corporate Management Board has an overall responsibility for the strategic development, management and monitoring of the capital programme. Wherever appropriate to do so, and more specifically for the larger projects, project boards are established, which consist of a wide range of professional expertise. These groups meet regularly to assess and monitor the progress of the projects to ensure the delivery of the defined capital investment.
6. **Available Capital Funding** - There are a variety of ways in which capital expenditure can be financed, but the main sources are often from a combination of revenue resources / reserves, capital grants, capital receipts and borrowing. There is also the option of leasing, but this will only be considered where it is a viable and cost effective route to fund the asset in question. A brief explanation for each of these options is described below:
 - a) **Revenue Contributions / Reserves** - The base revenue budget has a level of funding which may be used to support the funding of the capital programme. The Authority also has revenue resources set aside in the Infrastructure Reserve that can be used to fund capital projects.

- b) **Prudential Borrowing** - The Authority can use prudential borrowing to fund capital expenditure provided that such borrowing is affordable, prudent and sustainable over the medium term. A range of calculations (prudential indicators) are completed as part of the annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and the repayment of principal is taken into account when developing the Medium Term Financial Plan.
- c) **External Capital Grants** - Certain projects may have specific external funding in the form of grants that can be applied for and utilised on the defined capital project.
- d) **Capital Receipts** - The Authority has a large property estate, the majority of which are fire stations, but the estate also includes day crewed houses, a training centre and administrative buildings such as Service Headquarters. The estate is managed by the Head of Property and Facilities and their team, all of whom ensure the buildings are well maintained and fit for their daily use. Where properties are identified as surplus to operational requirements, Members approval is sought for their disposal. Cash receipts which are generated from the asset disposal and which are in excess of £10k, must be used to support new capital investment or to offset future debt or transitional costs. They cannot be used to fund day to day revenue expenditure.
- e) **Lease Finance** - This option of financing may be considered if it was economically viable to do so. Consideration would be taken as to the availability of funding for such a purchase and its implications. However, financing of expenditure through any lease arrangement needs to consider the:
 - Value of expenditure;
 - Residual Value of the asset;
 - Life span of equipment matches the funding proposed.

Capital Receipts Strategy

- 7. **Statutory Requirement** - The Ministry of Housing of Communities and Local Government's (MHCLG) Statutory Guidance on the use of Capital Receipts requires local authorities to prepare and publish a Strategy before the start of each year, setting out their planned use. It is generally the case that all capital receipts must be utilised to support capital purchases only. However, in March 2016 the Government issued statutory guidance which allowed a variation to this requirement.
- 8. **Capital Receipts for Revenue Reform** - The Statutory Guidance on the Flexible Use of Capital Receipts allows that the costs that generate ongoing savings may be

funded from capital receipts for the following examples of revenue expenditure, sharing back-office services, service reform, collaboration, driving digital delivery. The guidance and the new flexibility applied for the period 1 April 2016 to 31 March 2019. It was confirmed in the February 2018 Local Government Finance Settlement that the flexibility to use capital receipts to help meet the revenue costs of transformation has been extended a further 3 years to April 2022. The Authority is required to detail any revenue reform costs that may be incurred by 31 March 2022 that it is proposing to fund from capital receipts received between 1 April 2016 and 31 March 2022.

9. **The utilisation of capital receipts** to fund revenue expenditure as opposed to being used to fund the creation or enhancement of an asset can impact on the Authority's treasury indicators as detailed below:

- Estimated and actual capital expenditure will increase by the amount of the revenue reform costs;
- Balance sheet resources (capital receipts) will reduce by the amount of the revenue reform costs.

Utilisation of capital receipts to fund expenditure that would usually be funded from revenue resources diverts the receipts available for re-investment in existing assets or the creation of new ones. To date the Authority has not utilised the option to use capital receipts to fund revenue reform costs, nor has it budgeted to do so as part of the Medium Term Financial Plan. If this were to change in the future, it would be considered on a project by project basis, and in each case the expected savings/service transformation proposals would be reported to the Authority for their consideration. The forecast capital receipts opening balance for the 2020/21 financial year is expected to be £7.2m with the potential for further receipts in the next few years. These balances will be utilised in future years to help support the funding of the capital programme. They will help smooth out the peaks and troughs of the service demands and provide a balanced capital programme without the need to borrow.

Description of Major Capital Projects

10. **The main capital projects / programmes of work** that are incorporated into the Authority's capital programme are identified below and link into our Operational Response Strategy:
- **Mobile Data Terminals** - This is an operational response I.T project to install data terminals in all of our fire engines and response vehicles as well as Satnavs and tracking devices and is due to be completed during 2021/22.
 - **Vehicle Replacements** - We have a comprehensive long term programme in place to replace our operational fleet of fire engines, specialist vehicles, pool and response cars. The fleet is reviewed on a regular basis to determine any change in the numbers and types of vehicles that may be needed to facilitate operational capability identified in our corporate plan. More recently in 2019/20 we undertook our first acquisition of dual fuel vehicles and will continue to consider, where appropriate to do so, more eco-friendly products as they become available. Due to the covid pandemic supplier closures have caused delays to the programme resulting in £4.6m of slippage to future years, mainly appliances and response/pool cars. However, we still expect to take delivery of 9 appliances this financial year with another 6 to be completed early next year, as well as a fleet of small vans and minibuses alongside various specialist vehicles.
 - **Building Works** - The Authority's property portfolio consists of in excess of 80 buildings which it aims to maintain in a good condition. Periodically, however, enhancements and improvements to the buildings are undertaken wherever it is appropriate and necessary to do so, not least to ensure that the Service and its operational bases remain fit for the future. Currently a number of reviews are underway to determine property use across the estate. These reviews are in their early stages, but indicative funding requirements have been incorporated into the capital programme, to ensure that any redevelopments could be afforded. Redevelopment of the Ashford site, including the Live Fire facilities, is underway and it is expected that this major work will be completed in early 2023.
11. Every project goes through a robust process of producing a business case, assessing risks and outcomes along with any savings or efficiencies that could be achieved. Projects are appraised after completion and a review of successes and lessons learned are documented.
12. Wherever possible we consider collaboration with our partner organisations, such as Kent Police and SECamb and progress any other possible collaboration opportunities that may present themselves to enable greater efficiencies and improvements to the service.

Prudence and Sustainability

13. **Capital Expenditure** - The Prudential Code requires that the Authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Authority's overall fiscal sustainability.

The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur over the next ten years, as a minimum. Budget Managers are asked to consider future works and capital expenditure requirements as part of the budget setting process. Usually at this stage the project will have indicative costs associated to it based on past project expenditure to enable development of the Capital Programme. As the project develops and the objectives and specifications are clearer the indicative costs are refined.

All major acquisitions have a life assigned to them and where appropriate a replacement is included within the Capital Programme based on the historic cost or current market value, whichever is available at that time. As the replacement year moves closer an assessment is made of the business needs and current condition of the asset. The original sums set aside will then be replaced with the revised estimates. This is undertaken on an ongoing basis for vehicles and equipment, IT projects and premises component replacements.

If the cost of a project increases, and additional funds are required and available, a change request is presented to the Project Board for approval. If the agreed amount is significantly increased it will also be presented to members for approval.

The anticipated capital expenditure for the next 4 years, is detailed below, however, it should be noted that the Authority plans to continue to invest in the improvement of its I.T. infrastructure across the organisation, but as most of this will fall as revenue costs, and they are not reflected in the Capital Programme below:

Estimates of Capital Expenditure (£'000)

	2020/21	2021/22	2022/23	2023/24	2024/25
Premises	612	3,669	3,273	3,453	4,320
IT	480	95	100	290	-
Vehicles	3,243	6,531	6,059	303	3,120
Total Planned	4,335	10,295	9,432	4,046	7,440

14. **Funding of Capital Expenditure** - All proposed expenditure set out in the Capital Programme is planned to be fully funded from a combination of revenue contributions to capital, capital receipts and the Infrastructure reserve, without the need to borrow. There are currently no allocations of capital grants expected in the near future.
15. **Total Capital Financing Costs** - One of the features of the Prudential Code arrangements is the need to calculate the Capital Financing Requirement (CFR). This figure covers unfunded capital expenditure which has not yet been permanently financed through the revenue account.

Capital Financing Requirement	2020/21	2021/22
Opening CFR	3,767	2,798
Capital Investment	4,335	10,295
Sources of Finance:		
Government Grants	0	0
Revenue contributions to Capital	-4,335	-10,295
Minimum/Voluntary Revenue Provision	- 969	- 969
Closing CFR	<u>2,798</u>	<u>1,829</u>

16. **External Debt** - All borrowings are from the Public Works Loan Board (PWLb) and our current outstanding debt is as follows:

As at end March	2020	2021	2022	2023	2024	2025
£'000s	2,125	1,425	1,001	701	400	0

Current forecasts identify that the Capital Programme can be fully funded from the revenue resources and relevant reserves, so there are no plans at this stage to undertake any new external borrowing.

17. **Risk Assessments** - The Authority has a sound financial plan in place, to deliver the Capital Programme over the coming years, which includes the use of earmarked reserves, revenue funding and capital receipts. However, the onset of the covid pandemic this year has had a significant impact on the whole economy, with many authorities facing significant levels of unexpected funding pressures. This alongside the expected Government's Fair Funding Review and the Spending Review may well have a significant impact on funding resources over the medium term. The Fair Funding review was intended to examine the distribution methodology of available funding, but this has again been delayed until sometime in the future. The Spending Review however, was originally expected to take place last year, but circumstances were such that the budget allocations were just rolled forward along with an appropriate inflation allocation, on the basis that it would all take place during 2020. No one expected the economic impact that the covid pandemic caused, and as such the Government understandably has now decided to defer the full Spending Review

again and as such the much reduced review will now focus on allocations for the 2021/22 financial year only. This does therefore leave uncertainty over the future years level of funding. If any revised calculation impacts negatively on the Authority's funding then it is likely that there will be a reduced amount of resources available to provide a base level of revenue funding for the Capital Programme.

18. In order to fully understand the risks and the need to contain the level of borrowing undertaken to minimise the revenue impact, the Authority has now moved away from a short term four year capital programme to a longer term 10 year capital programme (attached at **Annex 1**). This will enable the Authority to identify where any funding shortfalls may arise in the programme that delivers corporate priorities, which may result in actions such as increasing reserves in the short term to provide greater long term stability to the programme or evaluation of the service needs against the asset strategy. Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project progresses. This in turn leads to re-phasing of the capital programme in order to keep the overall costs within the agreed bottom line. This is monitored and reported to Corporate Management Board quarterly and any key issues are subsequently reported to members.

19. **Knowledge and Skills** - The Capital and Treasury programmes are managed by a team of professionally qualified accountants with extensive Local Government financial knowledge. A Continuous Professional Development (CPD) is a requirement of various professions and courses are attended to update knowledge on a regular basis. All project teams consist of various professionals, including Surveyors and Accountants and outside professional advice is bought in when required. Periodically Members are provided with relevant training on a range of financial topics, which is either provided by officers or external organisations.

20. **The Director of Finance and Corporate Services** is of the opinion that the current Capital Strategy provides core principles on which to build a capital programme that is affordable, prudent and sustainable.

CAPITAL EXPENDITURE PLAN

The table below shows the ten year capital expenditure plan for 2020/21 to 2029/30

(All figures are £'000)	Budget <u>2020/21</u>	Budget <u>2021/22</u>	Budget <u>2022/23</u>	Budget <u>2023/24</u>	Budget <u>2024/25</u>	Budget <u>2025/26</u>	Budget <u>2026/27</u>	Budget <u>2027/28</u>	Budget <u>2028/29</u>	Budget <u>2029/30</u>	<u>TOTAL</u>
Future Station Development	<u>385</u>	<u>3,595</u>	<u>2,887</u>	<u>3,133</u>	<u>4,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>19,000</u>
Total Station Development	385	3,595	2,887	3,133	4,000	1,000	1,000	1,000	1,000	1,000	19,000
Roofing Works	79	50	100	100	100	100	100	100	100	100	929
Drill Towers	0	0	90	0	0	0	100	0	0	0	190
Generators	14	12	38	20	20	20	20	20	20	20	204
Boilers	<u>134</u>	<u>12</u>	<u>158</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>1,704</u>
Total Premises	227	74	386	320	320	320	420	320	320	320	3,027
Total Premises and New Builds	612	3,669	3,273	3,453	4,320	1,320	1,420	1,320	1,320	1,320	22,027
Operational Response Project	480	95	0	290	0	0	0	290	0	0	1,155
Printers			<u>100</u>							<u>100</u>	<u>200</u>
Total Systems	480	95	100	290				290		100	1,355
Appliances	2,305	3,319	3,842	0	3,080	3,350	0	0	0	0	15,896
Specialist Vehicles	650	2,720	0	40	0	160	0	714	2,720	0	7,004
Cars and Vans	<u>288</u>	<u>492</u>	<u>2,217</u>	<u>263</u>	<u>40</u>	<u>362</u>	<u>223</u>	<u>306</u>	<u>564</u>	<u>385</u>	<u>5,140</u>
Total Vehicles & Appliances	3,243	6,531	6,059	303	3,120	3,872	223	1,020	3,284	385	28,040
TOTAL CAPITAL EXPENDITURE	4,335	10,295	9,432	4,046	7,440	5,192	1,643	2,630	4,604	1,805	51,422

<u>FUNDING</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>TOTAL</u>
CAPITAL Funded from:-											
Contributions from Revenue	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592	2,592	25,920
Infrastructure Reserve movement	(252)	3,374	6,840	1,454	4,848	2,600	(949)	38	2,012	(787)	19,178
Capital Receipts Applied	1,995	4,329									6,324
Total Capital Funding	4,335	10,295	9,432	4,046	7,440	5,192	1,643	2,630	4,604	1,805	51,422

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2021/22

Introduction

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA), the Treasury Management Code and the Authority, 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 cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested 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 cash flow 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 balances of circa £52m, which generally result from the reserves and balances, 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 2017 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 is being reported separately. 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 Corporate 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 context 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 approve 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 2021 budget report. 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 in the autumn 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.

External Support

10. **Treasury Management Advisor:** The Authority uses Link Asset Services (previously known as Capita Asset Services) 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 has recently been renewed with Link Asset Services and expires at the end of September 2024.
11. **Administration:** Day to day treasury management activity, such as placing deposits in institutions, is carried out on behalf of the Authority by the Kent County Council Treasury and Investment Section under a Service Level Agreement, which is reviewed on a regular basis.

THE CAPITAL PRUDENTIAL INDICATORS 2021/22-2024/25 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 still remain at an all-time low (although quite recently the PWLB did increase the interest charge on long term rates), it may be prudent at some stage to consider whether there is a need to borrow to fund future elements of the capital programme. However, despite low interest rates in recent years, this has not been necessary in the last ten years.

