Statement of Accounts

2021/22

The 2021/22 Pre Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of the Kent and Medway Towns Fire Authority by the Director of Finance and Corporate Services on 27 June 2022

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Date:

27 June 2022

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Narrative Report

Introduction

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

- An understanding of the Statement of Accounts.
- A review of the Authority's revenue and capital budget outturn for 2021/22.
- 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.

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

A glossary of the main terms used in the Statements are detailed on pages 74-77.

Revenue Budget and Expenditure

The Authority's main funding sources for the revenue budget are Council Tax, Non-Domestic (Business) Rates income and various Government grants. To ensure that the revenue budget is sustainable over the medium term, the Authority agreed to increase Council Tax by 1.93%, resulting in an annual increase in a Band D property of £1.53 making the Band D Council Tax charge £80.82 per annum (providing £973k of additional funding for 2021/22). The Covid-19 pandemic had a major impact on local taxation (Council Tax and Non-Domestic Rate income) for 2021/22 which included; a 0.85% reduction in the Council Tax Base (resulting in a £435k decrease in funding) and; a reduction in Business Rates income of £81k. Additionally, the Covid-19 pandemic had a significant impact on 2020/21 Council Tax and Business Rates collections, primarily due to the Government issuing additional Business Rates reliefs to the retail and hospitality sectors in 2020/21. This resulted in some very large Collection Fund deficits, to be repaid to Districts in 2021/22, totalling £3.639m (a reduction in Collection Fund funding of £4.186m for 2021/22 when compared to the Collection Fund surplus of £547k paid to the Authority in 2020/21).

Although the Revenue Support Grant was uplifted by September 2020 CPI, providing an additional £35k of funding, the Top-up grant was rolled forward with no inflationary uplift for 2021/22. The Business Rates Relief grant was increased by £53k, primarily due to the additional compensation provided by the Government for freezing the business rates multiplier for 2021/22. The Government also provided an additional one-off Local Council Tax Support grant (£956k) to compensate the Authority for the impact of the Covid-19 pandemic on the 2021/22 Council Tax base. The authority's net revenue budget was therefore £71.573m for 2021/22.

Pressures faced by the Authority on areas such as pay awards, inflationary prices growth and other commitments totalled £1.780m for 2021/22. An adjustment to the budgeted transfer to the General Reserves reduced the budget requirement by £150k and the Government provided grants totalling £3.326m to fund a large proportion of the Collection Fund Deficit repayment in 2021/22, meaning savings of £989k were required to balance the 2021/22 revenue budget.

The revenue budget outturn for 2021/22 was an underspend of £1.707m. The summary of the revenue budget and the final outturn is shown in the table below:

Revenue Budget Outturn 2021/22

All figures shown are in £'000	Original Budget	Revised Budget	Outturn	Variance
Service Costs	73,539	73,483	66,697	-6,786
Direct Pension Costs	1,871	1,871	2,473	602
Capital Financing Costs	6,478	3,896	3,013	-883
Transfers from(-) / to Reserves	-10,315	-7,677	-2,317	5,360
Total	**71,573**	**71,573**	**69,866**	
Net Revenue Budget surplus for the year				**-1,707**

Funded From:

Revenue Support Grant	6,457
Non-Domestic Rates	13,001
Council Tax	51,159
Council Tax Support Grant	956
Total	**71,573**

Revenue Budget Outturn 2021/22

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

Revenue Budget Variances	£'000
Pay, pensions and other employee costs	-1,272
Utility costs (including £1m backdated Business Rates rebate)	-965
Information Communication Technology	-219
Additional Covid-19 grant funding	-115
Professional and legal fees	136
Funding for 2021/22 pay award not drawn down from reserves	744
Other net underspends	-16
Net Revenue Budget Underspend	**-1,707**

At the end of the year £710k was transferred to the Rolling Budget Reserve to fund commitments made in 2021/22, but where the associated costs will not be incurred, or recognised (stock adjustments), until after 31 March 2022. During the year £917k was transferred from this reserve to fund expenditure committed in 2020/21 but not incurred until 2021/22, making the 2021/22 net movement on the Rolling Budget Reserve £207k.

Grant Income

Grant receipts for the year are detailed in Note 20 to the Accounts. In 2021/22 the Authority received £9.892m of revenue grants, outside of the core Settlement Funding Assessment (SFA). The actual grant income recognised in the year was £9.736m, as some grant income that had been accrued in 2020/21 was over estimated by £156k. The Authority's 2020/21 estimates for the Local Tax Income Guarantee Scheme grant (over estimated by £82k) and the Expanded Retail Reliefs grant (over estimated by £74k) were provided by the billing authorities for the closure of the 2020/21 accounts.

As in previous years the grants received in 2021/22 included; funding for New Dimensions and New Threats related work £1.057m; the Emergency Services Mobile Communications Programme (ESMCP) £18k; due to an error in the Home Office calculation of the Firelink grant, an overpayment in 2020/21 was recovered in 2021/22, so the grant was reduced to £548k (2020/21 £624k); small business rate relief grant of £1.292m and; a grant towards the additional cost due to increased employer pension contribution rates of £3.536m. The Office of the Rail Regulator paid £51k towards the cost of work carried out by the Authority for the Channel Tunnel Safety Authority; £48k was drawn down from the apprenticeship levy and; £8k was received towards the cost of complying with the Transparency Code.

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In addition, the Authority received; a grant of £480k to further bolster protection activity; a grant of £94k towards the administrative costs of implementing the remedy for the McCloud/Sargeant pension case; a grant of £1.585m to compensate the Authority for lost business rates income as a result of the additional retail and hospitality reliefs granted by the Government for 2021/22; a grant of £115k to cover additional costs incurred as a result of Covid-19; a grant of £956k towards lost Council Tax income due to Covid-19; a grant of £14k to fund additional audit costs and implement recommendations of the Redmond Review and; grants totalling £90k in relation to Road Safety activity.

Provisions

There are no new provisions this year. The Authority continues to make provision for Insurance with regard to claims notified but not yet settled and general provisions, which total £129k but also for the Authority's share of amounts provided by Kent billing authorities for Non-Domestic Rates appeals of £1.267m.

