Statement of Accounts 2019/20

These financial statements replace the unaudited financial statements certified on 9 June 2020 and are certified by the Director, Finance and Corporate Services, as presenting a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at 31 March 2020 and the Authority's income and expenditure for 2019/20.

Alison Kilpatrick

Director of Finance and Corporate Services

Date: 12 November 2020

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Introduction

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

- An understanding of the Statement of Accounts.
- A review of the Authority's revenue and capital budget outturn for 2019/20.
- An explanation of the Authority's financial position at the end of the financial year.
- An overview of developments which may have an impact on the Authority both now and in the future.
- A commentary on the Authority's financial performance and economy, efficiency and effectiveness in its use of resources in the year which includes:
  - An analysis of the development and the performance of the Authority in the year and its position at the end of the year.
  - Details of the most relevant financial and non-financial performance indicators.

Accounting Statements

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

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

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

The main statements in these accounts comprise:

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

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

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

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

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

A glossary of the main terms used in the Statements are detailed on pages 67-70.

Revenue Budget and Expenditure

The Authority's main funding sources are Council Tax, Non-Domestic Rate income and various Government grants which are used to fund the Authority's revenue budget. With year on year reductions in formula grant and to ensure that the revenue budget is sustainable over the medium term, the Authority agreed to increase Council Tax by 2.98%, resulting in an annual increase in a Band D property of £2.25 making a Band D Council Tax £77.76 per annum. With the £2,023k increase in Council Tax, including the Authority's share of the surplus on Collection Funds, partly offset by a reduction in other funding of £1,125k, the Authority's budget for 2019/20 was increased to £70,751k, a £898k increase when compared to 2018/19.

Given the pressures and commitments faced by the Authority on areas such as pay awards, inflationary prices growth, commitments and other pressures totalling £3,749k, savings of £2,851k were required to balance the 2019/20 budget. Notably, £1,572k of the savings came from pay budgets and included £1,278k as a result of vacancy savings across the organisation, £95k from the removal of an Assistant Director post, £120k from the removal of some allowance payments and £79k from other pay changes. Budget Managers found savings of £437k within their devolved budget headings, a one-off transfer of £550k was made from General Reserves to reduce the balance to 5% of the net revenue budget and other identified savings totalled £292k.

The revenue budget outturn for 2019/20 was an underspend of £487k. The summary of the revenue budget and the final outturn is shown in the table below:

Revenue Budget Outturn 2019/20

All figures shown are in £'000	Original Budget	Revised Budget	Outturn	Variance
Service Costs	67,289	67,156	66,195	-961
Direct Pension Costs	1,760	1,760	1,753	-7
Capital Financing Costs	8,526	2,974	2,813	-161
Transfers from Reserves	-6,824	-1,139	-497	642
Total	**70,751**	**70,751**	**70,264**	
Net Revenue Budget surplus for the Year				**-487**

Funded From:	
Revenue Support Grant	6,319
Non-Domestic Rates	14,829
Council Tax	49,603
Total	**70,751**

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Revenue Budget Outturn 2019/20

A number of budget headings were underspent in the year but these were partly offset by some additional cost pressures. A summary of the most significant budget variances is detailed in the following table:

Revenue Budget Variances	£'000
Net employee variances - Pay, pension and redundancy	45
Premises and utilities	103
Vehicles and equipment	174
Supplies and services	-344
Business Rates – including section 31 grants	-362
Other additional income	-119
Other net overspends	16
Net Revenue Budget Underspend	**-487**

At the end of the year £248k was transferred to the Rolling Budget Reserve to fund commitments made in 2019/20, but where the associated costs will not be incurred until after 31 March 2020. During the year £780k was transferred from this reserve to fund expenditure committed in 2018/19 but not incurred until 2019/20, making the 2019/20 net movement on the Rolling Budget Reserve £532k.

Grant Income

Grant receipts for the year are detailed in Note 20 to the Accounts. In 2019/20 the Authority received £6,941k of revenue grants. As in previous years these grants included funding for New Dimensions and New Threats related work £1,050k, Firelink £600k and its replacement Emergency Services Mobile Communications Programme (ESMCP) £63k and small business rate relief grant of £1,169k. The Office of the Rail Regulator paid £63k towards the cost of work carried out by the Authority for the Channel Tunnel Safety Authority, £190k was drawn down from the Apprenticeship Levy and £8k was received for new burdens in relation to transparency reporting. However, the unprecedented arrival of the Covid-19 pandemic, resulted in a major worldwide lockdown, which has and is having a significant effect on the local and national economy. This resulted in the Government allocating new unringfenced Section 31 grant funding to help authorities finance the immediate and ongoing impact of dealing with this pandemic. The first tranche of this funding was received on the 27 March and totalled £262k. Additionally, the Government paid a £3,536k section 31 grant to the authority to fund approximately 90% of the additional cost pressure due to a significant increase in employer pension contribution rates for all fire schemes from 1st April 2019. Any unspent grants at 31 March 2020 are rolled forward for use in later years.

Provisions

There are no new provisions this year. The Authority continues to make provision for Insurance with regard to claims notified but not yet settled and general provisions of £237k and for the Authority's share of amounts provided by Kent billing authorities for Non-Domestic Rates appeals of £1,093k.

Revenue Reserves

At the February 2019 meeting of the Authority, Members agreed to reduce the target level of General Fund balances (also known as the General Reserve) by 1% to a level approximately equivalent to 5% of the net revenue budget. In line with this requirement, the General Reserve position at 31 March 2020 has been reduced by £550k to £3,510k.

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In addition to the General Reserve, the Authority also holds a number of other reserves, earmarked for specific purposes, details of which can be found in Note 15 in the Statement of Accounts. At 31 March 2020, earmarked reserves had increased by £539k from the position reported at the end of the previous financial year. The majority of funds held in earmarked reserves are within the Infrastructure Reserve, a significant part of which is planned to be used to fund investment in station and premises improvements and the purchase of light and heavy fleet vehicles. It is therefore expected that the funds held within this reserve will diminish over the medium term, as and when capital spend is incurred.

Capital Budget and Expenditure

Capital expenditure is defined as the purchase, improvement or enhancement of an asset, where the benefit of the expenditure will last beyond the year in which it was incurred. Capital expenditure for 2019/20 was £1,729k against a revised budget of £4,915k. The revised capital budget was approved at the October Authority meeting, but Members have been updated since then of the forecast outturn. Unfortunately the April Authority meeting at which the latest March forecast would have been presented was cancelled due to the COVID-19 lock down.

Premises works included replacements of a generator, boilers and roofs and the automation of bay doors at one station. During the year eleven hybrid cars, one pool van and one towing vehicle were purchased. The pool van and towing vehicle were additions to the budget in January 2020 (£40K). The first stages of the build of nine new fire engines were completed and these are due to be finished during 2020/21. The table below gives a breakdown of the net £3,186k underspend compared to the October budget which was largely due to expenditure being re-phased to future years. Re-phasing included expenditure on mobile data terminals (£596k due to order delays and reviewing some of our future needs), the remaining expenditure on the nine fire engines (£1,515k due to supplier delays) and a number of small vans and minibuses (£802k due to suppliers not being able to meet specification requirements and supplier closure due to Covid-19). Major improvement works on the Live Fire rig at Ashford were delayed until 2020/21 (£100k).

Capital Budget Outturn 2019/20

All figures shown are in £'000	**Original Budget**	**Revised Budget**	**Outturn**	**Variance**
Station development programme and premises	1,376	657	373	- 284
Information and communication systems	1,200	1,202	606	- 596
Vehicles and equipment	4,873	3,056	750	- 2,306
Total	**7,449**	**4,915**	**1,729**	
Net Capital Budget Underspend				**-3,186**

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

Borrowing and Capital Reserves

The Authority did not plan to fund any capital expenditure from borrowing in 2019/20. In line with previous years, the Authority continues to use temporarily surplus cash balances instead of borrowing from external sources to fund unfinanced capital expenditure from earlier years. A loan of £300k matured during 2019/20 so was repaid, reducing the level of outstanding debt as at 31 March 2020 to £2,125k.

The Authority received one capital receipt during the year of £350k and so capital reserves increased to £9,234k and were carried forward at 31 March 2020.

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Treasury Activity

In February 2019, Members agreed the Treasury Management and Investment Strategy for the forthcoming year. In 2019/20 the Authority continued to make use of Treasury Bills to ensure the maximisation of interest earned. On 11 March 2020 the bank base rate was cut by 0.50% to 0.25%, with a further cut to reduce it to the historically low level of 0.1% on 19 March 2020. The Authority has since had notice from a number of banks that there will be a reduction in the interest rates paid on its deposits, in the new financial year. During the year the Authority earned £335k of interest on cash deposits equating to an average interest rate earned of 0.73%.

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

Pension Assets and Liabilities

The presentation of pension assets and liabilities within the accounts is a requirement of the legislation governing the preparation of these accounts. The overall impact of recognising the Authority's true net pension liability of £821,585k on the Balance Sheet has led to an overall negative balance of £674,441k.

The net pension liability for 2019/20 for firefighter pension schemes has reduced by £100,811k to £790,626k. Movements on the pensions liability can be quite volatile and are not only dependent on the assumptions used but also there is an impact depending on whether it is a full or roll-forward valuation. The Actuary for the firefighter pension schemes has carried out a full valuation for 2019/20. Changes to the financial assumptions included a reduction in the discount rate and a marginal increase in the expectation of future inflationary pressures, resulting in an overall increase to the value of the defined benefit obligation. The reassessment of the net defined benefit liability has had a significant impact on the Comprehensive Income and Expenditure Statement resulting in a revised remeasurement of £116,020k in 2019/20 compared to (£10,593k) in 2018/19.