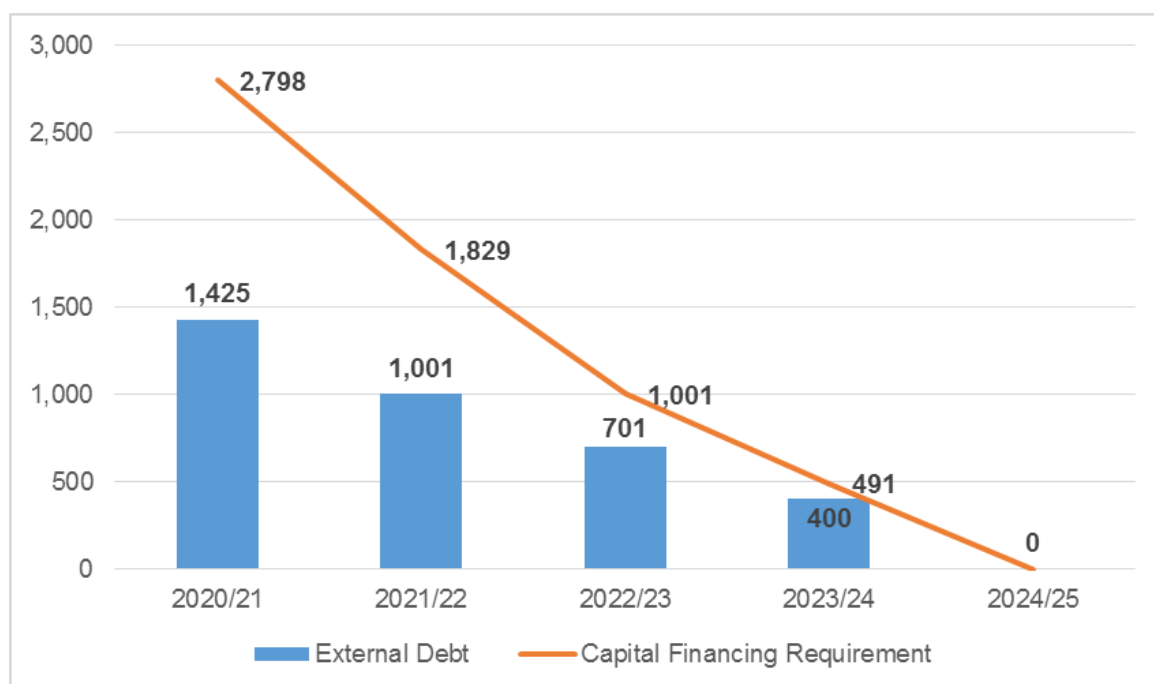
Table 1 - Capital Expenditure	2020/21	2021/22	2022/23	2023/24	2024/25
	Forecast £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000
Total Capital Expenditure	4,335	10,295	9,432	4,046	7,440
Funded By					
Revenue / Infrastructure funding	-2,340	-5,966	-9,432	-4046	-7,440
Capital Receipts	-1,995	-4,329	0	0	0
Net Financing Need (Borrowing) for the Year	0	0	0	0	0

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	2020/21	2021/22	2022/23	2023/24	2024/25
	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Opening CFR	3,767	2,798	1,829	1,001	491
Movement in CFR	-969	-969	-828	-510	-491
Closing CFR	2,798	1,829	1,001	491	0
Movement in CFR represented					
Net Financing Need (Borrowing) for the Year	0	0	0	0	0
Less: Provision for Principal (MRP/VRP)*	-969	-969	-828	-510	-491
Movement in CFR	-969	-969	-828	-510	-491

*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)



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, but where a decision was made to use internal cash balances instead of external debt (this is shown calculated in **Table 2** above), less the actual amount of external debt at the end of each year. **Table 6** further below details how the under-borrowing is then calculated.

Table 3 - Reserves and Balances	2020/21	2021/2022	2022/23	2023/24	2024/25
	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General reserve	3,710	3,710	3,710	3,710	3,820
Earmarked reserves	28,953	21,108	13,093	11,542	6,765
Insurance Provision	237	237	237	237	237
Capital Receipts	7,239	5,778	5,778	5,778	5,778
Total Core Funds	40,139	30,833	22,818	21,267	16,600
Working Capital surplus	991	991	991	991	991
Under borrowing	-1,373	-829	-301	-91	0
Expected Investments	39,757	30,995	23,508	22,167	17,591

17. **Minimum Revenue Provision (MRP) Policy Statement:** The Prudential Code 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.

(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.

Provided that the Authority undertakes no new external borrowing the outstanding debt will be cleared by 2025.

18. **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 2020 the total VRP overpayments were £4.6m. 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.
19. **Limits on External Debt:** The Treasury Indicators set limits for interest rate exposures in relation to borrowing, deposits 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.
20. **Interest Rate Exposures for Borrowing:** All the borrowing undertaken by the Authority has been on a fixed rate of interest with the Public Works Loans Board (PWLB). There are no plans currently to undertake any further external borrowing at this point in time, if however the need arose, it is likely that this would be undertaken on a fixed rate of interest.
21. **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 still remains a prerequisite, it is proposed that to enable a sufficient degree of flexibility to gain improved market returns on deposits (given that some deposits are giving negative returns), up to 100% of deposits can be on a variable interest basis. The Authority defines fixed rate investments as those where the interest rate does not fluctuate during the period of the investment.

Table 4 Limit of Deposit Exposure	2020/21 Limit	2021/22 Limit	2022/23 Limit	2023/24 Limit	2024/25 Limit
Fixed Interest Rates	100%	100%	100%	100%	100%
Variable Interest Rates	100%	100%	100%	100%	100%

22. **Maturity Structure of Borrowing:** The current maturity profile of the Authority's existing loans, as at 31 March 2021 is set out in **Table 5** below.

Table 5	Amount	Percentage
Existing Loan Profile	£'000	Maturing
2021/22	424	30%
2022/23	300	21%
2023/24	301	21%
2024/25	400	28%
Total borrowing to be repaid	1,425	100%

BORROWING

23. **Borrowing Arrangements:** The Authority has been actively trying to reduce its cash balances by deferring long term borrowing. The Authority will continue with this prudent strategy which has resulted in savings in borrowing interest costs, and thus has minimised the risk of counterparty loss. The Authority is currently under-borrowed by £1,373k and, based on current interest rates has saved approximately £34k per annum by not borrowing this money.
24. **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, in order that borrowing and investing activity can be undertaken at the most advantageous time. However, at the time of writing it is not anticipated that the Authority will undertake any new borrowing in 2021/22.
25. **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.
26. **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 debt in order 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.
27. **Sources of Borrowing:** The Authority could borrow from the Public Works Loan Board (PWLB), other Local Authorities, the money markets, the Municipal Bonds Agency or through Finance Leasing depending on which terms are the most favourable overall.
28. **External Debt:** The Authority's current debt portfolio position for the next five years is detailed in **Table 6** below. It shows the actual external debt against the underlying capital borrowing need (the CFR) highlighting any over or under-borrowing.

Table 6 - Current Debt Portfolio	2020/21 Forecast £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Borrowing as at 1 April	2,125	1,425	1,001	701	400
New Borrowing	0	0	0	0	0
Other Long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Loans Repaid	-700	-424	-300	-301	-400
Borrowing as at 31 March	1,425	1,001	701	400	0
Less closing CFR	-2,798	-1,829	-1,001	-491	0
Under borrowing	-1,373	-828	-300	-91	0

29. 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.
30. **The Director, Finance and Corporate Service** reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals within the budget report.
31. **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.
32. 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. Currently there are impending accounting changes with regard to leases (IFRS16) that could mean existing lease arrangements, that in the past have been accounted for within the revenue budget, may now need to be reflected on the Authority's balance sheet as a liability for the commitment of the contract and 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 taken into account, as have estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes when determining this limit.

33. **The Director, Finance and Corporate Services**, 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 7** below.

Table 7 - Operational Boundary	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	15,000	15,000	15,000	10,000	13,000
Other long term finance liabilities	3,000	3,000	3,000	3,000	3,000
Total	18,000	18,000	18,000	13,000	16,000

34. **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 8** below.

Table 8 - Authorised Limit	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	19,000	19,000	19,000	14,000	17,000
Other long term finance liabilities	3,000	3,000	3,000	3,000	3,000
Total	22,000	22,000	22,000	17,000	20,000

35. **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.

36. **Debt Rescheduling:** Whilst short term interest rates continue to be considerably 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.
37. **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 0.84%.
38. **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 has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
39. Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Director, Finance and Corporate Services 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

40. **Investment Policy - Management of Risk:** The Authority's Investment Strategy has regard to the CIPFA Treasury Management Code 2017 and the CIPFA Treasury Management Guidance Notes 2018. 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. In the current economic climate it is considered appropriate to keep investments short term to cover cashflow needs. However, 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.
41. 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.

42. 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 in order 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 in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
43. **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.
44. **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;
 - banks, building societies and other financial institutions of **high credit quality**.
45. **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 Link Asset 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, Moodys and Standard and Poors (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.

46. **The Monitoring of Investment Counterparties:** The credit rating of counterparties will be monitored regularly, based on credit rating information received from Link Asset 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.
47. **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 44 and 45 above, and may restrict the period of investment to a period shorter than the maximum.
48. The Strategy for 2021/22 will be to use only those institutions detailed on the counterparty list, shown in **Table 9** below

Table 9 – Investment Duration for Deposits

<i>Permitted Forms of Investment 2021/22</i>	<i>Minimum Credit Criteria</i>
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 Link Asset 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 Local Authorities	AAA

Counterparty List 2021/22	Counterparty Limit
Debt Management Office (incl. Treasury Bills)	Unlimited
RBS Group: Royal Bank of Scotland/Nat	£7m Group Limit
Lloyds Bank: Lloyds TSB/HBOS	£7m Group Limit
Barclays Bank plc	£5m
Coventry Building Society	£5m
HSBC Bank plc	£7m
Leeds Building Society	£5m
Nationwide Building Society	£5m
Santander UK plc	£7m
Svenska Handelsbanken	£5m Country Limit
Handelsbanken plc	£5m
Australia and New Zealand Banking Group	£5m per institution but £5m Country Limit
Commonwealth Bank of Australia	
National Australian Bank Ltd	
Westpac Banking Corporation	
Bank of Montreal	£5m per institution but £5m Country Limit
Bank of Nova Scotia	
Canadian Imperial Bank of Commerce	
Royal Bank of Canada	
Toronto Dominion Bank	
Other Local Authorities	£5m per Local Authority - £15m limit
Money Market Funds (CNAV and LVNAV)	£5m per fund - £15m 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.

49. **Investment Returns Expectations:** It is now impossible to earn the level of interest rates commonly seen in previous years as most investment rates are barely above zero now that the Bank Rate is at 0.10%, indeed some deposit accounts are already offering negative interest rates for shorter periods. Given the risk environment and the latest projections that an increase in Bank Rate is unlikely to occur before 31 March 2022, investment returns are expected to remain low. With this in mind, the Authority is expecting investment income of approximately £56k for 2021/22, averaging a return of 0.14% for the year. However, it should be noted that political and economic events around the impact of Covid and the Brexit deal 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.
50. Previously the Authority made use of the facility to place funds in the Debt Management Office, however these rates have now turned negative and as such, these funds will be withdrawn as they come to the end of their deposit term. As such the Authority is now proposing 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 0.03%, so still offering a marginally positive return. 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 portfolio can be.

51. 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.
52. 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.
53. The maximum duration for investments suggested by Link Asset 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. In the event that the suggested duration is changed to zero, the investment will be redeemed early regardless of the level of penalty incurred.
54. 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, and in light of the low level of return received, 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.
55. The Authority is appreciative that the provision of LIBOR (the rates at which banks are prepared to lend to each other) and associated LIBID (the bid rate at which banks are prepared to borrow) are expected to cease at the end of 2021 and have been used to benchmark to assess the investment performance by monitoring against the 7 day LIBID rate. The Authority will work with its advisors in determining suitable replacement

investment benchmark(s) ahead of this cessation and will report back to members accordingly.

56. **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. Members received a presentation from Link Asset Services, the Authority's Treasury Advisor at the October 2018 Authority meeting. It is intended to provide a refresher presentation by Link Asset during 2021 to Members of the Authority. Those Finance staff with direct responsibility attend regular Treasury workshops and seminars during the year. Currently 5 members of the Finance Team are undertaking CIPFA E-learning modules related to Treasury Management to continue their professional development.
57. **Table 10: Current Portfolio** - below sets out the investment portfolio of the Authority as at 6 November 2020.

Table 10 – Current Portfolio	Fixed Deposits	Call A/C	Notice Call A/C	Total	Average Interest Rate
	£'000	£'000	£'000	£'000	%
Debt Management Office (including Treasury Bills)	9,200	0	0	9,200	0.04%
RBS Group: Royal Bank of Scotland/ Nat West	0	6,500	0	6500	0.01%
Lloyds Bank: Lloyds/HBOS	4,000	3,000	0	7,000	0.11%
Barclays Bank plc	0	0	5,000	5,000	0.30%
Nationwide Building Society	5,000	0	0	5,000	0.10%
Santander UK plc	0	2,350	2,650	5,000	0.35%
HSBC	0	0	5,000	5,000	0.25%
Loans to Local Authorities	10,000	0	0	10,000	0.11%
Total Per Deposit Type	28,200	11,850	12,650	52,700	0.14%
Average Interest Rate Per Deposit Type	0.09%	0.03%	0.34%		

RESERVES STRATEGY AND ANNUAL REVIEW 2021/22

Background

1. **Statutory Requirement** - Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies. The Fire and Rescue Services National Framework for England includes a requirement for all Combined Fire and Rescue Authorities to publish a Reserves Strategy and outlines the detail which should be included.
2. **Professional Guidance** - Best practice guidance on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances' issued in July 2014.
3. **Role of External Auditors** - The External Auditors are not responsible for prescribing the optimum or minimum level of reserves for individual authorities or for authorities in general, but they are required to review and report on the level of reserves and balances. The External Auditors' view as to whether an authority has strong financial management and sound financial standing will be supported by their review of the process used to determine and approve the level of reserves.
4. **Annual Review** - Members of the Authority annually review the Reserve Strategy to ensure that it remains relevant and up to date, reflecting the medium to long term needs of the Authority. The Authority holds a number of different reserves, each of which are explained in this Strategy, and all support the prudent and sustainable approach to budget setting, which has existed for many years. Over the years use has been made of earmarked reserves to manage spend profiles across financial years, especially when there are large capital build projects in place, however, the Authority has also seen the use of reserves as an aid to support the transformation, improvement and collaboration agenda, which is helping make the service fit for the future.
5. **Reserve Balances** - these have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and they provide an adequate contingency for budget risks. The Strategy and the outcome of the annual review of reserves are set out in the paragraphs that follow.