Revenue Reserves

At the February 2021 meeting of the Authority, Members agreed to maintain the target level of General Fund balances (also known as the General Reserve) to a level approximately equivalent to 5% of the base revenue budget. In line with this requirement, the General Reserve position at 31 March 2022 has been increased by £50k to £3.760m.

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 2022, earmarked reserves had reduced by £660k from the position reported at the end of the previous financial year. The majority of funds held in earmarked reserves are within the Infrastructure Reserve, a significant part of which is planned to be used to fund investment in station and premises improvements and the purchase of light and heavy fleet vehicles in future years. It is therefore expected that the funds held within this reserve will diminish over the medium term, as and when capital spend is incurred.

Capital Budget and Expenditure

Capital expenditure is defined as the purchase, improvement or enhancement of an asset, where the benefit of the expenditure will last beyond the year in which it was incurred. Capital expenditure for 2021/22 was £1.989m against a revised budget of £2.871m.

Some major improvement works on the Live Fire rig at Ashford were delayed until 2022/23 (£82k), Premises works included replacements of boilers and roofs and during the year further roofing works were identified so the budget increased, although the work was delayed at four stations due to a number of issues that arose in appointing a contractor, so planned expenditure slipped into 2022/23 (£502k). Boiler replacement costs were higher than expected, offset by a small saving against generators (£8k). Whilst the installation of the Mobile Data Terminals (MDTs) and companion devices on appliances is now complete, £148k of expenditure on the project has slipped to 2022/23 as there have been delays in securing a contractor to install the new cradle point aerial system and work is also ongoing in relation to the development of the MDT software. During the year 6 fire engines were delivered, fitted out for use and brought into operation. Delivery of a number of vehicles were undertaken during the year including, pool cars, a dog van and some specialist vehicles which between them were £15k less than budget. A delay in the delivery of the ladder truck has meant that £48k has now been slipped into 2022/23 and £95k of programmed spend for prime mover vehicles has also slipped into 2022/23 due to an extended lead time for the delivery of the chassis. The table below gives a breakdown of the net £882k underspend compared to the revised budget.

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Capital Budget Outturn 2021/22

All figures shown are in £'000	Original Budget	Revised Budget	Outturn	Variance
Station development programme	3,595	366	284	-82
Premises	74	617	123	-494
Information and communication systems	514	338	190	-148
Vehicles and equipment	6,223	1,550	1,392	-158
Total	**10,406**	**2,871**	**1,989**	
Net Capital Budget Underspend				**-882**

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 2021/22. 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 £154.6k and £269.4k matured during 2021/22 so was repaid, reducing the level of outstanding debt as at 31 March 2022 to £1.001m.

The Authority received £1.595m capital receipts during the year for the sale of 3 houses and land at Medway. This year no capital receipts were utilised to fund capital expenditure so capital reserves increased to £9.470m and were carried forward at 31 March 2022.

Treasury Activity

In February 2021, Members agreed the Treasury Management and Investment Strategy for the forthcoming year. The Authority continues to invest in Money Market funds to ensure the maximisation of interest earned whilst still maintaining security and liquidity. Interest rates had remained at the historically low level of 0.1% for the first 9 months of the financial year. The Authority has seen a slight increase in interest rates since December 2021 following the bank rate increase to 0.25% with a further increase to 0.5% in February and an increase to 0.75% in the last weeks of March. During the year the Authority earned £75k of interest on cash deposits equating to an average interest rate earned of 0.15%.

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 Advisor for independent treasury advice.

Pension Assets and Liabilities

The presentation of pension assets and liabilities within the accounts is a requirement of the legislation governing the preparation of these accounts. The overall impact of recognising the Authority's true net pension liability of £1.011bn on the Balance Sheet has led to an overall negative balance of £847.875m.

The net pension liability for 2021/22 for firefighter pension schemes has reduced by £13.569m to £967.519m. Movements on the pension liability can be quite volatile and are not only dependent on the assumptions used but also there is an impact depending on whether it is a full or roll-forward valuation. The Actuary for the firefighter pension schemes has carried out a full valuation for 2021/22.

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Changes to the financial assumptions included a reduction in the discount rate and an increase in the expectation of future inflationary pressures, resulting in an overall increase to the value of the defined benefit obligation. The reassessment of the net defined benefit liability has had a significant impact on the Comprehensive Income and Expenditure Statement resulting in a revised remeasurement of (£37.962m) in 2021/22 compared to £190.882m in 2020/21.

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 2022/23 – In October 2021 the Government announced the Autumn Budget and Spending Review, which confirmed that departmental budgets would grow in real terms at 3.8% a year, on average, from 2021/22 to 2024/25. However, the Final Local Government Finance Settlement, published in February 2022, only provided a one-year funding settlement for the Authority, for the 2022/23 financial year. There is, therefore, currently some uncertainty around the Authority's overall funding levels for the remainder of the spending review period, as changes resulting from the Fair Funding Review and possible changes to the Business Rates system may be reflected in the Authority's funding levels during this timeframe.

The 2022/23 Local Government Finance Settlement confirmed that Government funding would be 'rolled over' from 2021/22 with a CPI uplift applied to the Revenue Support grant. The Business Rates multiplier was frozen for 2022/23 and the Government agreed to compensate local authorities for the under-indexation through a Section 31 grant. Alongside the regular finance settlement, the Government announced a new one-off Services Grant for 2022/23 (£1.027m for this Authority), and although not ring-fenced, a proportion of the allocation is intended to fund the increase in employer national insurance contributions (1.25%). The Authority also agreed to increase Council Tax by 1.89% in 2022/23, 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 2022/23 and later years' capital plan through a combination of revenue funding, reserves, capital receipts and borrowing.

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

The Corporate Plan - Now known as the Customer Safety Plan, which reflects the Authority's focus on the customer, is the primary planning document for the Authority. All other documents, including the Safety and Wellbeing Plan link into this document. It was updated in July 2021 to reflect six new corporate strategies that set out how we think Kent and Medway will change over the next four years, these are:-

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

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

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

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

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

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

The Authority continues to look at ways to operate more efficiently, for example by streamlining processes and making them leaner. The Authority has, for a number of years, made average savings of £2m/£3m per annum, some of which facilitates the funding of increased cost pressures, but other savings are re-invested back into the service to fund improved areas of activity or investment. But the Authority is clear that the requirement to generate savings each year will continue for some time to come. Consequently the Authority is planning to deliver a further £4m of savings over the next four years. The challenge is to make sure the Authority can achieve these savings and still maintain or enhance the services delivered to the public. The Authority will continue to keep the safety of local people, businesses and firefighters as its priority when responding to these challenges.