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

Financial Climate and Impact on Services

Financial Settlement and Budget for 2020/21 - The Authority previously accepted the Government's offer of guaranteed annual financial settlements for a four year period, to the end of 2019/20. Originally it was planned that the Government would undertake a Spending Review during 2019/20, and as such it was anticipated that this could have resulted in a reduction to our grant allocation for 2020/21, of 5%. However, this was not the case and the Government delayed the review, which resulted in effectively the roll forward of the 2019/20 budget plus an allocation for inflation (1.63%). The Authority also agreed to increase Council Tax by 1.97% which was within the capped 2% referendum limit.

As no new capital grants from Government have been announced, the Authority is currently planning to fund the 2019/20 and later years' capital plan through a combination of revenue funding, reserves or capital receipts.

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

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

Only relatively minor changes were made to the 2018 Safety and Wellbeing Plan, to ensure it remained fit for purpose, and as such this updated version was agreed by the Authority in February 2020. Essentially it covers, what the public and businesses get for their money, it expands on how the Authority assesses need and the services it provides, proposals for investments in the Authority's assets and interim proposals on the primary performance measures.

There are no proposals for any station closures, removal of front-line fire engines, or compulsory redundancies of firefighters contained in the Plan. It does note that a fundamental review of emergency cover, based on a new set of modelling assumptions, will be developed and reported back to Members alongside any resulting proposals in due course.

The Authority, wherever possible continues to explore options to procure goods and services collaboratively with other blue light services to ensure best value. Examples are the collaborative framework for firefighters Personal Protective Equipment (PPE) and the National Workwear project, both of which were led by this Authority. This collaborative approach is more efficient and offers greater saving opportunities, as the participants have opted for a set of nationally agreed standardised specifications for PPE and workwear, which are then accessed through an agreed framework as opposed to making individual purchases on an ad-hoc basis. This co-ordinated approach allows the Authority to meet the Government's requirement to ensure value for money is achieved, whilst continuing to provide the best equipment / clothing possible.

The Corporate Plan, now known as the Customer and Corporate Plan, reflecting the Authority's focus on the customer, is the primary planning document for the Authority. All other documents, including the Safety and Wellbeing Plan link into this document. It was updated in April 2018 to reflect two new outward focused strategies and six internal strategies, all of which link to the Safety and Wellbeing Plan. Given the cancellation of the April meeting of the Authority, the Plan for 2020/21 will be approved at the July meeting of the Authority.

The Authority continues to look at ways to operate more efficiently, for example by streamlining processes and making them leaner. The Authority has, for a number of years, made average savings of £2m/£3m per annum, and it is quite clear that the requirement to generate savings each year will continue for some time to come. Consequently the Authority is planning to deliver a further £8m of savings over the next four years. The challenge is to make sure the Authority can achieve these savings and still maintain or enhance the services delivered to the public. The Authority will continue to keep the safety of local people, businesses and firefighters as its priority when responding to these challenges.

Future Issues - In January 2017 the Policing and Crime Act received Royal Assent. The Act introduced new duties on blue light services to keep opportunities to collaborate under review, with a view to progressing collaborative agreements wherever it is appropriate to do so. This sets a clear expectation that collaboration opportunities should be fully exploited wherever possible. In addition the Act provides for the Police and Crime Commissioner, should they so wish, to take on board responsibility for the Fire and Rescue Service or to be a member of the Fire Authority. The Kent Police and Crime Commissioner has opted for the second option and is now a member of the Fire Authority, with the same voting rights as any other member.

Changes to Building Safety - Following the tragic fire at Grenfell Tower, the Government commissioned an inquiry led by Sir Martin Moore-Bick. Phase one of the Grenfell Tower inquiry reported on 30 October 2019 and made a number of recommendations for Fire and Rescue Services. A Fire Safety Bill, which incorporated recommendations from the Hackitt review, passed its second reading in April 2020. The Bill will amend the provisions of the Fire Safety Order 2005.

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Funding - In April / May of this year the Government announced that the proposal to implement the 75% Business Rate Retention Scheme in 2020/21 has been deferred, as has the Fair Funding review that was to look at how money will be distributed to each Fire Authority. Additionally the previously delayed Spending Review, has also been put on hold due to the COVID-19 outbreak. To date no announcement has been made as to when these reviews will be undertaken, as no doubt the Government's priority is to focus on reducing the adverse impact that the pandemic is having on the country.

On the 20 May 2020 the Supreme Court ruled on an ongoing litigation between the Valuations Office and a number of business ratepayers that Automated Teller Machines (ATM's) are not separate hereditaments for rating purposes, but are instead are included as part of the store in which they are located. Kent District Billing Authorities are currently reviewing the implications of this decision and the impact this may have on the Collection Fund and future Business Rate income.

COVID-19 - The Authority's well-rehearsed business continuity process was put into action with the onset of the COVID-19 pandemic. The IT infrastructure supported a seamless transition for many corporate support staff to work from home. Our on-going good relationship with SECAmb meant we were able to offer support early on by assisting in the delivery of Personal Protection Equipment (PPE) within and across four counties, training a number of our staff to drive ambulances, wherever possible utilising our on-call staff who have lost primary jobs as first volunteers.

We have made contact with Age UK and related charities and offered our help, and also to our local Kent Districts, Medway and Kent County Council. This has led to food delivery, prescription delivery, supporting food banks and telephoning and befriending vulnerable people early on in the crisis.

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

A review of staff workloads and priorities was undertaken which allowed us to understand what work staff were engaged in so we could maximise the utilisation of any spare capacity by redeploying them to community tasks or support of command and control structures. We have reviewed our current projects and prioritised those essential projects that need to be progressed and deferred those that can wait until resources are available to deliver them. Our capital programme is fully funded from earmarked reserves without the need to borrow, the main impact on the current programme is the availability of core staff to deliver the programme given their changing priorities in relation to COVID-19.

Our core funding is derived from Council Tax and Business Rates precepts collected on our behalf by the Local District Councils and Medway. We are aware that Kent Districts have seen an impact on cash collection for these income streams and as a consequence are closely monitoring the impact on their own cashflows. Recent Government announcements are enabling them to defer three months of Government levy payments which has helped with their cashflow in the short-term, but there is a risk that there could be longer term repercussions that may impact on their ability to meet the set payment schedule issued by the Billing Authorities. Continued monitoring in this area is being undertaken Kent Wide to understand the implications for both the Billing and Collecting District Councils.

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

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The Development and Performance of the Authority in 2019/20 and Financial Position at 31 March 2020.

Budget Strategy

The Authority's budget for 2019/20 reflected the ongoing implementation of decisions made in the Safety and Wellbeing Plan. The Authority has a prudent approach to budget development ensuring that expenditure plans are fully resourced and that savings proposed are achievable.

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

The introduction of the flexible self-rostering system on stations has resulted in a reduction in the number of firefighter posts. This reduction has been achieved as colleagues retire or leave the service, however levels over the last two years and forecast levels into the future are now requiring more regular recruitment to wholetime firefighter posts. Further courses are planned for the future, albeit that the approach to the delivery of training may change and become more modular overtime, moving away from the more costly long term residential training courses. In all areas of staffing, this Authority endeavours to achieve savings without the need for compulsory redundancies, wherever possible to do so. The recruitment of on-call firefighters however, continues to be difficult, so the Authority continues to explore and find more innovative and flexible ways of using the existing resources.

Reserves

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

The amount set aside in the Authority's General Reserve is subject to an annual assessment to ensure that the balance should cover the costs of a significant emergency or unforeseen event. The Authority has £3,510k in General Reserves as at the 31 March 2020, which equates to approximately 5% of the net revenue budget.

At 31 March 2020 the Authority's earmarked reserves are healthy, with a balance of £29,899k. Resources have been set aside in the Infrastructure Reserve to fund the Station Development programme, replacement fire appliances, vehicles, operational and IT equipment. As the revenue budget comes under greater pressure opportunities to replenish these balances will diminish as the current cycle of planned works and purchases are completed.

Cashflows

The Cash Flow Statement in the Accounts details the cashflows for the year and shows that the Authority's cash balances have increased by £2,139k over the year. The Authority uses its temporary surplus cash balances to fund its capital financing requirement (in lieu of borrowing) with the remainder placed in interest bearing deposit accounts or invested in Government Treasury Bills. At 31 March 2020 cash, deposits and investments totalled £43,894k. This comprises of £33,409k which represents the money set aside in general and earmarked reserves, £9,234k of unused capital receipts plus £1,251k being the net of other assets and liabilities at the end of the financial year. Over the next five years £1.7m of the Authority's loans from the Public Works Loan Board will be repaid and with over half of the Authority's reserves planned to be used for the Infrastructure Programme and other expenditure commitments, cash balances are expected to reduce over this timeframe.

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The Authority's Financial and Non- Financial Performance Indicators

Financial Performance

Every year External Audit assesses the Authority's financial statements. The External Auditor's Findings Report for 2018/19 was reported to the Authority meeting in June 2019. The report confirmed that the Authority has a strong financial planning framework with sound arrangements for developing, updating and implementing its Medium Term Financial Plan (MTFP). The Authority has a significant medium term capital programme, with a capital strategy that supports the use of a designated reserve with funds set aside to enable the programme to be funded without the use of additional external borrowing. Reporting of financial planning information to Members is comprehensive and transparent, with early scene-setting information provided ahead of the annual budget process. Integrated reporting of the annual budget with the Medium Term Financial Plan (MTFP) is provided with a detailed analysis of both the annual budget and future planning information in order to achieve the service priorities.

The Authority's external auditors, Grant Thornton, issued their Independent Auditor's Report on the 2018/19 accounts on 30 July 2019. The Auditor confirmed that an unqualified opinion had been issued on the 2018/19 accounts and that there were no matters arising that needed reporting in relation to value for money issues.