6. **Members Approval** - Members are asked to consider and approve this Strategy in principle and the annual review of the general and earmarked reserves as set out in this report.

Reserve Strategy

7. **National Framework Requirements** – The framework is prescriptive over the details that should be included in a Reserve Strategy. It is clear that General Reserves should be held by the Authority and used to balance funding (in exceptional circumstances), support spending priorities and to manage risk. The Strategy should be specific about how the level of the General Reserve has been determined and provide justification if there is a need for the level to be in excess of five percent of the net revenue budget. The Strategy should also include details of current and future planned reserve levels, their value and purpose, set out over the timeframe of the Medium Term Financial Plan.
8. **Strategic Context for this Authority** - There are several reasons why this Authority holds a number of reserves, these include, to:-
- mitigate potential future risks such as increased demand and costs;
 - help absorb the costs of future liabilities;
 - temporarily plug a funding gap should resources be reduced suddenly;
 - enable the Authority to resource one-off policy developments and transformation initiatives without causing an unduly disruptive impact on Council Tax;
 - spread the cost of large scale projects which span a number of years.

Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable medium-term budget plan.

9. **Long-Term Sustainability** - Reserves are an essential tool to ensure long-term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding, and for the first time in many years a reduction in the council tax base, over the medium term. Due to the fact that funding for future Capital Projects are held within the Infrastructure Reserve, the overall level of Earmarked reserves held by the Authority is currently still high, but these will reduce significantly as the capital programme progresses.
10. **Types of Reserves** - There are three different types of reserve, and these are described below:-
- (a) **General Reserve** - provides a contingency to cushion the impact of unexpected events or exceptional costs, and in extreme circumstances would be used to provide a working cash balance to cushion the impact of uneven cash flows, and help avoid unnecessary temporary borrowing. Any use of the General Reserve is always subject to Members' prior approval.

- (b) **Earmarked Reserves** - are sums specifically set aside to not only provide funds to meet future known or predicted expenditure or liabilities, but to also support the transformation of the service to ensure it is fit for the future. Earmarked reserves are typically used to smooth the impact on the revenue budget (and Council Tax) of expenditure that would otherwise cause significant fluctuations in the annual budget requirement, such as expenditure on the replacement of vehicles and equipment or large scale build projects. Earmarked reserves are also of use where there may be plans to introduce a policy change or a service improvement which initially require a one-off increase in expenditure for which additional resources are required, or where there is a future budget liability or pressure which is known but for which the timing of payments or change in funding is uncertain. Reserves are key tools to manage these risks. There is a clear protocol setting out the reason/purpose of each Earmarked Reserve, how and when the Reserve can be used, procedures for the Reserve's management and control, and a process and timescale for review of the Reserve to ensure continuing relevance and adequacy;
- (c) **Capital Receipts** - These are effectively an earmarked reserve and as such are set aside for a defined purpose. The value of this reserve is generated from the income receipt from the sale of capital assets and as such these resources can generally only be used for reinvestment in other capital assets. In December 2017 the Government announced the continuation of the capital receipts flexibility programme, for a further three years (to 2021/22), which allows Fire and Rescue Authorities the freedom to use capital receipts to help fund the revenue costs of transformation projects that generate ongoing revenue savings or reduce costs.

11. **Risk Assessment to Determine the Adequacy of the General Reserve** - A comprehensive financial risk assessment to assess the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. A well-managed multi-purpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, the Authority has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority. The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.
12. The annual risk assessment looks at the risks in the context of the Authority's overall approach to risk management and internal financial controls. This information is then used to determine the optimal level of reserve holdings needed to meet the requirements of the contingency and working balance.

13. **Analysis of Need for the Working Balance** - The Authority's General Reserve and Earmarked Reserves are largely cash-backed and as a result any instance of exceptional expenditure or a delay in receiving income is unlikely to lead to the Authority having to borrow temporarily (or go overdrawn).
- (a) **Expenditure** - A significant proportion of the Authority's budget is related to employee and pension payroll costs which are paid monthly and so the cash flow is evenly spread across the financial year. The Authority receives its business rate demands in April each year for immediate payment which significantly raises the cash flows out of the Authority in April. Capital expenditure will generally be on large-value assets (and usually planned well in advance) so the timing of these purchases can result in large cash outflows falling in some months. The Firefighter Pension Fund Account is balanced by top-up grant from Government, with any difference between payments made and income received reflected in the Authority's cash position.
- (b) **Income** - Precepts, business rates and revenue grant payments are paid to the Authority in regular instalments throughout the year.
14. **Earmarked Reserves** - The Authority currently has five earmarked reserves, each of which has been set aside for a specific purpose. The relevance of, and balance in, each reserve is reviewed annually and Members are informed of the latest plans for the balances held in such reserves over the medium-term.

Annual Review of Reserves

15. **General Reserve** - Detailed at **Annex A** is the annual financial risk assessment. **Annex A** indicates the likelihood of each risk occurring and the potential financial risk to which the Authority could be exposed. It would be very unlikely for all of the risk areas to impact at the same time but it is conceivable that a number of them could be co-dependent. For example, a failure of part of the banking system could result in delayed payments to suppliers, supplier failure and loss or delayed recovery of deposits. A key supplier may not be able to deliver the goods or services necessary for the safe delivery of firefighting services, impacting on the safety and wellbeing of staff, which might then lead to industrial action. Due regard is therefore given to the likelihood of each risk occurring and the optimum level of the General Reserve.
16. The risk assessment has been reviewed for its relevancy to future years spanned by the Medium Term Financial Plan (MTFP) and includes consideration of:-
- (a) The ability of the Authority to make difficult decisions to manage financial and other challenges;
- (b) The ability of the Authority to deliver statutory responsibilities from the resources available, avoiding legal challenges and protests from stakeholders;
- (c) Financial issues, setting a balanced budget, strong financial controls, avoiding the need to reduce reserves to unacceptably low levels, able to pay debts when due;

- (d) The possibility of industrial action that might arise in response to pay restraints, changes to terms and conditions, and job losses;
 - (e) External factors such as a major supplier failing due to general economic conditions, which might lead to significant service disruption and reputational damage to the Authority. The impact of the pandemic this year has certainly been felt by many suppliers;
 - (f) Incremental factors where multiple, smaller, failures in individual areas lead to an eventual critical mass of tipping points;
 - (g) A doomsday scenario where a further banking/financial crisis leads to even greater levels of austerity, over a significantly longer timeframe;
 - (h) Potential financial implications arising as a result Brexit or related negotiations.
17. **Proposal for the Level of the General Reserve** - Taking all of the above into consideration, together with the risk assessment at **Annex A**, it is proposed that, at least for the medium term, it would be appropriate to maintain the General Reserve balance at approximately 5% of the net revenue budget. Therefore it is proposed that the General Reserve balance remains at £3,710k for 2021/22 and as such Members are asked to agree to this proposal.
18. **Earmarked Reserves** - The Authority currently holds five earmarked reserves. **Annex B** details each reserve and provides a brief explanation of the purpose of each reserve and the potential or planned use of the respective reserve. However, in the event that there is a short fall in funding to balance the base budget for a future year, there is the possibility that there would be a draw down from Earmarked Reserves to bridge that funding gap. This will then allow sufficient time to ensure that the permanent base budget reduction that would be required, is sustainable over the medium term.
19. **Earmarked Reserve Balances over the Medium Term** - **Annex C** sets out the balances, at the current point in time, estimated to be in place at 31 March 2021 (excluding any year-end adjustment for the 2020/21 outturn) and for the medium term (excluding any adjustment that may be required to balance the 2021/22 budget). The 2021/22 budget proposal will be presented to Members for approval at the Authority meeting in February 2021. The final movement on Earmarked Reserves for 2020/21 will be shown in the Annual Statement of Accounts, which will be reported to the Authority in July 2021. In line with the proposed policies on the control and management of these funds, the limits will be reviewed on an annual basis against prevailing risk assessments and other information.

Annual Risk Assessment of the Adequacy of General Reserves

Low Risk (25%) – A risk that is unlikely to occur, or where the organisation has taken steps to mitigate potential risk.

Medium Risk (50%) – A risk that could possibly occur, moderate concern and impact.

High Risk (75%)– Has occurred regularly before or it may have a significant financial impact which the organisation cannot control.

**Likelihood
and value
of risk
£'000**

**Net
Impact
£'000**

Risk

1. Natural Disasters, National Emergencies and Prolonged Periods of Operational Activity

1.1 The Bellwin Scheme provides financial assistance to local authorities in the event of a national emergency or disaster, subject to an authority contributing to the total costs by an amount equivalent to 0.2% of its approved budget.

Low
150

38

1.2 In addition, there could be local large-scale incidents or periods of high activity due to local weather patterns which would not meet the criteria laid down within the Bellwin Scheme. Government currently covers 100% of eligible expenditure above the threshold but only in limited circumstances will claims against capital expenditure be allowed.

Medium
1,000

500

1.3 It is difficult to anticipate the cost of a potential disaster that could have a detrimental effect on the Authority, but it could be significant. Costs might include enhanced welfare and protective equipment, plus increased legal claims in the event that service delivery is detrimentally affected.

Medium
250

125

2. Unanticipated Business or Economic Pressures

2.1 The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally the possibilities of unknown financial impacts, arising in relation to Brexit could have an adverse financial impact on the Service.

Low
2,100

525

2.2	Public sector procurement bodies are increasingly likely to be subject to challenge and litigation from unsuccessful bidders in tendering exercises or from suppliers not invited to submit bids in the first place. In the event that this should arise, the Authority would need to cover the legal costs of responding to such potential challenges and to account for any potential reparation costs awarded to successful claimants by the courts.	Medium 200	100
2.3	In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required, and this could, due to the short notice, be costly.	Low 1,550	388
3.	Pension Liabilities		
3.1	The budget provides for two ill-health retirements (one higher tier and one lower tier), but with the increase in normal pension age there is a possibility that this could increase.	High 150	113
4.	Inflationary Increases		
4.1	Whilst an allowance has been made for inflation against specific budget lines, the uncertainty surrounding Brexit, Covid-19 and the UK economy might lead to increased inflation.	Low 100	25
5.	Legal Issues		
5.1	Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure. Although this could result in a substantial cost, the Authority's Risk Register has details of the controls that are in place to mitigate this risk.	Low 3,000	750
5.2	It would be prudent for the Authority to make provision for an unfavourable outcome of any legal action taken against it, which could be made on a range of different grounds, including breaches of data protection, equal pay, discrimination and corporate manslaughter. Such awards are usually significant and a sum of up to £500k would not be unusual.	Low 500	125
5.2	Under the Regulatory Reform (Fire Safety) Order 2006, FRAs are responsible for enforcement, and thus the risk of legal challenge to such action could arise, the costs of which could exceed existing revenue budget provision.	Low 100	25
6.	Employment Issues		

6.1	Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. However, if the requirement for such additional resources were excessive, then there may need to be a call on the General Reserve to meet the additional one-off costs.	Medium 1,000	500
7. Funding Issues			
7.1	The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority. These risks relate to the localisation of Council Tax Benefit, where it is anticipated that higher levels of non-payment will be experienced together with higher than anticipated growth in discounts awarded. The other major area of financial risk relates to the Business Rates Retention Scheme where significant fluctuations in income might arise from the appeals process, business growth/reduction and collection rates. These areas could expose the Authority to a financial risk as anticipated funding may not materialise.	Medium 1,000	500
Estimated Reserve Requirement			3,714

Earmarked Reserves
<p>Government Grants Reserve - The Authority has received grants from the Government for funding in support of National Resilience work, Building Safety and for additional costs incurred directly as a result of the Covid-19 pandemic. Any unspent Section 31 grant balances are carried forward in reserves at the end of each financial year to fund any future costs associated with the relevant initiative.</p>
<p>Infrastructure Reserve - This reserve is by far the largest as it is used to fund both revenue and capital investment in infrastructure assets (premises, environmental improvements, IT and communications equipment, as well as vehicles and operational equipment) and includes a programme of investment in station improvements and IT over the medium term. In addition, the Infrastructure Plan also reflects the purchase of a significant number of light and heavy fleet vehicles over the medium term. The funding held in this reserve will be utilised as and when expenditure is incurred and will reduce over the medium term.</p>
<p>Insurance and Resource Reserve - This reserve was established to help smooth the volatility of settling insurance claims across several financial years but also to provide an additional resource, should it be needed, to meet excessive costs in any one year, arising from the Insurance Mutual Company. However, this reserve is also used to fund large unexpected in-year inflationary increases in expenditure. For example, the Medium Term Financial Plan contains an assumption for inflationary increases, however if the leaving the EU places a pressure on product prices, we may well see an in year increase in costs. If this is the case, and there is insufficient flexibility in-year to fund this pressure then this reserve may need to be utilised to meet that shortfall. The Medium Term Financial Plan will then reflect any ongoing impact of the in-year increase.</p>
<p>Rolling Budgets Reserve - Members approved the establishment of a reserve to carry forward budget for which there was planned spend but for which the goods or services had not been delivered by the close of the respective financial year (typically over £2,000). The reserve is simply used to roll the amount forward into the accounts of the following year to fund the payment once the purchase has been completed.</p>
<p>Service Transformation and Productivity Reserve - This reserve will be used as a one-off funding resource to help pump-prime new transformation initiatives or improvements to the Service which may arise in-year or be planned for future years. It will also help support collaborative initiatives with other blue light services and partner agencies, which is likely to include the procuring of professional project management support. It will also fund a number of fundamental reviews across the Service which will help ensure that it stays fit for the future.</p>

Reserve Balances over the Medium Term

	Balance at 31.3.20 £'000	Forecast Net Transfers 2020/21 £'000	Forecast Balance at 31.3.21* ₁ £'000	Forecast Balance at 31.3.22* ₂ £'000	Forecast Balance at 31.3.23 £'000	Forecast Balance at 31.3.24 £'000	Forecast Balance at 31.3.25 £'000
General Reserve	3,510	200	3,710	3,710	3,710	3,710	3,820
Earmarked Reserves:							
Govt. Grants	748	771	1,519	96	0	0	0
Infrastructure	26,183	-1,125	25,058	19,143	11,307	9,794	5,017
Insurance and Resource	1,748	0	1,748	1,748	1,748	1,748	1,748
Rolling Budget	370	-294	76	33	0	0	0
Service Transformation & Productivity	850	-298	552	88	38	0	0
Sub total E. M Reserves	29,899	-946	28,953	21,108	13,093	11,542	6,765
Capital Receipts	9,234	-1,995	7,239	5,778	5,778	5,778	5,778
Total Reserves	42,643	-2,741	39,902	30,596	22,581	21,030	16,363

Note 1: Forecast Earmarked Reserve balances at 31.3.21 exclude any transfer to reserves that may be required at year end as a result of the forecast underspend on the 2020/21 revenue budget.