Future Issues - The Home Secretary published the long awaited Fire Reform White paper on 18 May 2022, which includes plans to introduce reforms to fire safety across England and put the majority of the Grenfell Inquiry recommendations into law.

The White Paper also includes the potential establishment of a College of Fire and Rescue as well as proposing the transfer of fire governance to a single elected individual. It promises an independent review into the current pay negotiation process to consider if it is fit for a modern emergency service. These plans will be consulted upon with a deadline for responses of 26 July 2022.

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

Changes to Building Safety - Following the tragic fire at Grenfell Tower, the Government commissioned an inquiry led by Sir Martin Moore-Bick. Phase one of the Grenfell Tower inquiry reported on 30 October 2019 and made a number of recommendations for Fire and Rescue Services. The Fire Safety Act 2021 received Royal Assent on 29 April 2021 and came into force on the 16 May 2022.

COVID-19 - The Authority’s well-rehearsed business continuity plans were put into action with the onset of the Covid-19 pandemic. The IT infrastructure supported a seamless transition for many corporate support staff to work from home. Our on-going good relationship with SECAmb meant we were able to offer support early on by assisting in the delivery of Personal Protection Equipment

(PPE) within and across four counties, training a number of our staff to drive ambulances, wherever possible utilising our on-call staff who have lost primary jobs as first volunteers. We were involved in transporting some vaccine stocks during the year.

The impact of Covid-19 lockdown resulted in a number of suppliers closing for a large part of the year during 2020/21, as a result it has taken a while for suppliers to re-establish their supply chain and production which has seen the purchase of a number of vehicles slipped until 2022/23.

Our core funding is derived from Council Tax and Business Rates precepts collected on our behalf by the Local District Councils and Medway. Whilst the long term economic impact of Covid-19 is unknown, the Authority has commenced Kent wide monitoring in collaboration with the District Councils to understand the forecast for the Council Tax base. Likewise the long-term impact on the properties from which Business Rates is collected needs also to be considered going forward given the changes we are seeing on consumers' use of the high street.

The Pandemic has meant the vast majority of corporate staff have worked from home since 23 March 2020. Whilst this has brought some challenges, as would be expected, it has worked well. The Authority has reviewed how the future working environment will look and feel, as a more flexible approach to work is adopted. Work has been undertaken to reconfigure some parts of the estate whilst improving other areas, particularly at stations and Headquarters and colleagues are actively encouraged to be flexible in considering their work base. This has resulted in a number of corporate teams not only being able to work from home or Headquarters, but also working out of their local stations allowing for a better appreciation across the different roles within the organisation.

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

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The Development and Performance of the Authority in 2021/22 and Financial Position at 31 March 2022.

Budget Strategy

The Authority's budget for 2021/22 reflected the ongoing implementation of decisions made in the Safety and Wellbeing Plan. The Authority has a prudent approach to budget development ensuring that expenditure plans are fully resourced and that savings proposed are achievable.

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

Firefighter levels over the last three years and forecast levels into the future are now requiring more regular recruitment to whole-time firefighter posts. Further courses are planned for the future, albeit that the approach to the delivery of training will become more modular over time, moving away from the more costly long term residential training courses. In all areas of staffing, this Authority endeavours to achieve savings without the need for compulsory redundancies, wherever possible to do so. The recruitment of on-call firefighters however, continues to be difficult, so the Authority continues to explore and find more innovative and flexible ways of using the existing resources. More recently part-time contracts are being made available to provide the option for wholetime firefighters to return on a part-time basis after retirement, which will help with frontline service delivery.

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 £3.760m in General Reserves as at the 31 March 2022, which equates to approximately 5% of the base revenue budget.

At 31 March 2022 the Authority's earmarked reserves are healthy, with a balance of £37.561m. The year-end balance includes government funding to be used in 2022/23 to offset the Collection Fund deficit which has arisen due to the expanded business rates relief granted by the Government to businesses in the hospitality and leisure sectors in 2021/22 (£1.585m). The balance also includes a government grant (£468k for this Authority) which has been provided to authorities to cover 75% of the 2020/21 irrecoverable council tax and business rates losses which are to be spread over the 2021/22, 2022/23 and 2023/24 financial years in the Collection Funds. Details of the balances in each reserve and breakdown of government grants to be carried forward are provided in Note 15. Resources have been set aside in the Infrastructure Reserve to fund the Station Development programme, replacement fire appliances, vehicles, operational and IT equipment. As the revenue budget comes under greater pressure opportunities to replenish these balances will diminish as the current cycle of planned works and purchases are completed.

Cashflows

The Cash Flow Statement in the Accounts details the cashflows for the year and shows that the Authority's cash balances have decreased by £5.141m over the year. The Authority uses its temporary surplus cash balances to fund its capital financing requirement (in lieu of borrowing) with the remainder placed in interest bearing deposit accounts or Money Market Funds. At 31 March 2022 cash, deposits and investments totalled £49.680m. This comprises of £41.321m which represents the money set aside in general and earmarked reserves, £9.47m of unused capital receipts less £1.111m being the net of other assets and liabilities at the end of the financial year.

Over the next three years £1.001m of the Authority's loans from the Public Works Loan Board will be repaid and with over half of the Authority's reserves planned to be used for the Infrastructure Programme and other expenditure commitments, cash balances are expected to reduce over this timeframe.

The Authority's Financial and Non- Financial Performance Indicators

Financial Performance

Every year External Audit assesses the Authority's financial statements. The External Auditor, Grant Thornton's Findings Report for 2020/21 was reported to the Authority meeting in 22 July 2021. The Authority achieved publication of the audited accounts on 30 September, within the statutory deadline in a year that has been a particularly difficult year for the Audit profession where only 9% of local authority audits were completed nationally on or before the statutory deadline of 30 September.