Governance Assurance Statement

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

Transparency

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

Inspection

The Policing and Crime Act 2017 detailed that Fire and Rescue Services will be subject to a new national inspection regime by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), similar to that in place for the Police. The Authority's first inspection was in January 2019 as part of the second tranche of HMICFRS visits. The inspection focused on how well the Service prevents, protects against and responds to fires and other emergencies, and also how well the service looks after its staff.

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

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Non-Financial Performance

Asset and Fleet Strategy

The asset and fleet strategy is one of eight strategies agreed by the Authority in support of its Customer and Corporate Plan 2018-22. It sets out how the Authority aims to protect the environment of Kent and Medway in terms of buildings and the vehicles that are used in delivering the service. Environmental improvements have been made across the estate, including the installation of new energy efficient boilers and heating systems, as well as photovoltaic (PV) panels on 37 buildings including Headquarters. Other improvements to buildings have been made through better insulation, double-glazing and heating controls have also contributed to the reduction in energy use and improved efficiencies. In 2008/9 we set ourselves a deliberately ambitious challenge to reduce our carbon footprint by 35% within eight years and we are proud to report that since then we have reduced it by almost 40%.

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

As part of our commitment to reducing our CO_2 emissions we recently introduced 11 hybrid vehicles into our diverse fleet. All of these vehicles are pool cars and their hybrid system combines the use of a petrol engine and an electric motor, improving fuel efficiency and reducing exhaust emissions. Being conscious of the environmental impact caused by cars, these hybrid pool vehicles allow us to make our journeys more sustainable.

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

Service Performance

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

The Authority attended 4,141 fires in 2019/20 (4,400 in 2018/19) which was lower than performance in the previous three years. The projected three-year average outturn for the 2018-21 period is 4,091 fires, which is the same as the target of 4,091. The higher levels of fires in previous years can be attributed to outdoor fires and rubbish fires, both of which were high as a result of the prolonged period of dry weather and significantly lower levels of rainfall.

Accidental dwelling fires (ADFs) accounted for 22% of all the accidental fires attended in 2019/20. Historically, the Authority has performed very well in this area and has been amongst the top performers nationally for more than ten consecutive years. This trend continued in 2019/20 when the Authority attended, for the fourth year in a row, the lowest number of ADFs ever recorded. Currently performance for the 2018-21 medium term period is projected to be 7.5% better than the target.

Reducing the number of road traffic collisions (RTCs) across Kent and Medway and the number of people killed or seriously injured (KSI) as a result continues to be a priority for the Authority. In

2019/20 the Authority attended 965 RTCs (1,098 in 2018/19), a 12% decrease on the year before. The Authority continues to work with its partners to promote road safety across the county.

A large number of on-call stations and some officers respond to immediately life-threatening medical emergency calls, such as suspected heart attacks, in support of the ambulance service. Under this arrangement, the Authority's staff are sent to a medical incident as the quickest resource and are always backed up by the ambulance service. During 2019/20 the Authority attended 4,496 of these incidents which is lower than the amount attended in the previous year (5,704).

The Authority's response times to life-threatening incidents has not changed significantly compared to previous years. They remain below the levels we would like to achieve at 71.3% v 80% target of attending life-threatening situations within 10 minutes and 82.1% v target of 89% within 12 minutes.

In addition to responding to emergency calls, the Authority carries out a number of activities to support customer and business safety. In 2019/20 our customer safety teams have visited 11,234 people in their homes to provide advice and tools to keep them safe and our crews have visited an additional 9,060 homes. Our business safety teams audited 1,590 buildings in 2019/20, of which 1,154 (73%) were buildings classified as high risk. The number of audits carried out have increased year on year reaching the highest number recorded last year. In addition the Authority has carried out 1,079 building regulation consultations in the last year.

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

Use of Resources Summary

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

Last year the Authority planned to deliver £2.3m of base revenue budget savings as set out in the budget for 2019/20 and over the next four years the Authority has the challenge to make approximately £8m of savings which need to be both sustainable and deliverable so that a high quality and effective service can continue to be delivered.

The 2019/20 financial year is the fourth and final year of the funding settlement that was agreed back in December 2015. As part of this settlement the Authority agreed to publish an annual Efficiency Statement, and as such this is incorporated in the Customer and Corporate Plan usually agreed by the Authority in April each year. However, given the cancellation of the April meeting this will now be presented to Members at the July meeting of the Authority. The Authority remains in a strong financial position and plans to invest in its infrastructure will continue, by utilising its earmarked reserves and capital receipts. As always longer term sustainable planning continues to be a prerequisite going forward.

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director, Finance and Corporate Services;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

The Director, Finance and Corporate Services' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

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

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

In my view, the accounts which follow give a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

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

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

12 November 2020

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kent and Medway Towns Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance and Corporate Services and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Finance and Corporate Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. In Note 4, the Authority notes that there is uncertainty as a result of the withdrawal from the European Union and the COVID-19 pandemic with an unprecedented set of circumstances and the valuer has advised that their valuations are reported on the basis of material valuation uncertainty as there is less certainty and a high degree of caution attached to the valuation. In Note 4, the Authority has also noted that the pension fund intends to disclose a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund. This is due to the level of uncertainty since the outbreak of Covid-19. The Authority's share of these assets is material and therefore the uncertainty has been disclosed. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Services. The Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to

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

whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Kent and Medway Towns Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Sarah L Ironmonger

Sarah Ironmonger, Key Audit Partner for and on behalf of
Grant Thornton UK LLP, Local Auditor

London

13 November 2020

Comprehensive Income and Expenditure Statement

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

All figures are in £'000		2018/19*					2019/20
Gross Expenditure	**Gross Income**	**Net**		Note	**Gross Expenditure**	**Gross Income**	**Net**
41,176	-23	41,153	Operational Response		43,975	-3,542	40,433
5,581	-15	5,566	Customer and Business Safety		5,749	-128	5,621
8,607	-3,199	5,408	Operational Policy and Resilience		8,814	-3,195	5,619
25,835	-970	24,865	Organisational Support		32,176	-1,228	30,948
20,120	-	20,120	Pensions, Financing and Other Costs		3,007	-	3,007
101,319	**-4,207**	**97,112**	**Cost of Services**	6	**93,721**	**-8,093**	**85,628**
			Other Operating Expenditure				
58	-	58	Loss on disposal of non-current assets		32	-	32
			Financing & Investment Income & Expenditure				
126	-	126	Interest payable and similar charges	7	115	-	115
22,097	-	22,097	Net interest on the defined benefit liability		21,773	-	21,773
-	-278	-278	Interest and Investment income	7	-	-335	-335
-	-33	-33	Gains on financial instruments carried at fair value through profit or loss	7	-	-10	-10
			Taxation and Non-Specific Grant Income				
-	-47,411	-47,411	Council Tax income	7	-	-49,269	-49,269
-	-22,416	-22,416	Non-domestic rates and top-up grant	7	-	-14,881	-14,881
-	-1,229	-1,229	Non ring-fenced grants	7	-	-7,757	-7,757
-	-17,391	-17,391	Government grant payable to pension fund	28	-	-14,449	-14,449
		30,635	**Deficit on Provision of Services**				**20,847**
		-24,137	Surplus(-) / Deficit(+) on revaluation of property plant and equipment	16			3,055
		10,593	Re-measurements of the net defined benefit liability	25			-116,020
		-13,544	**Other Comprehensive Income and Expenditure**				**-112,965**
		17,091	**Total Comprehensive Income and Expenditure**				**-92,118**

*2018/19 restated to remove Exceptional Item and include Past Service Cost for McCloud / Sargeant legal case in Pensions, Financing and Other Costs service heading.

Movement in Reserves Statement

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

General Fund Balance

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

Earmarked Reserves

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

Capital Receipts Reserve

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

Unapplied Capital Grants Reserve

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

Movement in Reserves Statement

The Net Increase/Decrease before the Transfers to Earmarked Reserves line in the table below shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves are undertaken by the Authority. The 2019/20 Movement in Reserves Statement follows on from the 2018/19 Statement below:

2018/19 **All figures are in £'000**	Notes	**General Fund Balance**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
Balance at 31 March 2018 brought forward		**-4,060**	**-28,615**	**-8,884**	**-41,559**	**791,027**	**749,468**
Movement in reserves during 2018/19:							
Deficit on the provision of services	6	30,635	-	-	30,635	-	30,635
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability	25	-	-	-	-	11,006	11,006
Changes to injury scheme		-	-	-	-	-413	-413
Revaluation gains	16	-	-	-	-	-26,621	-26,621
Revaluation losses charged to revaluation reserve		-	-	-	-	2,484	2,484
Total Comprehensive Income and Expenditure		**30,635**	**-**	**-**	**30,635**	**-13,544**	**17,091**
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-54,974	-	-	-54,974	54,974	-
Gain in relation to Government grant payable to the pension fund	25	17,391	-	-	17,391	-17,391	-
Employer's contribution to pension schemes	16	7,417	-	-	7,417	-7,417	-
Amount by which Council Tax and non-domestic rate income is different from the amount taken to the General Fund	16	-26	-	-	-26	26	-
Amount by which the employee benefit adjustment different from the amount taken to the General Fund	16	37	-	-	37	-37	-