Note 2: Forecast Earmarked Reserve balances at 31.3.22 exclude any transfer from reserves that may be required to balance the 2021/22 revenue budget.

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By: Chief Executive
To: Kent and Medway Fire and Rescue Authority – 17 December 2020
Subject: INFORMATION UPDATE
Classification: Unrestricted

FOR INFORMATION

SUMMARY

This information update covers the following topics:

- A.** Building Safety Presentation (paragraph 1 refers);
- B.** Pandemic Update (paragraphs 2 – 9 refer);
- C.** Inspection Update (paragraphs 10 - 13 refer);
- D.** Performance Update (paragraphs 14 – 29 and **Appendix 1** refer);
- E.** Operational Update (paragraphs 30 - 41 refer);
- F.** Prevention, Protection, Customer Engagement and Safety Update (paragraphs 42 – 69 refer);
- G.** Freedom of Information and Publication scheme update (paragraphs 70 - 79 refer);
- H.** Internal Audit -Mid Year Progress Report (paragraphs 80 – 82 and **Appendix 2** refer);
- I.** European Union Transition update (paragraphs 83 - 91 refer)
- J.** Pensions Board Update (paragraph 92 and **Appendix 3** refer).

CONCLUSION

Members are requested to:

1. Consider and note the contents of the report.

COMMENTS

Background

A. Presentation on Building Safety

Lead/Contact Officer: Jon Quinn, Director, Protection, Prevention, Customer Engagement and Safety 01622 692121 ext 7806, jon.quinn@kent.fire-uk.org

1. A presentation will be given on developments in the legal framework for fire and rescue services in the field of regulatory building safety.

B. Pandemic Update

Lead/Contact Officer: James Finch, Assistant Director, Corporate Services 01622 692121 ext 8453, james.finch@kent.fire-uk.org

2. A second national lockdown began on 2 November 2020, and ended on 2 December. At the end of this period, individual areas returned to the national tiered system, with the whole of Kent and Medway placed into the highest level of restriction. It is possible that this decision may be reviewed by the time of the meeting of the Authority.
3. During the second national lockdown, all statutory duties were maintained. As this lockdown was different to the first, with more businesses remaining open, and no advice to shield given to the clinically vulnerable, services were able to be maintained more fully than before. This note gives an overview of the actions taken.
4. **Support to partners:** We have continued to support our partners, with 25,720 deliveries completed since March. This includes Age UK meals on wheels, the South East Coast Ambulance Service and many others. We are currently working with six Age UK hubs but as the second lockdown took effect new requests began to be received. We have asked everyone that works for us get in contact if they are in the position to support with humanitarian aid.
5. **Continuing to provide South East Coast Ambulance Service with logistics support:** Since the beginning of the pandemic, on-call firefighters at Marden have supported the South East Coast Ambulance Service with over 400 individual deliveries. In August alone they delivered over 78,289 items of PPE across the South East, as well as managing to deliver almost 1,500 meals for Age UK. This gained them the praise of the South East Coast Ambulance Service who said: "*In addition to the vital PPE provision they have been supporting the distribution of the Trust's medicines following significant challenges within the logistics and medicines team in the last month. The Trust remains grateful for the excellent work and diligence provided by colleagues in Kent Fire and Rescue Service.*" This demonstrates the commitment to the cause for which Kent Fire and Rescue Service is known nationally.
6. **Continuing to proactively deliver our services to the public:** It's obviously vitally important, now more than ever, that wherever possible we should continue to provide our services to our customers. Throughout the pandemic, our Building Safety and Customer Safety teams have continued their commitment to providing an excellent

service to the public throughout these difficult times. The teams know a lot more about the associated risks and how best to protect themselves than they did back in March, which is why the Building Safety team continued to proactively deliver the Risk Based Inspection Programme from the start of the second lockdown wherever possible. They have inspected over a thousand buildings since March and there has not been one case where any of the team have been notified through track and trace system - which shows they are getting it right when it comes to the precautions they are taking.

7. Our Customer Safety team is averaging 800 visits a month with no member of the team having to self-isolate due to a visit carried out in the course of their work.
8. **Corporate teams:** Corporate teams are largely working from home, as they have been since March. Regular wellbeing checks for those staff both at work and working from home have continued and where possible we have provided equipment such as additional computer screens and office chairs to help those working at home.
9. **COVID cases:** Overall our cases of COVID amongst everyone that works for us have been very low. Whilst we have taken some small outbreaks in locations across Kent and Medway at fire stations these have been quickly isolated and the stations and vehicles fully cleaned. We are comfortable that we have taken all possible precautions and that view is shared by Public Health England's Kent Advisory team.

C. Inspection Update

*Lead/Contact Officer: James Finch, Assistant Director, Corporate Services
01622 692121 ext 8453, james.finch@kent.fire-uk.org*

10. **COVID inspection letter:** We await receipt of our COVID19 inspection outcome letter from Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services. It is likely to formally arrive early in 2021.
11. **Future inspection date:** Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services wrote to the Authority on 27 November 2020. In this letter it was confirmed that Kent and Medway Fire and Rescue Authority had been moved to tranche three of the national inspection programme. This means that we will submit documents in January 2022, with fieldwork through the spring and summer, and the report published in winter 2022. The largely virtual approach to future inspections will be maintained.
12. **State of Fire and Rescue 2020:** Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services continues to draft the State of Fire and Rescue 2020. Their intention is to publish this report in late February 2021. Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services are in discussion with the named bodies in the six national recommendations they have made so far to agree new completion dates, reflecting the impact the pandemic has on this work, and will inform the sector once these dates have been agreed.

13. **London Fire Brigade Grenfell Tower Inquiry's phase 1 recommendations inspection:** Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services was commissioned by the Home Secretary to consider what progress the London Fire Brigade is making to implement the relevant recommendations in the Grenfell Tower Inquiry's phase one report. Its evidence collection is nearing completion, and they plan to publish this report early in the New Year. As this may have wider relevance for the sector, this is brought to Members' attention.

D. Performance Update

Lead/Contact Officer: Chris Colgan, Director, Operations
01622 692121 ext 8231, chris.colgan@kent.fire-uk.org

Summary of Performance

14. This update provides Members with an overview of the Authority's performance during the first seven months of 2020/21 as well as performance against the three-year average targets for the period 2018-21¹. A detailed operational performance update can be found at **Appendix 1**.
15. So far this year 21,779 emergency calls were received in the Authority's control room which is lower than levels seen in the previous year. The Authority has attended 3,207 fires so far this year which is an increase of 10% when compared to the same period the previous year. This increase is attributed to a larger number of accidental grassland and rubbish fires in the summer period than seen the previous year. The three-year average projection for the 2018-21 period is 4,355 which is higher than the target of 4,091.
16. The latest statistics published by the Home Office² detail that there was a 15% decrease in the number of fires in the 12 months to June 2020 when compared to the previous year. This decrease was driven by a 20% fall in secondary fires. Weekly figures during the national lockdown generally showed that most incident figures were no higher or lower than had been typically seen in the previous five years. The exception to this was road traffic collisions which were lower than the analysis would describe as typical. This finding mirrors the road traffic collisions reduction for the Authority this year.
17. Accidental fires accounted for 61% of the total fires attended so far this financial year and, as a result of these fires, three people have died and 71 people have suffered fire related injuries. There has also been nine slight injuries reported as a result of deliberate fires this year.
18. In recent years the Authority has reported the lowest ever number of accidental fires in the home. So far this year 318 incidents have been attended which is higher than the levels seen in the previous years. The current projection for the medium term period

² Fire and rescue incident statistics, England, year ending June 2020

(2018-21) is 527 which is 3.6% better than the target. As we continue through the autumn and winter period of the year the number of accidental fires in the home will likely increase but this is a recurring trend and the projections have taken this into account.

19. The Authority has attended 386 road traffic collisions so far this financial year which is 174 fewer than the same period in the previous year. We have seen a reduction in road traffic collisions in each month compared to the previous year which includes a large reduction during the lockdown period; the months of April and May had only a third of the expected levels activity for those months. As a result of these incidents 15 people have died and 55 have been seriously injured.
20. So far this year 74.6% of life-threatening incidents were reached within 10 minutes and 85.8% within 12 minutes. Overall performance is higher than the targets set for these indicators. Members will recall that the targets for these indicators were changed for the 2020/21 financial year to 71% and 82% respectively.
21. Whilst the Authority's response times to incidents has improved so far this year, it is important to note that due to the pandemic more on-call fire engines have been available during the day time period due to firefighters being furloughed from their primary employment, which when combined with lower levels of incident activity at the beginning of the year has had an influence on the performance for these indicators.
22. The Authority aims to have an average of 50 fire engines available day and night across the County. The number of fire engines available is heavily influenced by the availability of on-call firefighters and can therefore fluctuate over a 24 hour period. So far this year the average number of fire engines available has been 41 during the day (9am-6pm) and 55 in the evening (6pm to 9am). Of the 41 available during the day, 26 of these are full-time fire engines and the remainder on-call.
23. So far this year, 2.83% of all contracted hours have been lost due to sickness. Operational staff have lost 3.47% of contracted hours to sickness and Corporate teams staff have lost 1.28%. We did not see sickness levels change significantly during the lockdown period, which could be taken as a positive indicator of the strength of the protective measures we took to protect everyone that works for us.
24. **Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995:** RIDDOR-reportable injuries are those that the Authority is required to report to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. So far this year two RIDDOR-reportable injuries have been recorded.
25. **Ministry of Defence Employer Recognition Gold Award:** The Authority has recently been awarded the Employer Recognition Gold Award by the Ministry of Defence. It is a fantastic award for the service and the culmination of three years of leadership of the work by Andy Bigginton, a station manager from East Kent, and an army veteran

himself, to achieve. We are proud to support veterans and our military, through the achievement of this award, and through the armed forces covenant.

26. **Abuse of key workers:** Members will be aware of the national campaigns to stop key workers being abused which sadly has been on the increase nationally. Such abuse is completely unacceptable - we have a zero-tolerance approach to such abuse. We have backed the campaign started by the Institute of Customer Service which calls for essential workers to be treated with respect and free from abuse. Nationally, the Chief Executive has been the representative from fire and rescue services pushing for a change in legislation for tougher penalties for any abuse against firefighters. The campaign has also been supported on the Authority's social media channels.
27. **Incident debrief recognition:** Members will recall previous updates on the approach taken by the Authority to learning from operational incidents. The Authority has now become the first UK fire service to receive professional recognition for its extensive incident debrief process. As part of its commitment to continuously learn and improve, the Authority has made significant and pioneering changes to its formal debrief process, making it more thorough and inclusive of all departments involved in an incident from the first 999 call - both operational and non-operational personnel.
28. In light of the improvements, the Institution of Fire Engineers has awarded the Authority with formal Continuing Professional Development recognition for future operational debriefs. This is the first time the Institution of Fire Engineers has recognised a UK fire services debrief process as an official Continuing Professional Development exercise.
29. For staff who attend debriefs that run for a minimum of two-and-a-half-hours, they receive an official Institution of Fire Engineers certificate to acknowledge the time committed has been recognised as Continuing Professional Development time, which is required to maintain Institution of Fire Engineers membership. Since the first formal debrief took place in February 2018, the team has now delivered over 100 debriefs, with more than 1,375 attendees. And, as a result, in excess of 1,000 actions have been implemented and over 600 operational changes introduced. To date, 14 other fire services have adopted the debrief processes designed by the Authority.

E. Operational Update

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Recent Incidents of Interest

30. There has been a number of significant incidents, which are worthy of being brought to Members' attention. Some of these were of a long duration and resulted in several fire engines attending.
31. **Outdoor fires: Herons Park, Lydd and Wildwood Wildlife Park, Herne Bay – 14/09/2020:** Firefighters attended two significant outdoor fires on this day. The first

was at a residential caravan park and involved two containers within which a large number of gas cylinders were being stored. This required firefighters to establish an initial 200 metre exclusion zone with all of the park's residents being moved to a safe location. The probable cause of the fire was believed to have been due to embers from a bonfire entering the open roof of one of the containers.

32. The second fire was at a large wildlife park, which has over 200 animals housed in a mixture of closed buildings and open enclosures. The fire originated in a store yard and is believed to have resulted embers, from waste material being left to burn in a skip, landing on nearby outbuildings. From these the fire spread to a wood store and then two outbuildings. After receiving the first call at 15.30hrs, four fire engines attended and over the next four hours firefighters worked to tackle the fire and prevent it spreading to the rest of the park and further endangering any of the animals. Crews rescued a hedgehog from the fire and, during the course of operations, their efforts meant that no animals died as a result of this fire. As an additional precaution, a follow up visit was undertaken the following day.
33. **Fire at a tyre recycling plant, Ashford – 15/09/2020:** Four fire engines were mobilised in response to reports of a fire at an industrial estate in Cobb's Wood, Ashford. Crews first arrived on scene at 15.22 hrs and, upon arrival, firefighters then requested a height vehicle and a water unit. Such was the scale of this incident that at 17.04 hrs it was escalated to 15 fire engines. Firefighters worked to control the fire so that, by midnight on 16 September, the number of fire engines on scene could be reduced to five. Based on continuous assessment of the scene, this was carefully scaled down as the firefighters worked with a demolition company to clear parts of the site, with fighting operations being concluded at 18.35 hrs on 18 September. The varied range of hazards present included noxious fumes and asbestos, plus the need to manage the water runoff from firefighting operations in order to prevent contamination of the adjoining river Stour. The size of the fire and speed with which it developed meant that it was not possible to save the industrial building where the fire had originated or a number of vehicles in the immediate vicinity. However in extremely challenging conditions, crews managed to contain the fire and prevent the loss of the buildings of the other business on this site. As a result of the large volumes of smoke emitted, the Authority liaised with Public Health England to ensure residents were kept informed about the need to keep doors and windows closed. This incident was widely reported in local and national news, with a focus on the large plume of smoke that resulted from this. Following a fire investigation by the Authority's fire investigation team, the cause was identified as a catastrophic failure in the electrical switching components of a tyre shredder after it was switched on, which caused electrical arcing and the subsequent fire. There were two casualties from this incident: the employee operating the tyre shredder, who suffered severe burns; and a second individual who suffered breathing difficulties due to smoke inhalation.
34. **House fire, Moyle Close, Gillingham – 16/09/2020:** This was a serious house fire, with the building extensively damaged. The cause of this fire is believed to have been a lithium polymer battery on charge which failed, overheated and ignited. Due to the

fire loading in the garage, and the availability of significant ventilation due to all of the internal doors and many of the windows being open, the fire spread rapidly through the property before the arrival of the firefighters. Consequently, firefighters arrived to find the whole building alight. It is believed that the fire had been burning for a period of time within the garage before being spotted by a passer-by, who then alerted the occupier.