The evaluation and reporting requirement for the annual value for money assessment which used to be included in the Audit Findings Report, changed for the 2020/21 Audit following a National Audit Office update of the "Code of Audit Practice". As part of the annual Audit of the financial statements Auditors are required to give a separate opinion on Value for Money which focuses on the Financial Stability, Governance and that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Auditors Annual Audit letter was presented to the Full Authority on the 18 February 2022. The report confirmed that the Authority has a history of sound financial management with a strong financial planning framework and sound arrangements for developing, updating and implementing its Medium Term Financial Plan (MTFP). The Authority has a significant medium term capital programme, with an adequate level of reserves to address unforeseen risks and support future spending plans. Reporting of financial planning information to Members is comprehensive and transparent, with early scene-setting information provided ahead of the annual budget process. Integrated reporting of the annual budget with the Medium Term Financial Plan (MTFP) is provided with a detailed analysis of both the annual budget and future planning information in order to achieve the service priorities.

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

Governance Assurance Statement

The Authority is required to undertake an annual review of its governance processes and to publish a Statement setting out the results of the review. The Statement, which is available on the Authority's website, shows how the Authority demonstrates good governance in its actions.

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

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Transparency

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

Inspection

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

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

The second round of inspections was due to take place for KFRS in late September / October 2020. However, due to the Covid-19 pandemic, the planned inspection activity was postponed and instead a Covid-19 themed inspection took place in early September. This differed from a normal inspection by being run remotely and was not scored or rated. Key members of the Authority were interviewed online and Covid-19 specific data was gathered and submitted, as well as a self-assessment of our plans and response to the pandemic. The results of this themed inspection were published on Friday 22 January 2021 in the form of a letter as opposed to the usual detailed and scored report, a copy of the letter can be found on the HMICFRS website. The letter confirmed that the Authority had adapted well in responding to the impact of the pandemic and that there was a constructive relationship across the service which enabled the service to move quickly to provide a new range of support outside of core activities.

The Authority is due to be re-inspected during the summer of 2022 and the findings are expected to be published towards the end of 2022.

Non-Financial Performance

Environmental Improvement and Asset and Fleet Strategy

The Asset and Fleet strategy is one of six strategies agreed by the Authority at the July 2021 meeting, in support of its Customer Safety Plan 2021-25. It sets out how the Authority aims to protect the environment of Kent and Medway in terms of buildings and the vehicles that are used in delivering the service. Environmental improvements have been made across the estate, including the installation of new energy efficient boilers and heating systems, as well as photovoltaic (PV) panels on 37 buildings including Headquarters. Other improvements to buildings have been made through better insulation, double-glazing and heating controls have also contributed to the reduction in energy use and improved efficiencies.

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

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

In our commitment to reducing our CO_2 emissions we have developed a climate action plan as part of a drive to be carbon neutral by 2030. As an example, we have undertaken a biodiversity audit across the estate and introduced 34 hybrid vehicles into our diverse fleet. All of these vehicles are pool cars and their hybrid system combines the use of a petrol engine and an electric motor, improving fuel efficiency and reducing exhaust emissions. Being conscious of the environmental impact caused by cars, these hybrid pool vehicles allow us to make our journeys more sustainably.

We have installed CCTV in all of our fire engines and blue light response vehicles alongside telematics in the majority of our vehicles. This has resulted in a number of benefits, including a saving of £60k on our vehicle insurance premiums as well as a more effective insurance claims process. Better management information is now being obtained to be able to defend against motor insurance claims made against us and to improve driving styles.

Our operational assets are under constant review to ensure we have the right equipment in the right place. We operate a range of rescue boats designed to work on inland waters, whilst rescues from the sea are undertaken by our colleagues in the Coastguard and the RNLI. A review has been completed of the boats we have and as a result the large powered boat located at Folkestone fire station has been re-located to Sheppey as it is better suited to the types of incidents it is used at. Folkestone now has a smaller inflatable boat more suitable to the types of rescue undertaken. This has enabled us to retire the boat currently at Sheppey from operational service. A powered boat has been moved to the Strood area to be permanently moored in the river to enable us to respond more quickly to the large number of rescues we are called to in the Medway area.

We have also looked at how we get large amounts of water to an incident, using a vehicle called a hose layer, and how we remove large amounts of water using large water pumps. As a result our least used hose layer has been removed from service, as whilst it is important we maintain this capability, there is not enough demand to require two hose layers within the County. This will save us approximately £250k whilst still enabling us to meet the likely risk from flooding and pumping water for firefighting at incidents.

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

Service Performance

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

The Authority attended 3,673 fires in 2021/22 (4,439 in 2020/21) which was higher than the performance in 2020/21, however it was consistent with the level in the previous two years. The three-year average outturn for the 2021-24 period is 3,442 fires, which is lower than the target of 4,210. The lower levels of fires can be attributed to outdoor fires and rubbish fires, both of which were lower than previous years and are heavily impacted by the weather. There were not any significant periods of prolonged dry weather or significantly low levels of rainfall in 2021.

Narrative Report

Accidental dwelling fires (ADFs) accounted for 23.7% of all the accidental fires attended in 2021/22. Historically, the Authority has performed very well in this area and has been amongst the top performers nationally for more than ten consecutive years. In 2021/22 524 incidents were attended which is lower than the levels seen in the previous years (-21) but consistent with the levels seen in the previous two years. The three year average performance for the medium term period (2021-24) was 521 which is 2.0% better than the target of 532.

Reducing the number of road traffic collisions (RTCs) across Kent and Medway and the number of people killed or seriously injured (KSI) as a result continues to be a priority for the Authority. In 2021/22 the Authority attended 1,043 RTCs which is 371 more than in 2020/21. A reduction in RTCs was seen in each month in 2020/21 compared to the previous year which includes a large reduction during the lockdown periods; the months of April and May had only a third of the expected levels of activity for those months and November and January had half the expected levels. The number of RTCs attended in 2021/22 was back to consistent levels with the years prior to the pandemic. 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 2021/22 the Authority attended 3,412 of these incidents which is higher than the amount attended in the previous year (2,266).

The Authority's response times to life-threatening incidents has not changed significantly compared to previous years. In 2021/22 70.9% of life-threatening incidents were reached within 10 minutes and 81.7% within 12 minutes. Overall performance is marginally lower than the targets set for these indicators; 71% and 82% respectively.