Movement in Reserves Statement

2018/19 continued **All figures are in £'000**	Notes	**General Fund Balance**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
Reversal of entries included in the deficit on the Provision of Services, in relation to Capital Expenditure, to the Capital Reserves							
Depreciation and impairment of non-current assets	8	-4,726	-	-	-4,726	4,726	-
Revaluation gains on property, plant and equipment	8	-2,341	-	-	-2,341	2,341	-
Revaluation losses on assets held for sale		246	-	-	246	-246	-
Assets sold written out as part of the gain/(loss) on disposal	8	-58	-	-	-58	58	-
Adj between Revenue and Capital Resources							
Statutory provision for the repayment of debt	16	425	-	-	425	-425	-
Voluntary provision for the repayment of debt	16	544	-	-	544	-544	-
Capital expenditure funded from revenue contribution	16	4,685	-	-	4,685	-4,685	-
Net increase/decrease before transfer to Earmarked Reserves		**-745**	**-**	**-**	**-745**	**17,836**	**17,091**
Transfers to/from Earmarked Reserves		745	-745	-	-	-	-
(Increase)/Decrease in 2018/19	16	-	-745	-	-745	17,836	17,091
Balance at 31 March 2019		**-4,060**	**-29,360**	**-8,884**	**-42,304**	**808,863**	**766,559**

Movement in Reserves Statement

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

Movement in Reserves Statement

2019/20 continued All figures are in £'000	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Reversal of entries included in the deficit on the Provision of Services, in relation to Capital Expenditure, to the Capital Reserves							
Depreciation and impairment of non-current assets	8	-4,969	-	-	-4,969	4,969	-
Revaluation gains on property, plant and equipment	8	831	-	-	831	-831	-
Revaluation losses on assets held for sale		-	-	-	-	-	-
Assets sold written out as part of the gain/(loss) on disposal	8	-382	-	-	-382	382	-
Transfer of cash sale proceeds as part of loss on disposal		350	-	-350	-	-	-
Adj between Revenue and Capital Resources							
Statutory provision for the repayment of debt	16	189	-	-	189	-189	-
Voluntary provision for the repayment of debt	16	780	-	-	780	-780	-
Capital expenditure funded from revenue contribution	16	1,729	-	-	1,729	-1,729	-
Net increase/decrease before transfer to Earmarked Reserves	15	**11**	**-**	**-350**	**-339**	**-91,779**	**-92,118**
Transfers to/from Earmarked Reserves		539	-539	-	-	-	-
(Increase)/Decrease in 2019/20	16	550	-539	-350	-339	-91,779	-92,118
Balance at 31 March 2020		**-3,510**	**-29,899**	**-9,234**	**-42,643**	**717,084**	**674,441**

Balance Sheet

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

31 March 2019	All figures are in £'000	Notes		31 March 2020
	Property, Plant and Equipment			
97,456	Land and buildings	8	92,960	
14,672	Vehicles, plant and equipment	8	11,939	
119	Assets under construction	8	1,422	
1,360	Surplus assets not held for sale	8	1,365	
113,607	**Long Term Assets**			**107,686**
34,709	Short Term Investments	9	34,564	
350	Assets Held for Sale	12	425	
132	Inventories		117	
10,028	Short term Debtors	10	9,160	
7,200	Cash and Cash Equivalents	9,11	9,330	
52,419	**Current Assets**			**53,596**
-9	Cash and Cash Equivalents	9	-	
-300	Short Term Borrowing	9	-700	
-10,749	Short Term Creditors	13	-10,683	
-1,136	Provisions	14	-1,330	
-12,194	**Current Liabilities**			**-12,713**
-2,125	Long Term Borrowing	9	-1,425	
	Other Long Term Liabilities:			
-891,437	Firefighters' pension liability	25	-790,626	
-26,829	Net LGPS pension liability	25	-30,959	
-920,391	**Long Term Liabilities**			**-823,010**
-766,559	**Net Assets**			**-674,441**
	Usable Reserves:			
-4,060	General reserves	15		-3,510
-29,360	Earmarked reserves	15		-29,899
-8,884	Usable capital receipts			-9,234
808,863	Unusable Reserves	16		717,084
766,559	**Total Reserves**			**674,441**

Cash Flow Statement

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

31 March 2019	All figures are in £'000	Notes	**31 March 2020**
	Operating Activities		
	Cash Outflows		
50,590	Cash paid to and on behalf of employees	7	60,378
131	Interest paid	7	117
15,076	Cash paid to suppliers of goods and services	7	18,302
65,797	**Cash outflows generated from operating activities**		**78,798**
	Cash inflows		
-47,618	Precepts received	7	-49,603
-	Revenue support grant	7	-6,319
-22,171	Business Rates	7	-6,515
-	Business Rate top-up grant	7	-8,378
-3,859	Other revenue grants	7,20	-8,645
-1,981	Cash received for goods and services	7	-2,140
-211	Interest received	7,27	-288
-277	Other operating cash receipts	7	-502
-76,117	**Cash inflows generated from operating activities**		**-82,390**
-10,320	**Net cash inflow from operating activity**		**-3,592**
	Investing Activities		
5,306	Purchase of property, plant and equipment	22	1,658
-	Proceeds from sale of property, plant and equipment		-350
4,653	Temporary investments		-155
9,959	**Net cash flows generated from investing activity**		**1,153**
	Financing Activities		
305	Repayment of amounts borrowed	9	300
305	**Net cash flows from financing activities**		**300**
-56	**Net increase in cash and cash equivalents**		**-2,139**
7,135	Cash and cash equivalents at 1 April	11	7,191
56	**Movement in year**		**2,139**
7,191	Cash and cash equivalents at 31 March	11	9,330

Notes to the Statement of Accounts

1. Accounting policies

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

General Principles

The accounts of the Fire and Rescue Authority have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS) and other approved accounting standards. The accounts have been prepared with the objective of providing financial information that is useful to a wide range of users in making decisions about providing resources to the Authority and assessing the stewardship of the Authority's management.

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

1.1 Accounting convention

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

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

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

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

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

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

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

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

1.2 Critical accounting, judgements and key sources of estimation uncertainty

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

1.2.1 Critical judgements in applying accounting policies

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

1.3 Other expenses

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

1.4 Income

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

1.5 Government Grants and Contributions

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

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

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

1.6 Revenue expenditure funded from capital under statute

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

1.7 Treatment of Value Added Tax

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

1.8 Redemption of Debt

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

1.9 Prior Period Adjustments

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

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

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by the Code for 2020/21. These changes relate to accounting amendments to IAS28 Investments in Associates and Joint Ventures, annual improvements to IFRS standards and amendments to IAS19 Employee benefits. These changes are not expected to have a material impact on the Authority's Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

A revised standard with regard to leases IFRS16 has been issued by the International Accounting Standards Board that became effective as of the 1 January 2019. The interpretation for this has not been adopted for the 2019/20 accounts and has been deferred within the 2021/22 CIPFA Code of practice and will be adopted from 1 April 2021. The revised standard requires the Authority as a lessee to recognise those assets over which there is a right of use and a lease liability on the balance sheet, prior to this they may have been accounted for as an operating lease within the Comprehensive Income and Expenditure Statement. The Authority has undertaken a review of its current lease portfolio and has determined that only one lease has been identified that is likely to be impacted with an estimated total value of £64,770 and therefore has no material impact on the Authority's Accounts, but this will depend on the leasing agreements in place at the time of the implementation of the Code.

Notes to the Statement of Accounts

3. Critical Judgements in Applying Accounting Policies

At the current time there are no critical judgements that have been made that will affect these Statements, but there is a certain amount of uncertainty about future levels of Government funding. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

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

The carrying value of depreciating assets at 31 March 2020 is £72.5m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property plant and equipment assets would increase by £305k for every year that useful lives had to be reduced. Drill Yards and Car Parks are accounted for under land and therefore are not depreciated. Boilers totalling £1.078m as at 1 April 2019 are now accounted for as part of the fixtures and fittings of the total building value as opposed to depreciating individually as their value is deemed to be low in cost and below de-minimus that would affect the asset value.

The Authority engages an external valuer to undertake the valuation of property annually. Valuations are undertaken at the 31 March 2020. We are now in a period of uncertainty as a result of the withdrawal from the European Union and the COVID-19 pandemic with an unprecedented set of circumstances. Our valuers have advised that their valuations are reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case and will require valuations to be kept under regular review.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The carrying amount of the defined benefit obligation on all Pension Schemes at 31 March 2020 is £882,193k.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Pension Scheme liabilities of £16,715k.

Furthermore, a one year increase in the life expectancy assumptions across all schemes would give rise to an increase in the liability of £37,470k.

The table on page 62 provides further details on the assumptions used and their financial impact.

We are aware that the Kent Pension Fund intends to disclose a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund. This is due to the level of uncertainty since the outbreak of Covid-19. The Authority's share of these assets is material and therefore the uncertainty has been disclosed.

Accumulated Absences

Statutory arrangements require that the cost of compensated absences earned but not taken (i.e. annual leave) are reflected in the correct accounting year. An accrual is made for the cost of any unused leave entitlement at the end of the year which has been carried into the following year. It is based on the amount of holiday pay that would be paid for each day owed and includes an estimate for the related cost of pension contributions and national insurance that would also be payable. The calculation used is reviewed every three years or in the event of any unknown material change.

The carrying amount of the accumulated absences accrual at 31 March 2020 is £416k. It is estimated that if the workforce was to reduce by 5% the annual accrual would decrease by £21k.

5. Events after the reporting Period

There are no events to report.

Notes to the Statement of Accounts

6. Expenditure and Funding Analysis

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

All figures are in £'000 **Restated 2018/19***

	Outturn as reported to Authority	**Adjustments**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
				See note 6a	
Operational Response	31,511	-40	31,471	9,682	41,153
Customer and Business Safety	4,686	24	4,710	856	5,566
Operational Policy and Resilience	4,391	136	4,527	881	5,408
Organisational Support	22,139	-189	21,950	2,915	24,865
Pensions, Financing and Other Costs	5,578	-3,368	2,210	17,910	20,120
Net Cost of Services	**68,305**	**-3,437**	**64,868**	**32,244**	**97,112**
Other Income and Expenditure			-65,613	-864	-66,477
Surplus (-) or Deficit (+)			**-745**	**31,380**	**30,635**
Opening General and Earmarked Reserves Balance			32,675		
Plus Surplus on General Fund in the year			745		
Closing General and Earmarked Reserves Balance			**33,420**		

*2018/19 restated to remove Exceptional Item and include Past Service Cost charge for McCloud / Sargeant legal case against Pensions, Financing and Other Costs service heading.