35. **Fire at an industrial unit, Horton Kirby – 30/09/2020:** This was a fire in industrial units used as car repair workshops and car parts storage. At 20.42 hrs firefighters were called to a report of a fire at Oakview Industrial estate. On arrival crews were confronted by a well-developed fire in one of the units which had spread laterally to another unit at the rear, resulting in three other units and four gas containers also being partially involved in the fire. There were also number explosions which were subsequently identified as being due to the presence of various cylinders and aerosols. This added an additional hazard for the firefighters and others on scene. Firefighters remained on scene until just after 06.00 hrs the following morning. After joint investigation between the Authority's fire investigation team and Kent Police, which included collating a large amount of varying witness testimony and excavating the remains of the scene, the cause was deemed indeterminate as the severity of the fire meant that no evidence of deliberate ignition could be found.
36. **Bungalow fire, Roseleigh Road, Sittingbourne – 09/10/2020:** This incident was a serious fire in the property, with the whole building already alight upon firefighters' arrival. A total of six fire engines and a height vehicle were mobilised and, whilst one of the neighbouring properties suffered some damage, crews were able to prevent the fire from spreading further, thereby saving all of the neighbouring properties. Due to the risks from the structural damage to the property, it was not possible to undertake a fire investigation. Although there were no injuries, this fire is being investigated by Kent Police, due to the suspicious circumstances of its origin and severity.
37. **Fatal road traffic collision, M26 near Wrotham – 15/10/2020:** At 13.16 hrs firefighters were called to a crash involving an HGV and a van on the M26 eastbound at junction 2A near Wrotham. Three fire engines were sent to the scene alongside, paramedics and the air ambulance. It was identified that three people were trapped in the van and they were released by firefighters. However, the two passengers in the van were pronounced deceased at the scene while the driver, who had suffered serious injuries as a result of the crash, was taken to hospital by air ambulance.
38. **Rescue from water, River Stour, Mill Lane, Canterbury – 16/10/2020:** Firefighters responded to a report of an adult male who had fallen into the Stour where it runs adjacent to Mill Lane. Two fire engines and inflatable boats with launches attended and upon arrival found a semi-conscious male in the water with two other males holding his hands to prevent him from entering the water completely. It was reported that the male had been walking with his two companions along the water's edge when he slipped and fell into the river. As well as the water being very cold, this particular section of the Stour contains a number of fast flowing weirs with the water then running under a

bridge. Crews rescued the male who was handed over to the ambulance service for treatment.

39. **Flat fire, Empire Reach, Chatham – 24/10/2020:** Four fire engines attended a fire in one of the flats in this development of waterfront apartments. At 18.51 hrs the Authority's control room was alerted by a passer-by who reported seeing saw smoke coming from one of the flats. Firefighters wearing breathing apparatus entered the building, proceeded through the smoke-logged corridors and extinguished the fire in the flat where it had originated. Although the fire was contained to a single flat, a failure of the automatic ventilation system in the building meant that there was heavy smoke logging throughout the common areas of the building. As a result, firefighters used positive pressure ventilation (large high powered fans) to clear the smoke from the affected areas in the rest of the building.
40. **Fire at Broke Hill Golf Club, Halstead – 16/11/2020:** This fire occurred in the derelict clubhouse of the former Broke Hill Golf Club, with the initial call being received at 06.16 hrs. As firefighters arrived, after having first needed to force entry to the locked main gates, it was immediately apparent that the whole of the roof space and first floor were fully involved in fire, to extent that the building had been effectively destroyed. In addition to the four fire engines and bulk water carrier sent by the Authority, London Fire Brigade provided a height vehicle from nearby Forest Hill to assist with firefighting. One of the Authority's drone was also used to identify hotspots and assist tactical operations. Such was the level of structural damage that firefighting needed to be conducted externally due to the risk of building collapse. A fire investigation was undertaken and the cause was believed to be deliberate ignition to paper or other combustible materials. The clubhouse was regularly broken into and the ground floor of the property was heavily vandalised. A security guard reported seeing signs of small fires having been previously lit within the building. It is most likely that a small fire had been deliberately lit, which had then smouldered for some time before igniting loose paper and other combustible items on the floor. Missing doors and windows on the ground floor and an open staircase to the first floor ensured this became a well-ventilated fire, thereby contributing to the severity of the damage.
41. **House fire, Sandling Road, Hythe – 18/11/2020:** A call was received at 08.46 hrs to a fire in a large, detached house. Four fire engines, a height vehicle and a bulk water carrier were sent to the scene. The owner of the property was informed of the smoke by a contractor working in the house, who reported seeing smoke coming from behind electrical socket in ground floor kitchen. The fire developed and spread out from the basement stairwell, filling the first and second floor hall, stairs and bedrooms. On arrival of the firefighters the majority of the property was heavily smoke logged with fire spreading throughout the rest of the property. It later became apparent that, prior to the firefighters' arrival, the owner of the house had made his way up to the first floor, through thick smoke, to rescue his daughter from her bedroom. They then made their way through to the rear bedroom and escaped via the rear external veranda. Despite the fire having spread throughout the building and causing severe damage, firefighters manage to extinguished the fire and save the main structure. Firefighters then

remained in attendance overnight to monitor the scene and damp down any remaining hotspots. A fire investigation was undertaken due to the severity of the damage and rapid growth of the fire. This identified the cause as accidental, due to an electrical fault in the fixed mains wiring.

F. Prevention, Protection, Customer Engagement and Safety Update

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42. This section of the report provides Members with an update on the current activities, campaigns and initiatives within the Building Safety; Customer Safety; Customer Experience and Behaviour Change; and Engagement Teams.

Building Safety Update

43. The Ministry of Housing, Communities and Local Government has, through the National Fire Chiefs' Council initiated a Building Risk Review programme. This review directs Fire and Rescue Authorities to audit all residential buildings over 18 metres in height by December 2021. The Authority has recruited a Senior Building Fire Safety Inspector on a temporary contract to co-ordinate this initiative, which is funded by a grant from the government. The Authority is currently on track to complete this work on schedule.
44. An adjusted risk based inspection programme was developed at the outset of the COVID 19 pandemic. A new process has been introduced to protect all our customers and staff, as well as confirming that premises due to be visited are COVID secure. The introduction of targeted inspection around the means of escape helped business customers to balance the risk from fire and adhere to social distancing rules, as places such as supermarkets and shops continued to stay open during the first stages of the pandemic. Building Safety identified premises most at risk from fire and, aided by the Engagement team, sent letters to customers offering advice and assistance. This has been enhanced through specific COVID19 information on the Authority's website.
45. The Department is on course to meet the requirements of the National Fire Chiefs' Council's competency framework, with nine fire risk inspectors who were appointed last year, starting their Fire Safety Level 4 Diploma. This means all Building Safety inspectors and senior managers have completed or are in the process of completing their Level 4 Diploma.
46. As a response to an imminent consultation from the Department of Education, the Building Safety team has written in support of mandatory installation of sprinklers in schools, including the retrofitting of sprinklers. This is alongside a number of bodies within the built environment sectors, as well as the National Fire Chiefs' Council. When the formal consultation begins officers will review and bring to Members' accordingly.

Customer Engagement and Safety

47. **Internal Communications:** The Authority is reviewing its internal communications channels to ensure there is a good overview of planned communications aimed at the different internal audiences. A project underway to look at ways of supporting managers to improve their communication skills, ensuring better cascade of information to teams without easy access to technology, as well as looking at ways to improve two-way communications within the organisation.

Campaigns

48. **Pandemic:** The Authority has worked closely with partners on a number of campaigns, most notably the ongoing COVID-19 safety and reassurance messaging. Since the start of the pandemic, the Kent Resilience Forum and organisations across Kent and Medway adopted our 'Kent Together' reassurance and information sharing campaign, and throughout phase two of national lockdown the Authority continued to help share vital safety messages from partner agencies, including Kent County Council, Medway Council and Public Health England.
49. **Road safety:** Teaming up with Kent County Council's and Medway Council's road safety teams, the Authority has delivered a joined up message to help keep Kent and Medway's road safer, including a campaign encouraging younger drivers to speak out if they feel unsafe as a direct result of a driver's behaviour. 'Speak Out' aims to contribute to casualty reduction in Kent and Medway by increasing car occupants aged 16 to 24 confidence to 'speak out' if they feel unsafe when they are in a vehicle and to offer them coping strategies that can be used to remove themselves from an unsafe in-car driver/passenger situation. The Authority is supporting the campaign through digital channels and advertising through our social media platforms, targeting and reaching young audience with the campaign creative. The campaign started in October and to date has already reached 26,454 people with more than 58,000 impressions (opportunities to see). The campaign was put on hold due to recent lockdown measures, but is expected to continue until February 2021.
50. **Fire safety:** The Authority has been carrying out a lot of planning to get ready to launch a number of communications campaigns in the coming months and throughout 2021, which will include topics ranging from safer smoking, grass fire prevention and kitchen fire prevention.
51. **Together magazine:** As part of Safe and Well review, a new twice-yearly magazine will be created to give to customers who have a visit from the Authority. This will be a new offering that will be bi-seasonal and reflective of behaviour change advice, support and reassurance, and include case studies, puzzles and features. The idea of a magazine has been developed following feedback from customers who like to read similar style magazines. The first publication is expected to land in time for Spring 2021. The magazine will be titled 'Together' with the tagline of 'Creating a safer Kent and Medway' – which ties to the new refreshed brand.

52. **Schools education support:** The Engagement and Education teams have continued to work together to raise the profile of the Authority's education programme. This was delivered by email through GovDelivery to primary and secondary schools highlighting the programme during mid-September, which has led to the education team receiving more than 50 enquiries and already delivering 15 visits, with more visits to be scheduled in the coming months. The emails were very successful, especially during the pandemic. The development of the email templates to appeal to teachers helped increase engagement, averaging 30% open rate and 12% click rate, with the industry standard being 33% and 5%, proving its effectiveness as a direct communication channel.

Volunteers

53. Volunteer support at incidents has continued with the Volunteer Response team attending 19 separate incidents during September and October. The total number of attendances at incidents continues to grow every year since the inception of the team and is expected to reach over 100 call outs by the end of the year. Some support of Age UK humanitarian work is still going ahead but other activity remains on hold.
54. A range of volunteer role descriptions will be completed in preparation for our next recruitment campaign in January 2021 when the Authority plans to recruit specifically to three roles supporting our Customer Safety, Business Safety and Customer Experience and Behaviour Change teams. We are looking to recruit around 12 new volunteers next year, targeting volunteers from the west of the county and increasing the diversity of the team.
55. New staff volunteering opportunities have developed as result of recent links that have been made with the Heart of Kent Hospice. Three members of staff are currently undertaking training to become members of the Compassionate Neighbours programme, providing befriending style support for community members who have a terminal illness or who are over 85 and identify as feeling isolated.

Customer Experience and Behaviour Change Update

56. The Customer Experience and Behaviour Change team supports a wide range of initiatives and programmes, especially within Prevention, Protection, Customer Engagement and Safety. This has enabled the Authority to continue its innovative approach to customer service and ensuring its initiatives are evidence based and evaluated.
57. The recommendations from the recent review of Safe and Well home visits continue to be implemented, including the move to greater case management. Training has been provided to operational crews and the Safe and Well Team to ensure that behaviour change is embedded in every home visit. In future, many of these visits will be undertaken as part of the Integrated Learning and Assurance Model to ensure that there is a co-ordinated approach with other specialists such as Building Safety teams.

58. The targeting model, developed as part of the review, has been implemented to ensure the Authority prioritises the highest risk households. Additionally, analysis is being undertaken by the Kent Public Health Observatory to identify the highest risks associated with health. The findings from this analysis will inform future iterations of the targeting model for home safety visits.
59. The Customer Experience and Behaviour Change Lead has supported a National Fire Chiefs' Council workstream to develop a person-centred approach for home fire safety visits, which is being rolled out nationally. The new approach incorporates Kent's evaluation model and the work has provided opportunities to share the Authority's targeting model, behaviour change approach and other best practice.
60. An on-line home safety checker has been developed for low risk households that do not need a home visit. The tool has been developed to provide personalised information dependent on people's circumstances and incorporates behaviour change principles where possible. The tool will be launched in the New Year. The Customer Experience and Behaviour Change Lead is also supporting the development of a similar national on-line tool in conjunction with the Fire Kills team at the Home Office.
61. Another current area of focus is the education programme for children and young people. The team are researching the behaviours and motivations of children of all ages and have just completed a literature review for pre-school children. These insights will be used to support the continuing development of effective educational programmes in Kent and Medway, but the findings are also being shared nationally. As each age group is reviewed new programmes will be piloted and evaluated as part of a cycle of continuous improvement.
62. Smoking continues to be the most frequent cause of fatalities in accidental dwelling fires and reducing the likelihood and impact of these fires is a priority. Research is being carried out into the behaviours and motivations surrounding smoking. This will be used to develop a multi-agency campaign for next year to encourage people to have 'smoke free homes' either by stopping smoking entirely or by committing to only smoke outdoors. By not smoking in the home, customers will not only remove the fire risk but also the health risks associated with second hand smoke.
63. The team is supporting a number of workstreams to ensure that services are designed to meet customers' needs. Working through multi-disciplinary planning groups, the team help to ensure customer needs are the primary focus for example by undertaking customer journey mapping. Internal customers are an important part of this work, and the team have worked with Human Resources to identify managers' and applicants' needs when recruiting new employees.
64. The team continue to engage with external customers to establish what people want and expect from the Authority. This approach was used recently to develop the new Customer Promise. A survey has been undertaken, with both internal and external customers, through the Institute of Customer Services. The findings of the survey will

be used to benchmark the Authority against similar organisations to establish its level of customer service and identify opportunities for improvement.

Customer Safety update

65. The Safe and Well team have continued to ensure the safe delivery of services to our customers by closely following Covid 19 guidelines. The appropriate control measures are in place to carry out the more complex and higher-risk Safe and Well visits and the home fire safety visits undertaken by operational crews to focus more specifically on fire related risks. Firesetter interventions have been taking place and, as with school bookings, the Authority has recently experienced an increase in the number of cancellations. Advisors remain in contact with young people on their caseloads and rebook where they can.