In addition to responding to emergency calls, the Authority carries out a number of activities to support our customers and business safety. In 2021/22, the Authority's Customer Safety teams have delivered 10,874 Safe and Well Visits to customers across the County. In addition to these visits, crews have delivered 10,609 home safety visits. Our business safety teams audited 1,383 buildings in 2021/22. In addition the Authority has carried out 1,937 building regulation consultations in the last year.

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

Customer Service

We carry out regular benchmarking to see how good we are at providing excellent Customer Service. The Institute of Customer Service undertakes two surveys for us, one with our external customers and one with our colleagues. The results of the last survey completed by Kent and Medway residents, revealed that the Authority is providing an exceptional level of customer service across the board, including emergency response, safe and well home visits and building fire safety inspections. When benchmarked against other local public services in the institute's UK Customer Satisfaction Index, the Authority scores compare exceptionally well across the areas measured; experience, customer ethos, emotional connection, ethics and complaint handling. The Authority also compared well against the all sector UK Customer Satisfaction Index average, which includes private sector organisations.

An internal survey was completed by Authority staff to understand how customer focused the organisation is and it was positive to see that the results of this survey showed that the Authority is better on average that its local public sector benchmark group. Our scores from both our external and internal colleagues enabled us to apply for the Service Mark accreditation, Kent Fire and Rescue was awarded the Service Mark accreditation, making us the first fire service to achieve this recognition.

Narrative Report

The Authority has been also been awarded a Bronze winner in the iESE Public Sector Transformation Awards for its innovative work in embedding a customer-centric culture throughout the organisation for tailoring services for everyone in the county to help keep them safe.

Use of Resources Summary

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

Last year the Authority delivered £989k of base revenue budget savings as set out in the budget for 2021/22 and over the next four years the Authority has the challenge to make approximately £4m of further savings which need to be both sustainable and deliverable so that a high quality and effective service can continue to be delivered.

The Authority 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 2022.

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

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

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

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

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Comprehensive Income and Expenditure Statement

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

All figures are in £'000	**2020/21** *Restated						**2021/22**
***Gross Expenditure**	***Gross Income**	***Net**		Note	**Gross Expenditure**	**Gross Income**	**Net**
53,173	-6,652	46,521	Operational Response and Resilience		62,585	-6,682	55,903
6,577	-697	5,880	Customer Safety, Business Safety and Engagement		8,410	-791	7,619
25,975	-1,811	24,164	Corporate Teams		25,592	-1,285	24,307
2,445	-	2,445	Pensions, Financing and Other Costs		3,397	-	3,397
88,170	**-9,160**	**79,010**	**Cost of Services**	7	**99,984**	**-8,758**	**91,226**
			Other Operating Expenditure				
69	-	69	Gain(-) / Loss on disposal of non-current assets		-175	-	-175
			Financing & Investment Income & Expenditure				
80	-	80	Interest payable and similar charges	7	56	-	56
19,091	-	19,091	Net interest on the defined benefit liability		20,340	-	20,340
-	-103	-103	Interest and Investment income	7	-	-75	-75
-	43	43	Gain(-) / Loss on financial instruments carried at fair value through profit or loss	7		-6	-6
			Taxation and Non-Specific Grant Income				
-	-49,959	-49,959	Council Tax income	7	-	-53,201	-53,201
-	-11,873	-11,873	Non-domestic rates and top-up grant	7	-	-13,947	-13,947
-	-13,208	-13,208	Non ring-fenced grants	7	-	-10,258	-10,258
-	-10,936	-10,936	Government grant payable to pension fund	28	-	-14,025	-14,025
		12,214	**Deficit on Provision of Services**				**19,935**
		-2,903	Surplus(-) on revaluation of property plant and equipment	16			-8,731
		190,882	Re-measurements of the net defined benefit liability	25			-37,962
		187,979	**Other Comprehensive Income and Expenditure**				**-46,693**
		200,193	**Total Comprehensive Income and Expenditure**				**-26,758**

*2020/21 figures have been re-stated to enable comparability to the revised functional presentation for 2021/22

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 2021/22 Movement in Reserves Statement follows on from the 2020/21 Statement below:

2020/21 **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 2020 brought forward		**-3,510**	**-29,899**	**-9,234**	**-42,643**	**717,084**	**674,441**
Movement in reserves during 2020/21:							
Deficit on the provision of services	6	12,214	-	-	12,214	-	12,214
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability	25	-	-	-	-	185,795	185,795
Changes to injury scheme		-	-	-	-	5,087	5,087
Revaluation gains	16	-	-	-	-	-3,123	-3,123
Revaluation losses charged to revaluation reserve		-	-	-	-	220	220
Total Comprehensive Income and Expenditure		**12,214**	**-**	**-**	**12,214**	**187,979**	**200,193**
Adjustments between accounting basis and funding basis under regulations							
Adjustments to revenue resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-37,491	-	-	-37,491	37,491	-
Gain in relation to Government grant payable to the pension fund	25	10,936	-	-	10,936	-10,936	-
Employer's contribution to pension schemes	16	12,166	-	-	12,166	-12,166	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	-4,763	-	-	-4,763	4,763	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	-122	-	-	-122	122	-

Movement in Reserves Statement

2020/21 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 surplus or deficit on the Provision of Services, in relation to Capital Expenditure(these items are charged to the capital adjustment account)							
Depreciation and impairment of non-current assets	8	-4,687	-	-	-4,687	4,687	-
Revaluation gains/losses on property, plant and equipment	16	95	-	-	95	-95	-
Revaluation gains/losses on assets held for sale	16	84	-	-	84	-84	-
Derecognition of non-current assets and non-current assets held for sale	8	-81	-	-	-81	81	-
Total adjustments to revenue resources		**-23,863**	**-**	**-**	**-23,863**	**23,863**	**-**
Adjustments between revenue and capital resources							
Transfer of cash sale proceeds as part of the gain/(loss) on disposal		12	-	-12	-	-	-
Administrative costs of non-current asset disposals		0		0	-	-	-
Statutory provision for the repayment of debt	16,22	151	-	-	151	-151	-
Voluntary provision for the repayment of debt	16,22	818	-	-	818	-818	-
Capital expenditure funded from revenue contribution	16,22	2,146	-	-	2,146	-2,146	-
Total adjustments between revenue and capital resources		**3,127**	**-**	**-12**	**3,115**	**-3.115**	**-**
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22		-	1,371	1,371	-1,371	-
Total adjustments to capital resources		**-**	**-**	**1,371**	**1,371**	**-1,371**	**-**
Net increase/decrease before transfer to Earmarked Reserves	15	**-8,522**	**-**	**1,359**	**-7,163**	**207,356**	**200,193**
Transfers to/from Earmarked Reserves		8,322	-8,322	-	-	-	-
(Increase)/Decrease in 2020/21	16	-200	-8,322	1,359	-7,163	207,356	200,193
Balance at 31 March 2021		**-3,710**	**-38,221**	**-7,875**	**-49,806**	**924,440**	**874,634**
Amounts held for revenue purposes		-3,710	-16,147	-	-19,857	1,031,583	1,011,726
Amounts held for capital purposes		-	-22,074	-7,875	-29,949	-107,143	-137,092