Notes to the Statement of Accounts

All figures are in £'000					2019/20
	Outturn as reported to Authority	**Adjustments**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
				See note 6a	
Operational Response	31,418	-12	31,406	9,027	40,433
Customer and Business Safety	4,728	4	4,732	889	5,621
Operational Policy and Resilience	4,395	52	4,447	1,172	5,619
Organisational Support	26,527	745	27,272	3,676	30,948
Pensions, Financing and Other Costs	3,196	-1,321	1,875	1,132	3,007
Net Cost of Services	**70,264**	**-532**	**69,732**	**15,896**	**85,628**
Other Income and Expenditure			-69,721	4,940	-64,781
Surplus (-) or Deficit (+)			**11**	**20,836**	**20,847**
Opening General and Earmarked Reserves Balance			33,420		
Less Deficit on General Fund in the year			-11		
Closing General and Earmarked Reserves Balance			**33,409**		

Notes to the Statement of Accounts

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

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

			Restated 2018/19*					**2019/20**
Adjustment for Capital Purposes	**Net Change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**	All figures are in £'000	**Adjustment for Capital Purposes**	**Net Change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
5,718	3,940	24	9,682	Operational Response	3,037	6,252	-262	9,027
59	800	-3	856	Customer and Business Safety	1	893	-5	889
66	846	-31	881	Operational Policy and Resilience	106	1,089	-23	1,172
978	1,964	-27	2,915	Organisational Support	993	2,649	34	3,676
-	17,910	-	17,910	Pensions, Financing & Other Costs	-	1,132	-	1,132
6,821	**25,460**	**-37**	**32,244**	**Net Cost of Services**	**4,137**	**12,015**	**-256**	**15,896**
-5,596	**4,706**	**26**	**-864**	**Other Income and Expenditure from the Funding Analysis**	**-2,665**	**7,323**	**282**	**4,940**
1,225	30,166	-11	31,380	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Deficit	1,472	19,338	26	20,836

*2018/19 restated to remove Exceptional Item and include Past Service Cost charge for McCloud / Sargeant legal case against Pensions, Financing and Other Costs service heading.

Notes to the Statement of Accounts

7. Expenditure and Income Analysed By Nature

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

All figures are in £'000		**2018/19**		**2019/20**
Employee expenses	54,629		61,402	
Other operating expenses	14,445		16,422	
Depreciation	4,727		4,969	
Revaluations gains(-) / loses(+) on property, plant and equipment	2,095		-831	
IAS19 adjustment	25,460		12,015	
Employee leave accrual adjustment	-37		-256	
Expenditure charged to Cost of Services		**101,319**		**93,721**
Government grants and contributions	-1,716		-5,439	
Fees, charges and other service income	-2,491		-2,654	
Income credited to Cost of Services		**-4,207**		**-8,093**
Net expenditure charged to Cost of Services		**97,112**		**85,628**
Interest payments	126		115	
Pensions interest cost	23,578		23,277	
Expected return on pensions assets	-1,511		-1,541	
LGPS administration expenses	30		37	
Loss on disposal of assets	58		32	
Expenditure charged to Provision of Services		**22,281**		**21,920**
Pension fund top-up grant	-17,391		-14,449	
Interest and investment income	-278		-335	
Gains on financial instruments carried at fair value through profit or loss	-33		-10	
Income from Council Tax	-47,411		-49,269	
Income from Business Rates and top-up grant	-22,416		-14,881	
Non-ringfenced Government grants	-1,229		-7,757	
Income credited to Provision of Services		**-88,758**		**-86,701**
Expenditure and Income charged to Provision of Services		**-66,477**		**-64,781**
Deficit on Provision of Services		**30,635**		**20,847**

Notes to the Statement of Accounts

7a. Revenue From Contracts With Service Recipients

Policy:

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

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

All figures are in £'000s	2018/19	2019/20
Revenue from contracts with service recipients:		
Operational Policy and Resilience – provision of fire cover	2,037	2,063
Total included in Comprehensive Income and Expenditure Statement	**2,037**	**2,063**

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

All figures are in £'000s	2018/19	2019/20
Receivables, which are included in debtors net of VAT (Note 10)	171	346
Total included in Net Assets	**171**	**346**

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

All figures are in £'000s	2018/19	2019/20
Not later than one year	2,056	2,099
Later than one year and not later than eight years	585	13,694
Amounts of transaction price fully unsatisfied	**2,641**	**15,793**

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

8. Property, Plant and Equipment

Policy:

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

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

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

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

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

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

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

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

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

At the 31 March 2020 the Authority had capital commitments of £3,165k in relation to new vehicle purchases, mobile data terminals and some premises works builds (£3.3k at 31 March 2019).

This is the range of useful asset lives used in the calculation of depreciation for each class of asset, Drill Yards and Car Parks are now accounted for within Land and therefore do not incur a depreciation charge.

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

In addition to land and buildings the Authority has a fleet of fire appliances, specialist vehicles and cars. This table provides an analysis of property assets at 31 March. During April 2019 the Authority sold the old Ramsgate Fire station to Ramsgate Town Council, which had become surplus to requirements with the new build Ramsgate station being brought into operation.

	Operational	Surplus	Held for sale
Fire Stations	56	1	1
Headquarters	1	-	-
Residential houses	23	4	-
Technical Rescue Centre	1	-	-
Training Centre	1	-	-
Other	1	-	-

Revaluations

The Authority's External Valuers, GVA Grimley Limited t/a Avison Young, carried out a full valuation of the Authority's entire land and building portfolio at 31 March 2020. The valuations have been carried out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The valuations are in accordance with International Valuation Standards (IVS) and the requirements of the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2020 (the Red Book).

Notes to the Statement of Accounts

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

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

2018/19 All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2018	**69,385**	**31,845**	**6,394**	**-**	**107,624**
Additions	2,959	1,642	84	-	4,685
Revaluation increases recognised in the revaluation reserve	23,521	473	-	143	24,137
Revaluation increases recognised in the deficit on the provision of services	-2,216	-119	-	-6	-2,341
De-recognition – disposals	-17	-564	-	-	-581
Assets reclassified	-225	-3	-	1,238	1,010
Assets under construction completed in year	6,359	-	-6,359	-	-
Other movements in cost or valuation	-2,310	-182	-	-15	-2,507
Cost or Valuation at 31 March 2019	**97,456**	**33,092**	**119**	**1,360**	**132,027**
Accumulated Depreciation and Impairment at 1 April 2018	-	-16,724	-	-	-16,724
Depreciation/impairment charge	-2,328	-2,395	-	-3	-4,726
Downward revaluation recognised in the deficit on the provision of services	-	-	-	-	-
De-recognition – disposals	6	517	-	-	523
Other movements in depreciation and impairment	2,322	182	-	3	2,507
Accumulated Depreciation and Impairment at 31 March 2019	**-**	**-18,420**	**-**	**-**	**-18,420**
Net Book Value at 31 March 2019	**97,456**	**14,672**	**119**	**1,360**	**113,607**
Net Book Value at 31 March 2018	69,385	15,121	6,394	-	90,900

Notes to the Statement of Accounts

2019/20 All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2019	**97,456**	**33,092**	**119**	**1,360**	**132,027**
Additions	92	333	1,304	-	1,729
Revaluation increases/(decreases) recognised in the revaluation reserve	-2,238	161	-	-977	-3,054
Revaluation increases recognised in the deficit on the provision of services	1,206	-24	-	-351	831
De-recognition – disposals	-	-740	-	-	-740
Assets reclassified	-1,827	-22	-	1,424	-425
Assets under construction completed in year	-	-	-1	-	-1
Other movements in cost or valuation	-1,729	-1,200	-	-91	-3,020
Cost or Valuation at 31 March 2020	**92,960**	**31,600**	**1,422**	**1,365**	**127,347**
Accumulated Depreciation and Impairment at 1 April 2019	0	-18,420	-	-	-18,420
Depreciation/impairment charge	-2,879	-2,077	-	-13	-4,969
Downward revaluation recognised in the deficit on the provision of services	-	-	-	-	-
De-recognition – disposals	-	708	-	-	708
Other movements in depreciation and impairment	2,879	128	-	13	3,020
Accumulated Depreciation and Impairment at 31 March 2020	**-**	**-19,661**	**-**	**-**	**-19,661**
Net Book Value at 31 March 2020	**92,960**	**11,939**	**1,422**	**1,365**	**107,686**
Net Book Value at 31 March 2019	97,456	14,672	119	1,360	113,607

Notes to the Statement of Accounts

9. Financial Instruments

Policy:

The Financial Instrument Policy has been amended this year to reflect the current accounting changes required as result of the implementation of the new International Financial Reporting Standard (IFRS) 9.

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

Notes to the Statement of Accounts

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

Fair Value Hierarchy

Valuation techniques used to measure fair value are categorised into Levels 1, 2 and 3 where
- Level 1 has an active market with quoted prices for similar instruments
- Level 2 has some directly observable market information other than Level 1 inputs
- Level 3 has no market information and valuation requires significant judgement by management.

Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March		31 March	
All figures are in £'000	2020	2019	2020	2019
Investments				
Current Investments[1]	-	-	17,734	18,969
Short term investments[2]	-	-	16,830	15,740
Cash and cash equivalents[2]	-	-	9,330	7,191
Debtors				
Long term debtors[2]	-	-	-	-
Short term debtors[2]	-	-	885	865
Borrowings				
Long term borrowing[2]	-1,425	-2,125	-	-
Short term borrowing[2]	-	-	-700	-300
Cash and cash equivalents[2]	-	-	-	-
Creditors				
Short term creditors[2]	-	-	-2,542	-3,383

[1] at fair value through profit and loss using a Level 1 valuation technique
[2] carried at amortised cost

The fair value of loans borrowed from the Public Works Loan Board (PWLB) is £2,271k compared to their book value of £2,125k (£2,667k: £2,425k in 2018/19). The fair value of the loans is higher than the carrying amount because the Authority's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the market. However, a supplementary measure of the additional debt that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates from the PWLB as at 31 March 2020. If a value was calculated on this basis the carrying amount of £2,125k would be valued at £2,224k. However, if the Authority were to seek to make early repayment of the loans to the PWLB, the PWLB would charge a penalty which is calculated by comparing the interest rate being paid on the loans to current borrowing rates. The penalty charge at 31 March 2020 if the loans were repaid on that date would be £123k.

Notes to the Statement of Accounts

10. Debtors

All figures are in £'000	31 March 2020	2019
Central government bodies[1]	456	402
Other local authorities[1]	48	469
Collection Fund	3,600	3,534
Pension Fund	3,413	4,504
Other entities and individuals[1]	1,643	1,119
Total Debtors	**9,160**	**10,028**

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

Collection Fund debtors at 31 March 2020 are shown net of provisions for bad and doubtful debts £2,184k (£1,923k at 31 March 2019).

11. Cash and Cash Equivalents

Policy:

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions that are immediately repayable without penalty.

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

All figures are in £'000	31 March 2020	2019
Bank current accounts and cash held by the Authority	50	*-9
Short term deposits with banks*	9,280	7,200
Total Cash and Cash Equivalents	**9,330**	**7,191**

* This figure is showing as overdrawn due to a timing difference of bank transfers

12. Assets Held for Sale

Policy:

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

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

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

Assets Held for Sale (continued)

All figures are in £'000	2019/20	2018/19
Balance at start of year	350	1,114
Assets newly classified as held for sale	425	350
Revaluation gains	-	423
Revaluation losses	-	-177
Assets transferred to surplus	-	-1,360
Assets sold in year	-350	-
Total Assets Held For Sale	**425**	**350**

The Authority sold the old Ramsgate Fire Station on 10 April 2019 and received a capital receipt of £350k.

13. Creditors

All figures are in £'000	31 March 2020	31 March 2019
Central government bodies[1]	3,035	2,271
Collection fund receipts in advance	1,098	1,076
Collection Fund creditor	836	614
Other local authorities [1,2]	845	757
Other entities and individuals[1,2]	4,869	6,031
Total Creditors	**10,683**	**10,749**

[1] Includes part of the amount shown as short term creditors in Note 9.
[2] Includes part of capital creditors totalling £194k (£85k at 31 March 2019).

14. Provisions

Policy:

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

Insurance and General Provision

The Authority has external cover for insurance claims. At 31 March 2020 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be maintained to fund these potential claims. Whilst many claims are settled within a year some do take a number of years to be resolved.

Non-Domestic Rate Appeals

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

Notes to the Statement of Accounts

Provisions (Continued)

All figures are in £'000	Insurance and General Provision	Non-Domestic Rates Appeals	Total
Balance at 1 April 2019	147	989	1,136
Movements in 2019/20:			
Additional provisions made	207	1,093	1,300
Amounts used	-76	-989	-1,065
Unused amounts reversed	-41	-	-41
Balance at 31 March 2020	**237**	**1,093**	**1,330**

15. Usable Reserves

Policy:

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

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

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

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

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

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

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

Service Improvement and Productivity

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

This table below sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2019/20.

All figures are in £'000	Balance at 1 April 2019	Net Reserve Transfers 2019/20	Balance at 31 March 2020
General Fund Balance	**4,060**	**-550**	**3,510**
Earmarked Reserves:			
- Government Grants	582	166	748
- Infrastructure	24,683	1,500	26,183
- Insurance and Resource	1,447	301	1,748
- Rolling Budgets	902	-532	370
- Service Improvement and Productivity	1,746	-896	850
Total Earmarked Reserves	**29,360**	**539**	**29,899**
Total General and Earmarked Reserves	**33,420**	**-11**	**33,409**

16. Unusable Reserves

Policy:

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

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

All figures are in £'000	2019/20	2018/19
Revaluation reserve	-41,171	-46,050
Accumulated Absences account	415	671
Pensions reserve	821,585	918,266
Collection Fund Adjustment account	-573	-855
Capital Adjustment Account	-63,172	-63,169
Total unusable reserves	**717,084**	**808,863**

Notes to the Statement of Accounts

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

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

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

All figures are in £'000	2019/20	2018/19
Balance at 1 April	**-46,050**	**-23,030**
Upward revaluation of assets	-11,950	-26,621
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	15,005	2,484
Difference between fair value depreciation and historical cost depreciation	1,550	1,104
Accumulated gains on assets sold or scrapped	274	13
Balance at 31 March	**-41,171**	**-46,050**

Accumulated Absences Account

Policy:

Salaries, wages and employment-related payments, including the value of leave earned but not yet taken, are recognised in the period that the service is received from employees. An accrual will be made for the cost of any unused leave entitlement which has been carried into the following year. The accrual is based on the amount of holiday pay that would be paid for each day owed and includes an estimate for any related on-costs that would also be payable, such as national insurance. The calculation is reviewed every three years or in the event of a known material change.

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

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

All figures are in £'000		2019/20		2018/19
Balance at 1 April		**671**		**708**
Settlement or cancellation of accrual made at the end of the preceding year	-671		-708	
Amounts accrued at the end of the current year	415		671	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-256		-37
Balance at 31 March		**415**		**671**

Notes to the Statement of Accounts

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

All figures are in £'000	**2019/20**	**2018/19**
Balance at 1 April	**918,266**	**877,507**
Re-measurements of the net defined benefit liability	-116,020	10,593
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,618	37,583
Employer's pensions contributions and direct payments to pensioners payable in the year	-11,279	-7,417
Balance at 31 March	**821,585**	**918,266**

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

All figures are in £'000	**2019/20**	**2018/19**
Balance at 1 April	**-855**	**-881**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income for the year in accordance with statutory requirements	335	207
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income for the year in accordance with statutory requirements	-53	-181
Balance at 31 March	**-573**	**-855**

Notes to the Statement of Accounts

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

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

All figures are in £'000	**2019/20**	**2018/19**
Balance at 1 April	**-63,169**	**-63,277**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	4,969	4,726
Revaluation (gains) / losses on property, plant and equipment	-831	2,341
Revaluation losses on assets held for sale	-	-246
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	107	45
Adjusting amounts written out of the Revaluation Reserve	-1,550	-1,104
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
Statutory provision for the financing of capital investment charged against the General Fund	-969	-969
Capital expenditure charged against the General Fund Balance	-1,729	-4,685
Balance at 31 March	**-63,172**	**-63,169**

17. Officers' Remuneration

This table provides details of actual remuneration for 2019/20 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2018/19 is also shown below. Details of the Senior Officer structure and related salary is published on the Authority's website at http://www.kent.fire-uk.org

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

*Change in role title during 2019/20

Post Holder Information All figures are in £'000	Salary and Allowances*	Pension Contributions	Total Remuneration inc Pension Contributions
2018/19			
Chief Executive – A Millington	157.0	19.2	176.2
Director Operations – S Bone-Knell	124.4	27.0	151.4
Director Finance and Corporate Services – 30 hours (to February 2019)	92.3	-	92.3
Director Finance and Corporate Services (from March 2019)	10.5	1.3	11.8
Assistant Director Response and Training	93.8	20.3	114.1
Assistant Director Operational Resilience and Development (to be deleted September 2019)	93.8	20.3	114.1
Assistant Director Channel Tunnel and Resilience (new post from January 2019)	23.7	3.5	27.2
Assistant Director Finance (post deleted from March 2019)	85.9	10.8	96.7
Assistant Director Service Delivery (to November 2018)	62.3	13.5	75.8
Assistant Director Service Delivery (from October 2018)	39.9	5.0	44.9
Assistant Director Human Resources	93.8	11.8	105.6
Assistant Director Policy and Performance	93.8	11.8	105.6
	971.2	**144.5**	**1,115.7**

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

Remuneration Band	Number of Employees 2019/20	2018/19
£50,000 - £54,999	52	59
£55,000 - £59,999	41	25
£60,000 - £64,999	12	17
£65,000 - £69,999	17	12
£70,000 - £74,999	3	3
£75,000 - £79,999	4	6
£80,000 - £84,999	2	1
Total	**131**	**123**

Notes to the Statement of Accounts

18. Members' Allowances

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

All figures are in £'000	2019/20	2018/19
Allowances	77	75
Expenses	1	1
Total	**78**	**76**

19. External Audit Costs

The following external audit costs were incurred in the year.

All figures are in £'000	2019/20	2018/19
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year	27	27
Additional Audit Fee	5	-
Refund from Public Sector Audit Appointments of retained earnings transferred from the Audit Commission and surplus funds	-3	-
Total	**29**	**27**

20. Grant Income

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

All figures are in £'000	2019/20	2018/19
Credited to Taxation and Non-Specific Grant Income:		
Small Business Rate Relief	1,169	1,221
Transparency Code Set-Up Grant	8	8
Covid-19 Grant	262	-
Credited to Services:		
From UK Government:		
New Dimension	972	972
Fire Link	600	582
ESMCP	63	41
New Threats	78	61
Fire Pension	3,536	-
Apprenticeship Levy Draw-Down	190	101
Office of Rail Regulation - Channel Tunnel Safety Authority	63	117
Total	**6,941**	**3,103**

Notes to the Statement of Accounts

21. Related Parties

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

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

Senior Officers and Members - The total remuneration paid to senior officers is shown in Note 17 and details of Members' allowances paid in 2019/20 are shown in Note 18.