Collaboration Update

66. The Authority is continuing its ongoing work to ensure equality of access to the services, whether that's in terms of prevention, protection, operational response or employment. The Collaboration team have been working on writing and researching equality of access and employment papers locally, and nationally to support the National Fire Chiefs' Council. The work so far encompasses:
- Equality of access to services and actions to see us as an employer of choice for the LBGT+ Communities
 - Equality of access to services and actions to see us as an employer of choice for the Roma community.
 - Equality of access to services and actions to see us as an employer of choice for the Gypsy and traveller communities.
 - Equality of access to services and actions for the rehomed homeless.
 - Equality of access to services and actions to see us as an employer of choice for people who have a learning disability.
 - Equality of access to services and actions to see us as an employer of choice for people who are neuro-divergent.
 - Equality of Access to Services and Actions to see us an Employer of Choice for Emerging and Migrant Communities.
 - Equality of Access to Services and Employment for people who suffer with dementia and other memory loss conditions.
67. **Pride in care charter mark award:** As part of the Authority's equality of access to services, we aim to support all LBGT+ customers to live happy, healthy and independent lives. We are at the start of the process of understanding how we can better tailor and target our services and are working with Opening Doors London to help us achieve this.
68. Opening Doors London is the biggest LBGT+ charity providing information and support services specifically for LBGT+ people over 50 in the UK. They have extensive research, in partnership with other organisations such as Stonewall and the NHS and

found older LGBT+ people are more reliant on social care services than heterosexual people, that they tend to be single, are often estranged from their families and have no children, some of these factors, from our own research, impact the likelihood of needing our services.

69. Our measurement of progress will be the achievement of being the first fire and rescue service in the United Kingdom to secure the Pride in Care quality standard. We know from our work with Dementia Friends that working towards standards like this become much more than ticks in boxes, they provide real purpose and ultimately better services to our customers. This quality standard will scrutinise our practices and our policies to help us assure good quality care and support for older LGBT+ people. It will cover a range of areas including customer service, policy and procedures, recruitment and training, publicity and promotion, safety and security

G. Freedom of Information Update

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70. As part of the Authority's commitment to transparency and good governance, a regular update is brought to Members' attention on the number of FoI requests received by the Authority along with more detailed information about the way such requests have been processed.
71. A total of 127 FoI requests have so far been received in 2020/21 (up to and including 13/11/2020). For comparison, for 2019/20 the Authority received 263 FoI requests. All FoI requests received so far in 2020/21 have been dealt with within the statutory limit of 20 working days (starting with the first working day after the request was received).
72. A total of 2 Subject Access Requests (SARs) have so far been received in 2020/21 (up to and including 13/11/2020). All SARs received in 2020/21 have been dealt with within the statutory limit (from the day the Authority receives the request [whether it is a working day or not] until the corresponding calendar date in the next month).
73. **Revised Code of Practice for Freedom of Information Requests:** In 2018, the Cabinet Office published a revised Code of Practice for Freedom of Information requests. The Code of Practice provides guidance for public authorities on best practice in meeting their responsibilities under Part 1 (right of access to information) of the Freedom of Information Act. This Code of Practice is designed to be considered alongside the current guidance on best practice published by the Information Commissioner's Office.
74. Section 8 of this Code of Practice covers publication schemes and provides more specific guidance on two areas which supplements the existing guidance published by the Information Commissioner's Office. These are: Compliance Statistics and Senior Executive Pay and Benefits. With Compliance Statistics, the intention is for authorities to provide more detailed information on their performance in handling Freedom of

Information requests. Unless otherwise stated, the information should be published on a quarterly basis and include the following:

- The number of requests received during the period;
- The number of the received requests that have not yet been processed;
- The number of the received requests that were processed in full (including numbers for those that were met within the statutory deadline, those where the deadline was extended and those where the processing took longer than the statutory deadline);
- The number of requests where the information was granted in full;
- The number of requests where the information was refused in full;
- The number of requests where the information was granted in part and refused in part;
- The number of requests received that have been referred for internal review (reported annually).

75. The requirement is for this to be reported on a quarterly basis in line with central Government and the Authority is fully compliant with this. The reporting periods are as follows:

Q1: April to June

Q2: July to September

Q3: October to December

Q4: January to March

76. An update is brought to Members' attention as part of the Information Update Report that forms part of each agenda for the Authority. This means the data are normally reported five times a year which exceeds requirements of the Code. **Table 1** presents the current update for 2020/21:

Table 1: Reporting against the revised Code of Practice 2020/21

	2020/21			
	Q1	Q2	Q3*	Q4
The number of requests received during the period	43	58	26	
The number of the received requests that have not yet been processed	0	0	5	
The number of the received requests that were processed in full	43	58	21	
The number of requests where the information was granted in full	26	39	21	
The number of requests where the information was refused in full	1	11	0	
The number of requests where the information was granted in part and refused in part	16	8	0	
The number of requests received that have been referred for internal review	0	0	0	
Number of subject access requests**	1	1	0	

* Q3 is currently incomplete as it covers the period from 01/10/2020 to 13/11/2020

**Although this is not a requirement in the Code, it is reported to Members.

77. **Publication and Retention Scheme:** Members last considered and approved an update to the Authority's Publication and Retention Scheme at the meeting held on 19 December 2019. This refreshed the Scheme with several updated retention periods for personal and sensitive data related to employees, members of the public and non-personal organisational data.
78. Beginning in January 2020, the Authority has migrated to a new version of SharePoint (specifically 'SharePoint online' as part of the Microsoft Office 365 software suite). As a result of this, seven years has been established as the new default period for document and email retention. Consequently, the retention periods set out in the Publication and Retention Scheme have been updated to reflect this and the updated Scheme published on the Authority's website.
79. Whilst it has not yet resulted in any changes to the Publication and Retention Scheme, due to the functionality offered by SharePoint online for secure long term storage, for

those records that are required to be stored for long term periods (e.g. asbestos-related records) the Authority is also examining a move away from keeping paper records to holding them in SharePoint online. Members will be kept updated on the progress of this.

H. Internal Audit -Mid Year Progress Report

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80. The mid-year progress update provided by Internal Audit is attached at **Appendix 2** for Members' information. The Head of Internal Audit will be in attendance at the meeting to respond to any questions in relation to the report. Key points to note are that commencement of the planned work was delayed at the start of the year due to the impact of Covid-19. A new Head of Audit for the Authority was appointed in May 2020. To date the Building Safety audit has been finalised and a further four audits are at planning or fieldwork stages whilst the remaining four audits are planned to commence in quarter four of this year. An additional consultation audit for the Bankers' Automated Clearance Service payments system has been requested by the Authority due to a change in system processes and is due to be conducted during December 2020.
81. The report also provides Members with a progress update of those outstanding actions from previous audits in prior years.
82. Finally, Public Sector Internal Audit Standards are mandatory for the internal audit practice. These require Internal Audit to maintain a Quality Assurance and Improvement Programme which includes internal and external assessments of their compliance. The standards require an External Quality Assessment be completed by a qualified, competent and independent body every five years. As the last External Quality Assessment was completed in April 2015 an External Quality Assessment was due in April 2020. A deferment due to Covid -19 restrictions was agreed to allow for the External Quality Assessment to be rescheduled over the next few months and Members will be kept updated with regards to the outcome of this assessment. The attached report expands on the process.

I. European Union Transition update

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83. **National position:** National Situation Negotiations between the UK and the EU continue, with the aim of reaching a trade agreement before the end of the transition period. The Prime Minister's Office published a statement on the negotiations on 21 October. An updated version of the national Border Operating Model was published on 8 October. The updated guidance provides further detail for businesses and passengers on how the border will operate after the end of the transition period.
84. **Kent Access Permits for heavy good vehicles:** The Government has developed a GOV.UK web service which will be known as 'Check an HGV is Ready to Cross the

Border'. The aim of this service is to ensure that freight is ready for new border controls before it enters Kent, therefore reducing congestion by avoiding any unnecessary queues in the county.

85. The Department for Transport ran a public consultation in August 2020 which proposed that use of the service be made mandatory in Kent, while remaining available on an advisory basis for the rest of the country. The response to the consultation is now [available](#). The service will only be relevant for goods vehicles weighing more than 7.5 tonnes. The level of enforcement in Kent, for vehicles without a valid Kent Access Permit, will depend on what elements of the traffic management plan have been activated. Domestic hauliers making a journey through, or ending in, Kent or Medway will not require a Kent Access Permit and will not be required to use the service.
86. **Ports and EU Exit/COVID:** Eurotunnel and Port of Dover are central to the planning for EU exit and keeping a 'flow' of freight traffic is one of the key aims. The Authority has good working relationships with both ports but has particular links to Eurotunnel as we provide staff under contract to resource the, first line of response firefighting and rescue resources to incidents in the tunnel, which is needs to maintain its operations. This is done in partnership with colleagues in France.
87. **Freight management sites:** Members will be aware that there are freight management sites being planned as part of the overall traffic management plan in Kent. Details of their capacity and function can be found on the Kent Resilience Forum's public website pages and Members are encouraged to have a detailed look. <https://www.kentprepared.org.uk/end-of-transition-plans>.
88. We are working closely with partners within the Kent Resilience Forum and government departments to ensure all necessary safety measures are in place at all the sites in Kent, there are none in Medway. We engaged in the planning process for the sites, where we set out our expectations to site developers, and we are also working closely with the Crown Premises Fire Safety Inspectorate, which has fire safety enforcement responsibility on the sites, and we will continue to work with site developers to manage any risks. Due to their size two of these sites are worthy of specific note:

Sevington Inland Border Facility – previously known as MOJO

- Capacity to hold 1,200 HGVs.
- Sevington is located in Ashford, off of the A2070 and junction 10a on the M20.
- Still under construction and planned to be available from January 2021, the site will be used to manage customs clearance (inbound and outbound) and border checks to ensure that freight is ready before reaching the ports.
- It will also be used as a temporary lorry park facility should additional capacity be required.

- From July 2021 (Day 200) when full import controls are implemented, the site will also be used for additional customs checks and DEFRA stipulated checks.

Brock Manston

- Capacity to hold 4,000 HGVs.
 - Brock Manston has been available since 2015 as a tactical option for managing disruption at the ports. It was included as part of the plans for a potential 'no deal' Brexit scenario in 2019 and will be available until end of June 2021.
 - Brock Manston is a tactical option, located in Thanet, for holding HGVs prior to its release into TAP 256. Primarily Brock Manston is designed to hold Port of Dover freight and is a private contract between the Department for Transport and a contractor who will manage all activities on the site.
 - Brock Manston will also be used to manage HMRC customs clearance and as a border checking site to ensure that freight is border ready before it reaches the port.
 - Tests have been carried out to establish the safest optimum release rate of HGVs along the proposed route on the A256 to the Port of Dover, and how any impacts could be managed. Freight held at Manston will leave along the A256, and travel from the bottom of the A256 to the Eastern Docks roundabout at the entry of the port.
 - Appropriate signage will be placed on the strategic and local road networks to direct freight as required. The primary route to Brock Manston will be the M2/A2 corridor into the A299 Thanet Way.
89. A coordinated traffic management plan will be in place using the M20 and other roads and sites where lorry drivers can get ready to cross the border. This plan will move lorries around Kent and Medway, and release them to the ports at Dover and Eurotunnel. The main difference between operation stack and this new plan is that the motorways will remain open for local traffic throughout. The Authority is working with Highways England and others to ensure emergency response access is maintained throughout the road network.
90. A programme of Kent Resilience Forum exercises for EU Transition has been developed and the Authority will be in attendance at them all. Command and Control will be in place from late December and of course has been designed to manage the ongoing issues with COVID, as such it will be a joint COVID and EU Exit command structure. The Authority is fully engaged in this command structure.
91. Although EU exit will happen on 31 December we do not expect impacts to happen immediately and it may not be until the second week in January when we start to see traffic disruption. We also expect the biggest impacts to be in the first three months, it is important to understand that the changes to the border are permanent so the county will need to move to a new normal, this is expected to be fully in place by July 2021.

J. Pensions Board Update

Lead/Contact Officer: Lee Rose, Assistant Director, Channel Tunnel and Resilience (Chair of the Pension Board) 01622 692121 ext. 8959, lee.rose@kent.fire-uk.org

92. Members will recall that, in accordance with the Public Service Pensions Act 2013, the Authority established a Pension Board in relation to the Firefighters' Pension Schemes comprising representatives of both the employer and employees. To ensure that Members are kept informed of the issues discussed and can be reassured that the Authority is complying with its duties under the Act, Minutes of the Pension Board meetings are routinely reported to the Authority. Accordingly, the Minutes of the last meeting of the Authority's Pension Board are attached at **Appendix 3** for Members' information.

IMPACT ASSESSMENT

93. There are no cost implications arising directly from this report.

CONCLUSION

94. Members are requested to:
- 94.1 Consider and note the contents of the report.

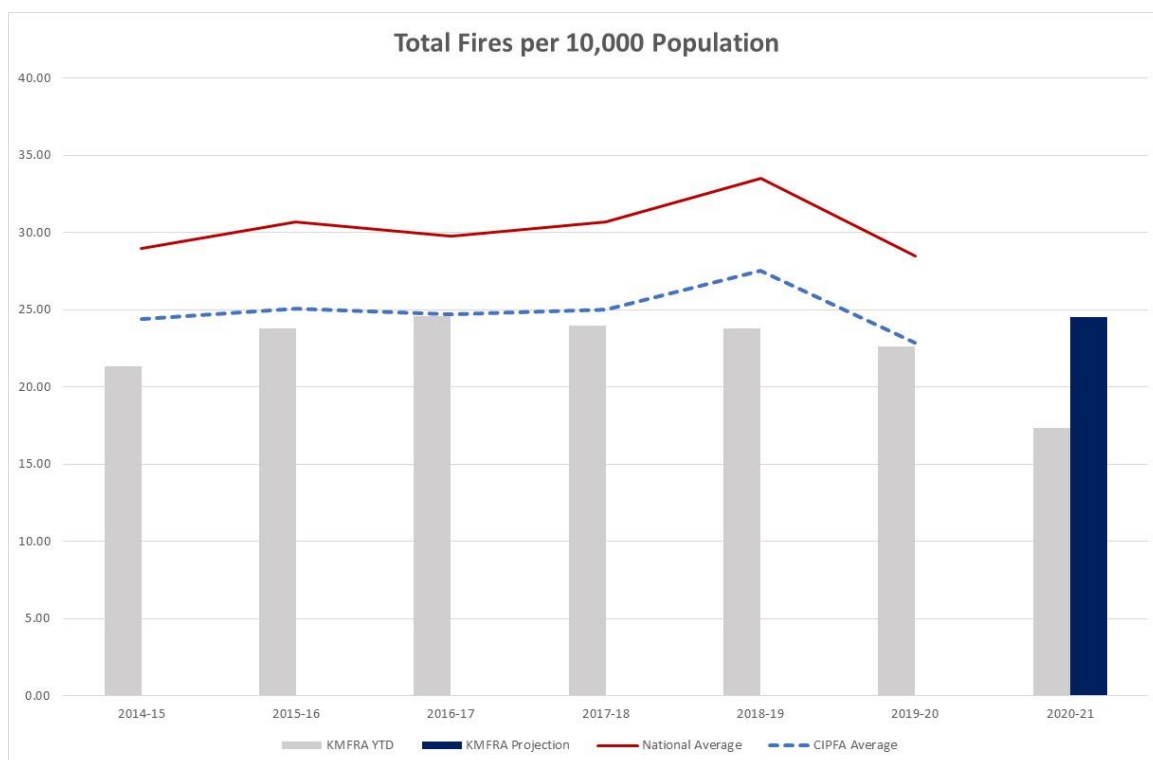
OPERATIONAL PERFORMANCE UPDATE

Introduction

1. This report aims to detail how the Authority has performed in recent years, is predicted to perform this year and over the medium term period alongside how that compares nationally and within the CIPFA Nearest Neighbour Group¹, where possible.