Movement in Reserves Statement

2021/22 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 2021 brought forward		**-3,710**	**-38,221**	**-7,875**	**-49,806**	**924,440**	**874,634**
Movement in reserves during 2021/22:							
Deficit on the provision of services	6	19,935	-	-	19,935	-	19,935
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-37,350	-37,350
Changes to injury scheme		-	-	-	-	-612	-612
Revaluation gains	16	-	-	-	-	-8,752	-8,752
Revaluation losses charged to revaluation reserve		-	-	-	-	21	21
Total Comprehensive Income and Expenditure		**19,935**	**-**	**-**	**19,935**	**-46,693**	**-26,758**
Adjustments between accounting basis and funding basis under regulations							
Adjustments to revenue resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-49,427	-	-	-49,427	49,427	-
Gain in relation to Government grant payable to the pension fund	25	14,025	-	-	14,025	-14,025	-
Employer's contribution to pension schemes	16	12,833	-	-	12,833	-12,833	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	4,279	-	-	4,279	-4,279	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	104	-	-	104	-104	-

Movement in Reserves Statement

2021/22 continued All figures are in £'000	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Reversal of entries included in the surplus or deficit on the Provision of Services, in relation to Capital Expenditure(these items are charged to the capital adjustment account)							
Depreciation and impairment of non-current assets	8	-4,964	-	-	-4,964	4,964	-
Revaluation gains/losses on property, plant and equipment	16	690	-	-	690	-690	-
Revaluation gains/losses on assets held for sale	16	3	-	-	3	-3	-
Assets sold written out as part of the gain/(loss) on disposal	8	-1,420	-	-	-1,420	1,420	-
Total adjustments to revenue resources		**-23,877**	**-**	**-**	**-23,877**	**23,877**	**-**
Adjustments between revenue and capital resources							
Transfer of non-current asset sale proceeds as part of the gain/(loss) on disposal		1,604	-	-1,604	-	-	-
Administrative costs of non-current asset disposals		-9	-	9	-	-	-
Statutory provision for the repayment of debt	16,22	112	-	-	112	-112	-
Voluntary provision for the repayment of debt	16,22	857	-	-	857	-857	-
Capital expenditure funded from revenue contribution	16,22	1,989	-	-	1,989	-1,989	-
Total adjustments between revenue and capital resources		**4,553**	**-**	**-1,595**	**2,958**	**-2,958**	**-**
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22	-	-	-	**-**	**-**	**-**
Total adjustments to capital resources		**-**	**-**	**-**	**-**	**-**	**-**
Net increase/decrease before transfer to Earmarked Reserves	15	**610**	-	1,595	-20,919	20,919	-
Transfers to/from Earmarked Reserves		-660	660	-	-	-	-
(Increase)/Decrease in 2021/22	16	-50	660	-	-	-	-
Balance at 31 March 2022		**-3,760**	**-37,561**	**-9,470**	**-50,791**	**898,666**	**847,875**
Amounts held for revenue purposes		-3,760	-14,884	-	18,644	**1,011,807**	**993,163**
Amounts held for capital purposes		-	-22,677	-9,470	-32,147	**-113,141**	**-145,288**

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 2021	All figures are in £'000	Notes		31 March 2022
	Property, Plant and Equipment			
92,469	Land and buildings	8	98,485	
11,164	Vehicles, plant and equipment	8	13,635	
3,656	Assets under construction	8	1,408	
-	Surplus assets not held for sale	8	924	
107,289	**Long Term Assets**			**114,452**
31,300	Short Term Investments	9	37,999	
2,654	Assets Held for Sale	12	520	
128	Inventories		436	
11,399	Short term Debtors	10	14,049	
16,822	Cash and Cash Equivalents	9,11	11,681	
62,303	**Current Assets**			**64,685**
-424	Short Term Borrowing	9	-300	
-13,468	Short Term Creditors	13	-12,645	
-1,465	Provisions	14	-1,396	
-15,357	**Current Liabilities**			**-14,341**
-1,001	Long Term Borrowing	9	-701	
	Other Long Term Liabilities:			
-1,012	Long Term Creditors	13	-507	
-981,088	Firefighters' pension liability	25	-967,519	
-45,768	Net LGPS pension liability	25	-43,944	
-1,028,869	**Long Term Liabilities**			**-1,012,671**
-874,634	**Net Assets**			**-847,875**
	Usable Reserves:			
-3,710	General reserves	15	-3,760	
-38,221	Earmarked reserves	15	-37,561	
-7,875	Usable capital receipts		-9,470	
924,440	Unusable Reserves	16	898,666	
874,634	**Total Reserves**			**847,875**

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 2021	All figures are in £'000	Notes	31 March 2022
	Operating Activities		
	Cash Outflows		
60,908	Cash paid to and on behalf of employees	7	63,066
85	Interest paid	7	63
15,301	Cash paid to suppliers of goods and services	7	15,418
76,294	**Cash outflows generated from operating activities**		**78,547**
	Cash inflows		
-51,270	Precepts received	7	-51,160
-6,422	Revenue support grant	7	-6,457
-6,812	Business Rates	7	-3,136
-8,514	Business Rate top-up grant	7	-8,514
-8,889	Other revenue grants	7,20	-8,548
-2,101	Cash received for goods and services	7	-2,196
-247	Interest received	7,27	-63
-655	Other operating cash receipts	7	-738
-84,910	**Cash inflows generated from operating activities**		**-80,812**
-8,616	**Net cash inflow from operating activity**		**-2,263**
	Investing Activities		
3,657	Purchase of property, plant and equipment	22	1,882
-12	Proceeds from sale of property, plant and equipment		-1,595
-3,221	Temporary investments		6,693
424	**Net cash flows generated from investing activity**		**6,980**
	Financing Activities		
700	Repayment of amounts borrowed	9	424
700	**Net cash flows from financing activities**		**424**
-7,492	**Net increase in cash and cash equivalents**		**5,141**
9,330	Cash and cash equivalents at 1 April	11	16,822
7,492	**Movement in year**		**-5,141**
16,822	Cash and cash equivalents at 31 March	11	11,681

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 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS) and other approved accounting standards. The accounts have been prepared with the objective of providing financial information that is useful to a wide range of users in making decisions about providing resources to the Authority and assessing the stewardship of the Authority's management.