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

Kent County Council - The Authority contracts with the County Council for the provision of various services and the amount paid for 2019/20 was £171k (£195k in 2018/19). The services purchased include pension and treasury administration, insurance claims handling, IT network services and internal audit. The Monitoring Officer for the Authority is provided by the General Counsel and they are also the Monitoring Officer for KCC.

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

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

Notes to the Statement of Accounts

22. Capital Expenditure and Capital Financing

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

All figures are in £'000	**2019/20**	**2018/19**
Opening Capital Financing Requirement	**4,736**	**5,705**
Capital Investment		
Property, Plant and Equipment	1,729	4,685
Sources of Finance:		
Government Grants and Contributions	-	-
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-1,729	-4,685
Minimum Revenue Provision	-189	-425
Voluntary Revenue Provision	-780	-544
Closing Capital Financing Requirement	**3,767**	**4,736**
Explanation of movements in year:		
Decrease in underlying need to borrow	-969	-969
Change in Capital Financing Requirement	**-969**	**-969**

23. Leases

Policy:

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

The Authority has a number of operating leases, these include managed service arrangements for the provision of personal and protective equipment (PPE) for firefighters and watercoolers. There are also a number of lower value agreements that expired during 2019/20.

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

	2019/20	**2018/19**
Not later than one year	775	929
Later than one year and not later than five years	4,349	4,400
Later than five years	1,639	2,485
Total	**6,763**	**7,814**

Notes to the Statement of Accounts

24. Termination Benefits

Exit Packages by Cost Band

Cost Band	2019/20				Restated 2018/19			
	Compulsory Redundancies		Other Departures Agreed		Compulsory Redundancies		Other Departures Agreed	
£	No.	£'000	No.	£'000	No.	£'000	No.	£'000
0k - 20k	1	9	5	37	1	2	2	13
20k - 40k	3	92	2	53	-	-	-	-
40k - 60k	-	-	-	-	1	46	-	-
60k - 80k	-	-	-	-	-	-	-	-
80k - 100k	-	-	-	-	-	-	-	-
100k -150k	1	120	-	-	-	-	-	-
Total	**5**	**221**	**7**	**90**	**2***	**48***	**2**	**13**

*Comparative amended to reflect final payments in 2018/19 being £0.1k lower than accrued in 2017/18

The cost of exit packages includes pension strain costs, redundancy costs and notice period salary costs if on garden leave. The total cost of exit packages (£311k) has been reflected as expenditure in 2019/20, however this charge includes £22k for exit costs agreed in 2019/20 that are due to be paid in 2020/21.

25. Defined Benefit Pension Schemes

Participation in Pension Schemes

Policy:

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

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

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

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

The Authority participates in four employment schemes:

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

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

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

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

Firefighters' Pension Scheme

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

As a result of the latest pension scheme valuation, employer contribution rates were increased significantly from 1st April 2019. The Government provided a grant to cover approximately 90% of the increase in costs for the 2019/20 financial year. In 2019/20 the Authority paid £8,116k (£4,152k in 2018/19) to the Firefighters' Pension Fund in respect of firefighters' retirement benefits, representing 30% (16.2% in 2018/19) of firefighter pensionable pay (employer contribution rates are 37.3% (21.7% in 2018/19) for members of the 1992 and modified schemes, 27.4% (11.9% in 2018/19) for members of the 2006 scheme and 28.8% (14.3% in 2018/19) for members of the 2015 scheme). In addition £272k was paid to the Fund in respect of ill-health charges (£184k) and non-abated pensions (£88k).

2. **The 1992 Firefighters' Pension Scheme** - is governed by the Firefighters' Pension Scheme Order 1992 and related regulations. This scheme was closed to new entrants from April 2006.

3. **The 2006 New Firefighters' Pension Scheme** - is governed by the Firefighters' Pension Scheme (England) Order 2006. This scheme was closed to new entrants from April 2015. A new modified section was introduced within this scheme as a result of the Retained

Firefighters' Pension Settlement and offered to retained firefighters employed between 1 July 2000 and 5 April 2006.

4. **The 2015 Firefighters' Pension Scheme** – introduced on 1 April 2015 and is governed by the Firefighters' Pension Scheme (England) Regulations 2014.

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

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

Transactions Relating to Post-employment Benefits

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

McCloud / Sargeant Ruling on Pension Account Disclosures

Two successful employment tribunal cases were brought against the Government in relation to discrimination on reforms to public sector pensions in 2015. On 15 July 2019 the Government issued a statement to confirm that it expected to have to amend all public service pension schemes.

Firefighters' Pension Schemes: An allowance was made for this judgement in the IAS19 disclosure at 31 March 2019. This allowance was made on the assumption that all those who were previously members of a final salary scheme will remain in that scheme and only new staff joining after 1 April 2015 join the 2015 CARE scheme.

Local Government Pension Scheme: An allowance has been made for this judgement in the IAS19 disclosure at 31 March 2020. The estimated impact on total liabilities has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. The projected service cost has also increased as a result of this additional allowance. This adjustment is an estimate of the potential impact on the defined benefit obligation based on analysis by the Government Actuary's Department (GAD) and the Authority's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

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

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

In response to the judgement the Government has stated that those who have previously claimed under the PTWD would be entitled to a further remedy in respect of service prior to 7 April 2000. No allowance has been made in the IAS19 disclosure at 31 March 2020 as the remedy is yet to be agreed and there is a lack of historic data to make a reasonable estimate as to the cost of its impact.

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

All figures are in £'000	LG Pension Scheme 2019/20	LG Pension Scheme 2018/19	Firefighter Schemes 2019/20	Firefighter Schemes 2018/19	Firefighter Injury 2019/20	Firefighter Injury 2018/19	Total 2019/20	Total 2018/19
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
Current service cost	4,359	3,719	16,928	10,695	875	553	22,162	14,967
Past service costs	992	121	140	16,881	-	908	1,132	17,910
Financing and Investment Income and Expenditure:								
Net interest expense	664	710	20,306	20,546	803	841	21,773	22,097
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**6,015**	**4,550**	**37,374**	**48,122**	**1,678**	**2,302**	**45,067**	**54,974**
Remeasurement of the net defined benefit liability comprising:								
Return on Plan assets (excluding the amount in net interest expense)	6,319	-3,108	-	-	-	-	6,319	-3,108
Actuarial gains and losses arising on changes in:								
Financial assumptions	-10,112	4,669	-77,490	39,134	-1,432	607	-89,034	44,410
Demographic assumptions	-2,131	-5,170	-3,251	-24,519	-2,932	-1,020	-8,314	-30,709
Experience loss/gain(-) on defined benefit obligations	6,470	-	-25,206	-	-5,425	-	-24,161	-
Other actuarial losses/gains(-)	-830	-	-	-	-	-	-830	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**5,731**	**941**	**-68,573**	**62,737**	**-8,111**	**1,889**	**-70,953**	**65,567**
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-6,015	-4,550	-37,374	-48,122	-1,678	-2,302	-45,067	-54,974
Actual amount charged against the General Fund Balance for pensions in the current year:								
Employer's contributions payable to scheme	1,601	1,411	8,322	4,541	1,356	1,465	11,279	7,417
Retirement benefits payable to pensioners – Authority	-	-	-	-	1,356	1,465	1,356	1,465
Retirement benefits payable to pensioners - Fund	1,697	2,086	26,357	25,493	-	-	28,054	27,579

Notes to the Statement of Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

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

All figures are in £'000	2019/20	2018/19
Present value of the defined benefit obligation:		
Local Government Pension Scheme	-91,567	-90,613
Fire Pension Schemes	-790,626	-891,437
Fair value of assets in the Local Government Pension Scheme	60,608	63,859
Subtotal	**-821,585**	**-918,191**
Other movements in the liability	-	-75
Net liability arising from defined benefit obligation	**-821,585**	**-918,266**

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

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

Discretionary benefits arrangements have no assets to cover their liabilities.

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

All figures are in £'000	2019/20	2018/19
Opening fair value of scheme assets	63,859	59,237
Interest income	1,541	1,511
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount in the net interest expense	-6,319	3,108
Other actuarial gains	830	-
Administration expenses	-37	-30
Contributions from employer	1,601	1,411
Contributions from employees into the scheme	830	716
Benefits paid	-1,697	-2,086
Unfunded pension payments	-	-8
Closing fair value of scheme assets	**60,608**	**63,859**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £4,778k (2018/19: £4,619k).