Total Fires

2. The Authority has attended 3,207 fires so far this year which is an increase of 10% when compared to the same period the previous year. This increase is attributed to a larger number of accidental grassland and rubbish fires in the period than seen in the previous year. The three year average projection for the 2018-21 period is 4,355 which is higher than the target of 4,091.



3. Over the last few years the Authority has seen a consistently higher level of fire activity than that seen in 2014/15, mostly attributed to warm dry summers where outdoor fires

¹ This model was developed by CIPFA to aid local authorities in comparative and benchmarking exercises. This model allows users to generate family groups based upon a wide range of socio-economic indicators. The CIPFA Nearest Neighbours Model adopts a scientific approach to measuring the similarity between authorities, taking factors such as the social and physical characteristics of the authorities into account. The authorities included in our CIPFA group are: Hampshire, Essex, Lancashire, Derbyshire, Staffordshire, Hertfordshire, Suffolk, Devon & Somerset, West Sussex, Cheshire, Nottinghamshire, Humberside, Hereford & Worcester, Northamptonshire and Norfolk.

are heavily influenced by the weather. The chart above shows that this is not a trend that has only affected this Authority and that it is also true nationally and amongst our CIPFA nearest neighbour cohort.

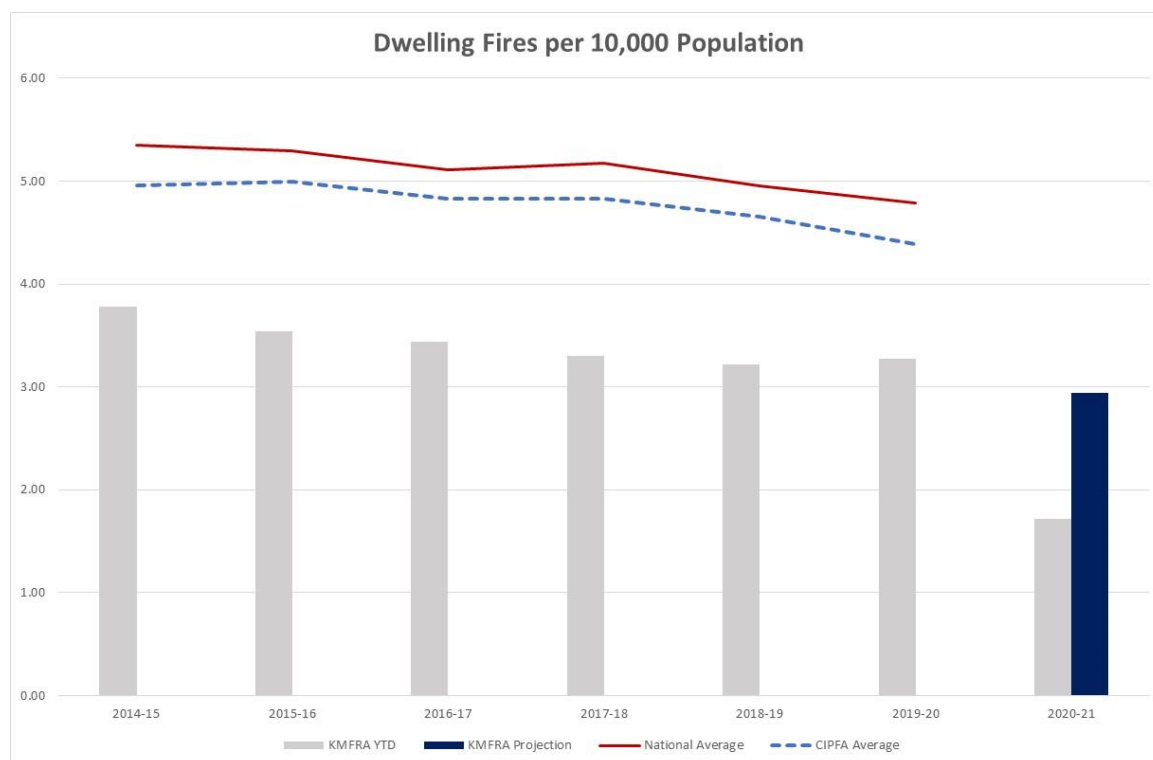
4. The chart also depicts that this Authority is experiencing fewer fires per 10,000 population than the national average and is consistent with the CIPFA average. The published data for 2019/2020 details that Kent ranks 16th for the number of fires per 10,000 population out of 45 services.
5. The table below details the number of fires so far this year split into the different types. Members will recognise that the number of outdoor fires (rubbish and grassland) increase substantially during the summer months. It is also noteworthy that levels of activity were lower in April during the beginning of the Covid lockdown period.

	Apr	May	Jun	Jul	Aug	Sep	Oct
Outdoor	159	257	259	284	367	228	58
Road Vehicle	58	64	56	77	67	78	69
Outdoor Structure	59	85	73	81	70	65	39
Dwelling	58	62	50	44	57	52	57
Non Residential	42	42	48	39	36	30	27
Other Residential	1	1	--	1	1	--	2
Boat	--	--	--	2	--	--	2

Dwelling Fires

6. In recent years the Authority has reported the lowest ever number of accidental fires in the home. So far this year 318 incidents have been attended which is higher than the levels seen in the previous years. The current projection for the medium term period (2018-21) is 52 which is 3.6% better than the target. As we continue through the autumn and winter period of the year the number of accidental fires in the home will likely increase but this is a recurring trend and the projections have taken this into account.
7. Unfortunately accessing comparable information for fire services that fit this Authority's local performance indicator definitions is difficult. It is not possible to obtain accidental fires in the home detailed by individual authorities nor is it possible to obtain the number of dwellings in each Authority area. For the purposes of benchmarking ourselves against others we can compare all fires in the home, which although that will include those started deliberately the numbers are relatively small in comparison to those started accidentally. To ensure the number of incidents is more representative of the size of the community that is served we have used population as the denominator.
8. The chart below shows that a reduction in the number of fires in the home is not a trend that has only been experienced by this Authority and that it is reflected both nationally and with CIPFA.

9. Members will notice that whilst the trend is the same, this Authority is experiencing fewer fires in the home per 10,000 population than both the national average and the CIPFA average. The published data for 2019/2020 details that Kent ranks 2nd, reporting the second lowest number of fires in the home per 10,000 population out of 45 services.



10. Whilst the number of fires in the home are still lower than historic levels, this year has seen more of these incidents when compared to the same period the previous year. We are aware that it was unlikely that year on year reduction would continue indefinitely and at some point we would reach a stage where the number of incidents would plateau.
11. The causes of fires in the home rarely change, with cooking relating incidents accounting for 37% of all the incidents so far this year and a further 13% and 11% being attributed to electrical appliances and smoking materials respectively. Please also be aware that 16 of the 318 incidents can be attributed to a spread of fire from a secondary incident, such as a bonfire getting out of control and affecting the house. During the lockdown period we saw an increase in reports of bonfires out of control and it is likely these incidents are representative of that situation.

Fatalities and Casualties in Accidental Fires

12. As a result of accidental fires, so far this year, three people have died and 71 people have suffered fire related injuries. There has also been nine slight injuries reported as a result of deliberate fires this year.

13. Identifying trends in casualty data should always be carried out with caution due to the relatively small numbers involved. In comparison to last year, we have had two more deaths and 4 fewer injuries in accidental fires.
14. Over the last 5 financial years the Authority has had 26 fatalities in accidental fires, the vast majority of which have been fires in the home. Just over half of these fatalities have also been people over the age of 65 years old.
15. So far this year there have been 17 people seriously injured as a result of an accidental fire, five of which happened in dwelling fires. The remaining 54 injuries recorded against these incidents were slight in nature.
16. The table below details the number of fire related casualties by financial year and severity of injury. Please note that the figures listed for 2020/2021 only cover seven months.

	Fatal	Serious	Slight	Total
2014/2015	3	12	64	79
2015/2016	3	12	79	94
2016/2017	5	17	97	119
2017/2018	5	16	104	125
2018/2019	4	11	86	101
2019/2020	5	17	104	126
2020/2021	3	17	54	74
Total	28	94	574	639

Road Traffic Collisions (RTCs)

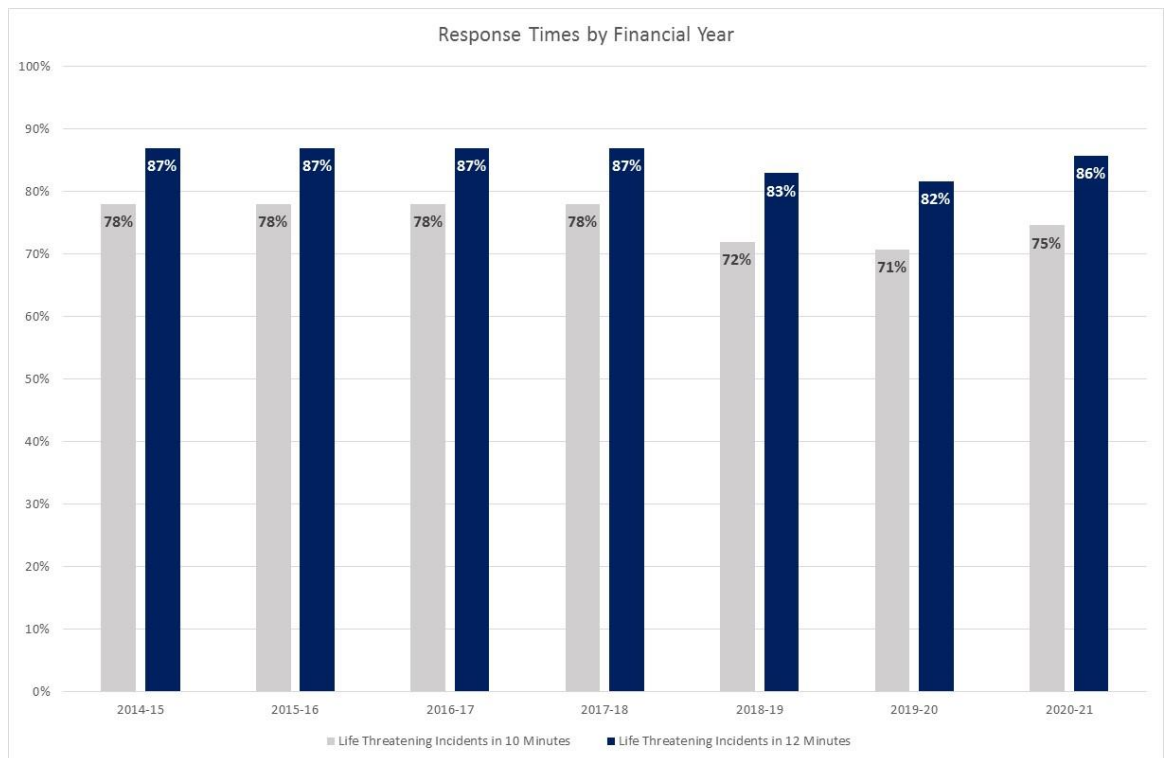
17. The Authority has attended 386 road traffic collisions so far this year which is 174 less than the same period in the previous year. We have seen a reduction in road traffic collisions in each month compared to the previous year which includes a large drop during the lockdown period; the months of April and May had only a third of the expected levels activity for those months. As a result of these incidents 15 people have died and 55 have been seriously injured.
18. Of the RTC incidents attended this year just over 70% have required the Authority to make the scene or the vehicle safe, such as dealing with fuel spillages. A further 22% of the incidents required a person/s to be extricated or removed from an affected vehicle.

Response Times

19. So far this year 74.6% of life-threatening incidents were reached within 10 minutes and 85.8% within 12 minutes. Overall performance is higher than the targets set for these

indicators. Members will recall that the targets for these indicators were changed for the 2020/21 financial year to 71% and 82% respectively.

- 20. Whilst the Authority's response times to incidents has improved so far this year, it is important to note that due to the pandemic more on call fire engines have been available during the day time period which when combined with lower levels of incident activity at the beginning of the year has had an influence on the performance for these indicators.
- 21. The Authority attended life-threatening fire incidents within 10 minutes on 76.8% occasions whilst life-threatening road traffic collisions were reached within 10 minutes on 59.2% of occasions. Non-life threatening incidents were attended within 15 minutes on 91% of occasions.
- 22. The chart below details performance for attending life threatening incidents within 10 minutes and 12 minutes for the last 6 financial years and this year to date.





Internal Audit Update Report

17 December 2020

Release: Draft

Date: 23 November 2020

Author: Frankie Smith CMIIA

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INTERNAL AUDIT PROGRESS REPORT - December 2020

1. Purpose of this report

- 1.1 This report provides an update on the work that the Kent County Council (KCC) Internal Audit service has undertaken on behalf of the Kent and Medway Fire and Rescue Authority (KMFRA) since 01 April 2020, against the Internal Audit Plan, which was approved by Members in April 2020.
- 1.2 The report also provides a summary of our recent follow up work.
- 1.3 The report also provides an update on the planned Public Sector Internal Audit Standards (Standards) external quality assessment (EQA), which is scheduled to be completed by 31 March 2021.