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

1.1 Accounting convention

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

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

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

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

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

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

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

Notes to the Statement of Accounts

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

1.2 Critical accounting, judgements and key sources of estimation uncertainty

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

1.2.1 Critical judgements in applying accounting policies

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

1.3 Other expenses

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

1.4 Income

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

1.5 Government Grants and Contributions

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

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

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

1.6 Revenue expenditure funded from capital under statute

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

1.7 Treatment of Value Added Tax

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

1.8 Redemption of Debt

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

1.9 Prior Period Adjustments

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

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

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by the Code for 2021/22. These changes relate to accounting amendments to IFRS 1 First-time adoption, IAS 37 Onerous contracts, IAS 41 Agriculture, IAS 16 Proceeds before Intended Use and IFRS 16 leases. These changes are not expected to have a material impact on the Authority's Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

3. Critical Judgements in Applying Accounting Policies

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

- There is a certain amount of uncertainty about future levels of Government funding. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision and therefore is unlikely to impact on note 8 with regard to property, plant and equipment.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2022 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 2022 is £76m. 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 £339k for every year that useful lives had to be reduced.

The Authority engages an external valuer to undertake the valuation of property annually. Valuations are undertaken at the 31 March 2022. When considering their valuation assumptions Valuers look at a number of different sources to ascertain how the property market has performed during the year. One area they consider is construction cost increases that have happened over the year by reviewing industry data. The Building Cost Information Service (BCIS) have identified that the uncertainty around the war in Ukraine has brought "uncertainty" in resource costs, availability, logistics and future demand which could influence pricing in the future.

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 2022 is £1.094bn.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Pension Scheme liabilities of £20.426m.

Furthermore, a one year increase in the life expectancy assumptions across all schemes would give rise to an increase in the liability of £52.405m.

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

Last year the Kent Pension Fund disclosed a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund, due to the level of uncertainty since the outbreak of Covid-19. We have not been advised that this is the case for this financial year.

Impairment of Debtors

The debtors figure included in the accounts for Council Tax and Business Rates (NNDR) includes an estimation for those debts that may not be recovered. The bad debt calculation is completed by each billing authority (12 Districts and 1 Unitary) and returned to us as the precepting authority to enable us to account for our share. An impairment allowance of £2.88m has been set aside in relation to Council Tax debts that may not be received and £325k in relation to Business Rates debts that may not be received. A provision of £1.26m has been set aside for business rate appeals that have yet to be determined. Any variation in actual recovery would affect the final collection fund surplus/deficit position. This in turn would impact on future year's budgets when recognised in line with statutory requirements.

5. Events after the reporting Period

There are no events to report.

Notes to the Statement of Accounts

6. Expenditure and Funding Analysis

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

All figures are in £'000					**2020/21** *Restated
	Outturn as reported to Authority	**Adjustments**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
				See note 6a	
Operational Response and Resilience	39,162	-167	38,995	7,526	46,521
Customer Safety, Business Safety and Engagement	5,464	-496	4,968	912	5,880
Corporate Teams	22,851	-923	21,928	2,236	24,164
Pensions, Financing and Other Costs	3,944	-1,689	2,255	190	2,445
Net Cost of Services	**71,421**	**-3,275**	**68,146**	**10,864**	**79,010**
Other Income and Expenditure			-76,668	9,872	-66,796
Surplus (-) or Deficit (+)			**-8,522**	**20,736**	**12,214**

Opening General and Earmarked Reserves Balance	33,409
Plus Surplus on General Fund in the year	8,522
Closing General and Earmarked Reserves Balance	**41,931**

*2020/21 figures have been re-stated to enable comparability to the revised functional presentation for 2021/22

Notes to the Statement of Accounts

All figures are in £'000					**2021/22**
	Outturn as reported to Authority	**Adjustments**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
				See note 6a	
Operational Response and Resilience	41,758	39	41,797	14,106	55,903
Customer Safety, Business Safety and Engagement	5,744	97	5,841	1,778	7,619
Corporate Teams	20,303	277	20,580	3,727	24,307
Pensions, Financing and Other Costs	2,061	526	2,587	810	3,397
Net Cost of Services	**69,866**	**939**	**70,805**	**20,421**	**91,226**
Other Income and Expenditure			-70,195	-1,096	-71,291
Surplus (-) or Deficit (+)			**610**	**19,325**	**19,935**

Opening General and Earmarked Reserves Balance	41,931
Less Deficit on General Fund in the year	610
Closing General and Earmarked Reserves Balance	**41,321**

Notes to the Statement of Accounts

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.