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

All figures are in £'000	Local Government Pension Scheme 2019/20	Local Government Pension Scheme 2018/19	Firefighter Pension Schemes 2019/20	Firefighter Pension Schemes 2018/19	Firefighter Injury 2019/20	Firefighter Injury 2018/19	Total 2019/20	Total 2018/19
Balance at 1 April	**-90,688**	**-86,536**	**-857,286**	**-816,481**	**-34,151**	**-33,727**	**-982,125**	**-936,744**
Current service cost	-4,359	-3,719	-16,928	-10,695	-875	-553	-22,162	-14,967
Interest cost	-2,168	-2,191	-20,306	-20,546	-803	-841	-23,277	-23,578
Contributions from scheme participants	-830	-716	-3,586	-3,561	-	-	-4,416	-4,277
Re-measurement (gains) and losses - actuarial gains/losses arising from:								
changes in financial assumptions	10,112	-4,669	77,490	-39,134	1,432	-607	89,034	-44,410
change in demographic assumptions	2,131	5,170	3,251	24,519	2,932	1,020	8,314	30,709
Past service cost	-992	-121	-140	-16,881	-	-908	-1,132	-17,910
Experience loss/(gain) on defined benefit obligation	-6,470	-	25,206	-	5,425	-	24,161	-
Benefits paid	1,697	2,086	26,357	25,493	1,356	1,465	29,410	29,044
Unfunded pension payments	-	8	-	-	-	-	-	8
Balance at 31 March	**-91,567**	**-90,688**	**-765,942**	**-857,286**	**-24,684**	**-34,151**	**-882,193**	**-982,125**

Local Government Pension Scheme assets comprised:

	31 March 2020 £'000	%	31 March 2019 £'000	%
Equity Investments	37,285	61	43,789	68
Gilts	471	1	420	1
Other Bonds	7,900	13	5,815	9
Property	8,247	14	7,670	12
Cash	1,586	3	1,114	2
Absolute Return Fund	5,119	8	5,051	8
Total	**60,608**	**100**	**63,859**	**100**

The table below details percentages of the total Fund held at 31 March 2020 in each class of asset (split by those that have a quoted market price in an active market and those that do not).

		31 March 2020 % Quoted	31 March 2020 % Unquoted
Fixed Interest Government Securities	Overseas	0.8	-
Corporate Bonds	UK	4.2	-
	Overseas	8.8	-
Equities	UK	19.2	-
	Overseas	38.7	-
Property	All	-	13.6
Others	Absolute return portfolio	8.4	-
	Private equity	-	2.5
	Infrastructure	-	1.1
	Derivatives	-	-0.3
	Cash/temporary investments	-	2.6
Net Current Assets	Debtors	-	0.7
	Creditors	-	-0.3
Total		**80.1**	**19.9**

Notes to the Statement of Accounts

Significant Actuarial Assumptions

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

	Pension Scheme			
	Local Government		Firefighter	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
Longevity at 65 for current male pensioners:	21.8	22.0	20.8	21.8
Longevity at 65 for current female pensioners	23.7	24.0	22.9	23.9
Longevity at 65 for future male pensioners	23.2	23.7	22.2	23.5
Longevity at 65 for future female pensioners	25.2	25.8	24.4	25.7
Other assumptions:				
Rate of consumer price index inflation	1.95%	2.40%	1.90%	2.40%
Rate of retail price index inflation	2.75%	3.40%	2.70%	3.40%
Rate of increase in salaries	2.95%	3.90%	2.90%	3.90%
Rate of increase in pensions	1.95%	2.40%	1.90%	2.40%
Rate for discounting scheme liabilities	2.35%	2.40%	2.35%	2.40%
Take-up of option to pay 50% of contributions for 50% of benefits	0.00%	0.00%	N/A	N/A
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%

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

Impact on the Defined Benefit Obligation in the Schemes

Change in assumption:	Local Government Pension Scheme		Firefighter Pension Schemes		Injury and Ill-Health	
All figures are in £'000	Increase	Decrease	Increase	Decrease	Increase	Decrease
Increase or decrease:						
Life expectancy by 1 year	3,254	-3,138	32,870	-31,476	1,346	-1,276
Rate of increase in salaries by 0.1%	278	-275	1,677	-1664	-	-
Rate of increase in pensions by 0.1%	1,824	-1,782	12,866	-12,866	469	-460
Rate for discounting scheme liabilities by 0.1%	-2,047	2,096	-14,210	14,493	-458	-1,743

Impact on the Authority's Cash Flows

Employer contributions for the LGPS scheme are now set to cover 100% of current service costs. The last triennial valuation was carried out as at 31 March 2019, to determine contribution rates for the period from April 2020 to March 2023. The Authority's contribution rates will be increased from the current rate of 12.5% in 2019/20 to 13.5% from 1 April 2020, to 14.5% from 1 April 2021 and to 15.5% from 1 April 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. The LGPS scheme became a career-average revalued earnings (CARE) scheme from April 2014.

On 28 February 2019, the Government Actuary Department (GAD) published the final reports into the 2016 valuation of the firefighter pension schemes. This included the scheme specific employer contribution rates for the period April 2019 to March 2023. Employer contribution rates increased significantly as a result of the valuation and the Government has confirmed that a section 31 grant will continue to be paid to authority's to cover approximately 90% of the additional cost in 2020/21.

Unless firefighters had protection under existing scheme membership, all firefighters transferred to the 2015 Firefighter CARE Pension Scheme on 1 April 2015. The Authority expects to make the following contributions to pension schemes in the year to 31 March 2021: LGPS (13.5%) £1,833k, 1992 Firefighter Pension Scheme (37.3%) £1,310k, 2006 Firefighter Pension Scheme (27.4%) £152k, 2015 Firefighter Pension Scheme (28.8%) £6,913k and Modified 2006 Firefighter Pension Section (37.3%) £44k. The estimated weighted average duration of the defined benefit obligation for scheme members is 19 years for the Firefighter Schemes and 23 years for LGPS (20 and 22 years respectively in 2018/19).

26. Contingent Liabilities and Assets

Policy:

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

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

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

Fire and Rescue Indemnity Company (FRIC) - The Authority is one of the eleven fire authorities that now form the hybrid discretionary mutual protection company to provide financial indemnity protection. All eleven Services have been working together to reduce risk and share best practice. Protection is in place to limit each member's exposure to financial loss. Contributions are paid to the company and the surplus from the first two years' operations is being held by the company in reserves. The reserve will enable peaks and troughs of claims expenditure to be managed and if the current level of performance is maintained, these funds could also be used for a number of other purposes including funding for improved risk management; to increase the level of claims costs borne by FRIC (thereby reducing external insurance costs); or reducing the contributions of member FRAs. Realistically however, it is likely to be some years before sufficient funds are accumulated to permit any significant reductions.

27. Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

The annual Investment and Treasury Management Strategy was approved by the Authority in February 2019, and is implemented by the Finance team. The key limits approved were:

- The authorised limit for external borrowings and long term liabilities was set at £20m.
- The operational boundary, or expected level of debt and other long term liabilities during the year, was set at £18m.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% respectively.
- No investments would be made for a period in excess of twelve months.

Notes to the Statement of Accounts

Market Risk

Interest Rate Risk

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

As at 31 March 2020 all borrowing was at fixed interest rates and is carried at amortised cost, therefore movements in interest rates do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Long term borrowing decisions are based on interest rates prevailing at the time and there is a risk that the rate on a loan may be higher than the market rate available in the future.

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

Interest earned on deposits and investments in 2019/20 was £335k which equates to an average rate of 0.73%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £44k.

Liquidity Risk

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

All figures are in £'000	**31 March 2020**
Less than one year	700
Between one and two years	424
Between two and five years	1,001
More than five years	-
Total	**2,125**

Credit Risk

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

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

The Authority's maximum exposure to credit risk in relation to its deposits in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. At the 31 March 2020 the Authority had £2.3m deposited with the Debt Management Office and £17.7m in Treasury Bills, both secure Government-backed assets. There was also £9.28m deposited in instant access accounts, £7.5m in notice accounts and £7m in fixed term.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks and building societies this is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority's investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values basic on historic default. The expected losses calculations as at 31 March 2020 resulted in a total immaterial figure. The CIPFA Code states that "accounting policies need not be applied if the effect of applying them would be immaterial" the effect of the expected losses have therefore not been shown in the accounts.

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

All figures are in £'000	**31 March 2020**
Less than three months	446
Three to six months	-
Six months to one year	1
More than one year	-
Total	**447**

Firefighters’ Pension Fund Account

28. Firefighters’ Pension Fund Account

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

All figures are in £’000	**2019/20 Pension Fund**	**2018/19 Pension Fund**
Contributions receivable from:		
Fire Authority:		
Contributions in relation to pensionable pay	-8,116	-4,151
Early retirements (ill health)	-184	-270
Other	-88	-216
Firefighters’ contributions	-3,585	-3,497
	-11,973	**-8,134**
Transfers in from other authorities	**-33**	**-58**
Benefits payable:		
Pensions	19,813	18,598
Commutation and lump sum retirement benefits	6,549	6,954
Lump sum death benefits	93	31
	26,455	**25,583**
Net amount payable for the year	14,449	17,391
Top-up grant payable by the Government	-14,449	-17,391
	-	**-**

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2020. Details of the Authority’s long-term pension obligations are shown in Note 25 to the Statement of Accounts.

Firefighters’ Pension Fund Net Assets Statement

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

All figures are in £’000	**2019/20**	**2018/19**
Current assets:		
Contributions due from Fire Authority	125	136
Top-up receivable from the Government	3,413	4,504
Current liabilities:		
Unpaid pension benefits	-596	-382
Other current liabilities[1]	-2,942	-4,258
Total	**-**	**-**

1 This reflects the extent to which the Pension Fund Account assets and liabilities impact on the Authority’s cash position.

Glossary of Terms

Budget

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

Billing Authority

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (the Code)

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

Collection Fund

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

Component Valuation

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

Current Value

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

Depreciation

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

Glossary of Terms

Employee Expenditure

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

ESMCP (Emergency Services Mobile Communications Programme)

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

Fair Value

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

General Fund Balance

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

Government Grants

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

Impairment Charge

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

Infrastructure Plan

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

Intangible Assets

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

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

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

Glossary of Terms

MHCLG

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates

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

Net Cost of Services

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

Past Service Pension Costs

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

Precept

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

Public Works Loans Board

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

Related Party Transaction

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

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute

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

SECAmb

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

Glossary of Terms

Voluntary Revenue Provision

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

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