2. Progress Against 2020/21 Audit Plan

- 2.1 The commencement of work on the 2020/21 audit plan was delayed due to the impact of Covid-19 and the departure of the previous KMFRA Head of Internal Audit (HoIA) in May 2020. Work on the 2020/21 audit plan commenced in July 2020.
- 2.2 The table below provides an update on our progress against the 2020/21 audit plan, as approved by Members in April 2020:




















Project Reference	Project Title	Current Progress	Audit Opinion	Prospects for Improvement
FS01-2021	Incident Command – Preparedness for major incident	Planning		
FS02-2021	Building Safety	Finalised	High	Very Good
FS03-2021	Contract Management – Major Contracts	Not Yet Started		
FS04-2021	Payroll	Not Yet Started		
FS05-2021	Customer	Planning		
FS06-2021	Sickness	Not Yet Started		
FS07-2021	Collaboration	Not Yet Started		
FS08-2021	Risk Management	In Progress		
FS09-2021	BACS Payments (Consultancy)	Planning		

- 2.3 As outlined in the table above, one assurance project (**Building Safety**) has been completed to-date, with 4 projects currently at planning or fieldwork stage. A summary of the findings and conclusions from the completed audit has been provided in **Annex 1**. Definitions of the ratings for overall assurance level, issue priorities and prospects for improvement are provided in **Annex 2**.
- 2.4 The Building Safety audit was awarded a '**High**' audit opinion, with '**Very Good**' prospects for improvement. This is a positive outcome indicating the risks in this area are understood and are being managed to an acceptable level and that an effective plan is in place to implement the one low risk agreed action.
- 2.5 Members are asked to note that an additional consultancy project relating to changes to the **BACS Payment System** has been added to the 2020/21 audit plan following a client request. This project is being resourced from the contingency budget and is currently in at planning stage.

3. Implementation of Management Action Plans - Follow ups

- 3.1 All High and Medium priority issues raised within Internal Audit reviews are the subject of a formal follow-up process and all 'Limited' and 'No Assurance' rated audits are the subject of a full re-audit. The HoIA is responsible for co-ordinating and overseeing this follow-up process, which is completed as a joint exercise between KMFRA and Internal Audit.
- 3.2 **Table 1** below provides a summary of recent follow-up activity.
- 3.3 Based on the follow up work completed to-date, we are satisfied that good progress has been made to implement all agreed issues and outstanding issues are being appropriately managed and mitigated.

Table 1 - KMFRRA Follow Up Progress Summary

Audit	Date	Audit Opinion	Prospects for Improvement	Issues Raised	Follow Ups due on 31 October 2020	Current Status	
Business Continuity Management	October 2019	 Substantial	 Good	Medium (2)	Medium (1)	Follow up not yet due. Implementation date 31/10/2020	
Operational Assurance	October 2019	 Substantial	 Very Good	Medium (1) Low (2)	Medium (1)	Implemented Audit closed	
Procurement & Contract Management	June 2018	 Limited	 Very Good	High (6) Medium (2)	High (1)	Implemented Audit closed	
Information Governance (Note 1 below)	December 2019	 Substantial	 Limited	 Good	High (1) Medium (2)	High (1)	Postponed due to Covid-19 site restrictions
Property Statutory Compliance	March 2020	 Limited	 Good	High (3) Medium (4) Low (1)	High (2) Medium (2)	Postponed until March 2021 due to Covid-19 site restrictions	
Health & Safety Framework	May 2020	 Adequate	 Good	High (2) Medium (3) Low (1)	High (1) Medium (2)	Follow up in progress	
Fire Setters	August 2019	 Limited	 Good	High (3) Medium (2)	High (1) Medium (1)	2 Implemented 1 issue not yet due	
Operational Training	May 2019	 Adequate	 Very Good	Medium (7)	Medium (5)	Implemented Audit closed	
Building Safety	October 2020	 High	 Very Good	Low (1)	N/A	Follow up not yet due	

Note 1: The Information Governance audit was awarded a split audit opinion, which was broken down as follows:

- Information Governance – Substantial
- Physical Information Security - Limited

4. Public Sector Internal Audit Standards – External Quality Assessment

- 4.1 The Standards require that the Head of Internal Audit (HoIA) develops and maintains a quality assurance and improvement programme (QAIP) for the Internal Audit service. The QAIP must include a process whereby the Internal Audit function is the subject of regular internal and external assessments. The purpose of these assessments is to confirm compliance with the Standards and to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively.
- 4.2 The Standards require that an external assessment should be completed by a qualified, competent, and independent body at least every five years. Failure to have an EQA completed at least every 5 years, will mean the Internal Audit function is no longer operating in compliance with the Standards and stakeholders may no longer have assurance regarding the efficient and effective operation of the Internal Audit service.
- 4.3 The last External Quality Assessment (EQA) of the Internal Audit service was completed in April 2015. To satisfy the Standards, the next EQA should have been completed by April 2020. Due to Covid-19 a decision was made, after seeking advice from the Institute of Internal Auditors, to delay the EQA until later in the year.
- 4.4 We are currently progressing plans to commission an EQA for completion by 28 February 2021.
- 4.5 It has been agreed with Kent County Council's (KCC) Head of Paid Service and S151 Officer that the EQA will be completed through a self-assessment validation, using an independent and experienced assessor. It has also been agreed that the EQA assessor will also be asked to will provide best practice insight from other internal audit services across all sectors.
- 4.6 The scope of the planned EQA will cover KCC, KMFRA and other audit clients.
- 4.7 The next steps will include the following:
- Completing the self-assessment exercise and compiling evidence
 - Hosting the external validation exercise
 - Receiving, reviewing, and responding to the outcomes from the EQA assessor
 - Completing an action plan
 - Reporting the outcomes from the EQA to Members in April 2021
 - Ongoing monitoring and reporting on the EQA action plan

- 4.8 The external validation exercise is likely to include the following:
- A review of key documents and audit files
 - Interviews with key personnel / stakeholders (including Members)
 - A detailed findings report, with recommendations and actions
 - Confirmation of compliance with the Standards
 - Potential areas for improvement and best practice
- 4.9 Based on the current timeline, the outcomes from the EQA will be reported to the April 2021 Fire Authority meeting.



5. Performance of Internal Audit

- 5.1 As part of the Service Level Agreement between KCC and KFRS, Key Performance Indicators (KPIs) 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 KPIs is given in **Annex 3**. Two KPIs (% completion of Annual Plan and % completion of actions due) are reported at year end only. There are no concerns arising from the KPIs to date.
- 5.2 The data presented in **Annex 3** relates to the one audit project issued (**Building Safety**). There was a delay in arranging the audit closing meeting due to leave commitments, which subsequently delayed the issue of the draft report. The management response to the review was received in a timely manner. However, on receipt of the management response a further closing meeting was arranged with the Director – Prevention, Protection, Customer Engagement & Safety. This resulted in the final report being issued later than originally planned.

6. Conclusion

- 6.1 Although a large proportion of the audit plan is still to be delivered, the 2020/21 Internal Audit Plan is on track to be complete as scheduled. As an indication, the overall opinion on systems of risk management, governance and control at this stage continues to be one of '**Substantial**' in line with the assurance provided in the 2019/20 Annual Report. This is, however, subject to change as several audit projects are still to be completed. It is important that the organisation continues to ensure that it is in a strong position to respond to emerging risks.
- 6.2 Members are reminded that they are able to contact the Head of Internal Audit directly on any matter using the contact details given at the front of this report.

KFRS Building Safety (FS02-2021)

Audit Opinion	 High
Prospects for Improvement	 Very Good

Rationale and objective of the audit

The current Risk Based Inspection Policy places a clear focus on using a consistent approach to identifying the highest risk buildings across Kent and Medway and ensuring that Fire Safety Inspections are undertaken in those premises at least every 3 years. The Risk Based Inspection Plan was adapted during the Covid-19 lockdown period to enable Building Safety to continue to provide advice and undertake inspections thus continuing to meet the requirements placed upon them to ensure compliance with the Fire Safety Order 2005.

The purpose of this audit review was therefore to ensure that the appropriate mechanisms are in place to ensure an effective and efficient delivery of this requirement, whilst complying with all the relevant statutory legislation.

Internal Audit's overall Audit Opinion of **High** is based on the following Key Strengths and Areas for Development:

Key Strengths

- The Risk Based Inspection Policy ensures compliance with the Fire Safety Order 2005.
- Building Safety have appropriately designated the highest proportion of their available resources to undertaking pre-planned and re-active audits at high risk premises.
- A robust process using a combination of Experian Data and other sources of intelligence is used to identify the highest risk premises for inspection.
- During Covid-19 the Risk Based Inspection Programme was adapted appropriately.
- The audit process is comprehensive in design, the relevant articles within the Fire Safety Order 2005 are included within the supporting documentation.
- Premises inspection visits are assigned to inspectors with appropriate signatory status and experience.
- Review of a sample of completed audits found that the inspection process had been consistently followed with appropriate records of the visit.
- Quality Assurance (QA) processes are systematic, robust, and sufficiently documented.
- The Enforcement process is well documented and there is appropriate oversight by the Enforcement manager.
- Comprehensive records are retained of Enforcement and Prohibition notices served and appropriate monitoring undertaken.

- Information is shared between Building safety and Operation Crews. Building safety are also part the Integrated Learning Assurance Model (ILAM) initiative which brings together expertise and information from teams across KFRS.

Areas for Development

- Co-ordinators offer additional intelligence to support managers in the development of the Risk Based Inspection Programme however the guidance documents to support this process are currently in draft form and have not been published. Internal Audit were advised that a management decision was made not to publish the draft guidance documents as they are subject to frequent review and updates as part of the project to implement the new Dynamics system (Starting in October 2020 and completing in April 2021).
- During review of the Covid-19 risk-based inspection programme for each of the four areas it was identified that there were inconsistencies. However, through interviews with key officers it was established that this is a temporary situation during COVID-19 Lock down 1.
- KFRS have not produced their own guidance for inspectors regarding how to use all information available to determine whether a follow-up visit is necessary. It is noted that the decision to undertake a follow up is mainly determined by the scoring calculation built into the PRM system which is based on National Guidance.

Prospects for Improvement




Our overall opinion of **Very Good** for Prospects for Improvement is based on the following factors:

- The one low risk issue identified has been confirmed as being of a temporary nature due to managers in each area being encouraged to use local knowledge when developing a risk-based inspection programme for use during Covid-19 lockdown restrictions.
- Management have accepted points raised in areas for development and confirmed that it is proposed that guidance is developed to align with processes as the new Dynamics system is implemented.






Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	N/A	N/A
Medium Risk	0	N/A	N/A
Low Risk	1	1	N/A

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.

Audit Opinions

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

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.

KPI Results as of 31 October 2020**KCC Internal Audit**

	Indicator	Target Performance	Performance to date
1.	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	90%	100%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	0%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%	0%
4.	Comments on Prospects for Improvement to be issued within 5 working days of receipt of action plan	90%	100%
5.	Final Report to be issued within 5 working days of receiving correspondence for Prospects for Improvement	90%	100%
6.	Client Satisfaction Questionnaires to be issued for all audits/investigations completed with the final report	100%	100%
7.	% Positive Client feedback	90%	100%
8.	% completion of Annual Internal Audit Plan at 31 March 2021	90%	Not yet due

KMFRA

	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.	Respond to comments on Prospects for Improvement assessment within 5 working days	90%	100%
4.	Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%	100%
5.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	Not yet due

MINUTES OF PENSION BOARD MEETING AGM

13 NOVEMBER 2020

Present:

Lee Rose (LR)	KFRS (Employer Representative) Chairman
James Finch (JF)	KFRS (Employer Representative)
Danny Barrett (DB)	FBU (Employee Representative)
David Broughton (DBr)	FBU (Deputy Employee Representative)
Karen Pointer (KP)	FOA (Deputy Employee Representative)

Karen Irvine (KI)	Assistant Director, HR and Learning
Dominika Kimber (DK)	HR Business Manager
Marie Curry (MC)	Business Support Manager/Clerk to the Authority

Apologies:

Dylan Collard	FRSA Representative (Employee Representative)
Lawrence Pater	FOA (Employee Representative)

NEXT MEETING	Date: 2 February 2020
	Venue: Skype
	Time: 11am

1. Declarations of Interest on Items on the Agenda

No interests were declared.

2. Minutes of the Last Meeting held on 9 September 2020

The minutes of the last Pension Board meeting held on 9 September 2020 were agreed.

3. Pension Board Action Log - Update on Progress

KI confirmed that there was only one action outstanding currently on the log. This was in relation to the FPS 2015 - transitional update. KI confirmed that the consultation on the amendment to the governing rules around transitional protection was responded to by the Authority within the required timeframe. As it stands, KI said that she has received information on the immediate detriment criteria but no further detailed correspondence on the arrangements so it is a case of waiting to see the outcomes of the consultation in the New Year.

DB said that there appears to be a rumour that further information has been released now by the LGA on next steps and asked for clarity on this. KI said that she was not aware of any such information and there was nothing detailed in this month's LGA bulletin which all members of Pension Board receive. DB said that he had heard that some authorities were in the process of paying out claims. KI said that she was aware that some authorities were thinking about progressing this but as far as she was concerned there are too many unknowns, particularly around tax issues which could have implications that may need reciting if acted upon before more detailed information is released. KI said that LPP has advised to sit tight and wait for further clarity but she will speak to them to see if they are aware of what is being progressed in other authorities to report back to the Board. **(Action: KI)**

KP asked whether KI had a list of the names of those who had put through claims via their respective Unions. KI confirmed that she did have a list of names but the ones she has received don't hit the immediate detriment criteria. KI reiterated that as soon as further detailed information is received on next steps then the sooner she can start the processing of claims but until then she can not progress any further.

4. LPP Monthly Report

KI said that she has a meeting organised with LPP very soon to discuss the way in which reports are received and how this can be improved so that monthly figures are contained within the reporting. KI will update the Board on the outcome of that meeting but it is hoped that reporting can be received on a quarterly basis for future. **(Action: KI)**

LR said that he had been contacted by someone in the Service who has requested their pension figures from LPP some time ago and is still waiting for the information. LR asked KI to look in to this. **(Action: KI)**

5. Update on Cases

McCloud vs Sargeant

KI said that there is no significant update, work is still on-going.

O'Brian Case

KI said that following the outcomes of the case, no further information has been received to date detailing the next course of action. KI said that she will continue to update the Board as and when information is received.

IDRP Cases Update

KI said that since the last meeting there was one outstanding IDR case which has now been resolved.

6. AOB

Retirement Association (RA)

KI said that the communications between LPP and the RA seem to be working well now. The queries that had been raised previously by the RA have now been resolved. KI said that she will still remain the point of contact for the RA for any queries they wish to raise to LPP.

Pension Return

KI said that she has received the request from the Pension's Regulator to send in the annual Pension figures for which she will action. The deadline for this is 15 December. **(Action: KI)**