			2020/21 *Restated					**2021/22**
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**
4,034	3,454	38	7,526	Operational Response and Resilience	3,673	10,457	-24	14,106
91	795	26	912	Customer Safety, Business Safety and Engagement	210	1,586	-18	1,778
383	1,795	58	2,236	Corporate Teams	388	3,401	-62	3,727
-	190	-	190	Pensions, Financing and Other Costs	-	810	-	810
4,508	**6,234**	**122**	**10,864**	**Net Cost of Services**	**4,271**	**16,254**	**-104**	**20,421**
-3,046	**8,155**	**4,763**	**9,872**	**Other Income and Expenditure from the Funding Analysis**	**-3,132**	**6,315**	**-4,279**	**-1,096**
1,462	14,389	4,885	20,736	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Deficit	1,139	22,569	-4,383	19,325

*2020/21 figures have been re-stated to enable comparability to the revised functional presentation for 2021/22

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		2020/21	2021/22
Employee expenses	62,895		65,790
Other operating expenses	14,411		13,773
Depreciation	4,687		4,964
Revaluation gains (-) on property, plant and equipment	-179		-693
IAS19 adjustment	6,234		16,254
Employee leave accrual adjustment	122		-104
Expenditure charged to Cost of Services		**88,170**	**99,984**
Government grants and contributions	-6,385		-5,936
Fees, charges and other service income	-2,775		-2,822
Income credited to Cost of Services		**-9,160**	**-8,758**
Net expenditure charged to Cost of Services		**79,010**	**91,226**
Interest payments	80		56
Pensions interest cost	20,479		21,797
Expected return on pensions assets	-1,438		-1,505
LGPS administration expenses	50		48
Gain (-) / Loss on disposal of assets	69		-175
Expenditure charged to Provision of Services		**19,240**	**20,221**
Pension fund top-up grant	-10,936		-14,025
Interest and investment income	-103		-75
Gain (-) / Loss on financial instruments carried at fair value through profit or loss	43		-6
Income from Council Tax	-49,959		-53,201
Income from Business Rates and top-up grant	-11,873		-13,947
Non-ring fenced Government grants	-13,208		-10,258
Income credited to Provision of Services		**-86,036**	**-91,512**
Expenditure and Income charged to Provision of Services		**-66,796**	**-71,291**
Deficit on Provision of Services		**12,214**	**19,935**

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	2020/21	2021/22
Revenue from contracts with service recipients:		
Operational Policy and Resilience – provision of fire cover	2,101	2,186
Total included in Comprehensive Income and Expenditure Statement	**2,101**	**2,186**

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

All figures are in £'000s	2020/21	2021/22
Receivables, which are included in debtors net of VAT (Note 10)	351	365
Total included in Net Assets	**351**	**365**

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	2020/21	2021/22
Not later than one year	2,119	2,206
Later than one year and not later than eight years	11,553	9,702
Amounts of transaction price fully unsatisfied	**13,672**	**11,908**

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

Notes to the Statement of Accounts

8. Property, Plant and Equipment

Policy:

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

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

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

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

The Authority reviews the revaluing of its land and building portfolio every year using the services of an External Valuer. A component valuation approach is used for specialised assets such as Fire Stations, with the most significant elements of a building being separately valued and the remaining useful life assessed for each element. On appointment the Valuer carried out a physical inspection of all property for the valuation prepared at 31 March 2021. The highest value fire stations and service headquarters have a full physical inspection and valuation each year, as does 25% of the remaining estate on a four year rolling basis. For the rest of the estate values are reviewed and an adjustment made for any impairment or increase in valuation as appropriate, to reflect any significant changes in values during the year. Material additions to the premises estate are valued at the date of acquisition or when the capital works to the property are completed and the property brought into use. It is planned that all property will be subject to a full physical inspection again in 2024/25.

Valuations are updated for specific properties where significant improvements or modifications are made. Other minor replacements or works below £100k are included within additions at actual cost unless the actual value is expected to be materially different.
Revaluation gains are taken to the revaluation reserve and revaluation losses are written-off against any balance on the revaluation reserve for that asset or to the Comprehensive Income and Expenditure Statement if the balance on the revaluation reserve is less than the loss.

Depreciation - The charge for depreciation is calculated on a straight line basis over the estimated useful life of the asset taking into account the residual value of the asset. Estimated useful lives and residual values for property and plant are reviewed periodically, whereas the life and residual values of vehicles are reviewed annually. Depreciation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement from the date that the asset is completed. Where a large asset, such as a fire station, includes a number of components which have significantly different asset lives and are of a material value, the components are treated as separate assets and depreciated over their own useful economic life.

Notes to the Statement of Accounts

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 2022 the Authority had capital commitments of £3.427m in relation to new vehicle purchases and some premises expenditure (£955k at 31 March 2021).

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

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

In addition to land and buildings the Authority has a fleet of fire appliances, specialist vehicles and cars. This table provides an analysis of property assets at 31 March 2022.

	Operational	Surplus	Held for sale
Fire Stations	56	-	1
Headquarters	1	-	-
Residential houses	20	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 highest value fire stations and service headquarters have a full physical inspection and valuation each year, as does 25% of the remaining estate on a four year rolling basis. For the rest of the estate values are reviewed and an adjustment made for any impairment or increase in valuation as appropriate, to reflect any significant changes in values during the year. The valuations have been carried out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy

Notes to the Statement of Accounts

(CIPFA). The valuations are in accordance with International Valuation Standards (IVS) and the requirements of the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2020 (the Red Book).

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

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

The accounting policy allows for a full inspection and valuation each year for those properties that are material in value to the financial statements and thereby provide more reliable estimations on their value and also reduce the possibility of not identifying significant changes in value to the property portfolio. By undertaking a full inspection and valuation on the remaining 25% of properties across the Kent portfolio it allows for the Valuers to gain assurance and evidence for the assumptions applied across the remaining estate, thereby providing more reliable estimates and a better understanding of the condition and maintenance regime of our current properties.

Notes to the Statement of Accounts

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

Notes to the Statement of Accounts

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

Notes to the Statement of Accounts

9. Financial Instruments

Policy:

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

Notes to the Statement of Accounts

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

Fair Value Hierarchy

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

Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March		31 March	
All figures are in £'000	2022	2021	2022	2021
Investments				
Current Investments[1]	-	-	4,989	-
Short term investments[2]	-	-	33,010	31,300
Cash and cash equivalents[2]	-	-	11,681	16,822
Debtors				
Long term debtors[2]	-	-	-	-
Short term debtors[2]	-	-	2,499	5,244
Borrowings				
Long term borrowing[2]	-701	-1,001	-	-
Short term borrowing[2]	-	-	-300	-424
Cash and cash equivalents[2]	-	-	-	-
Creditors				
Short term creditors[2]	-	-	-4,289	-2,717

[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 £1.055m compared to their book value of £1.001m (£1.550m: £1.425m in 2020/21). 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 2022) 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 2022. If a value was calculated on this basis the carrying amount of £1.001m would be valued at £1.042m. 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 2022 if the loans were repaid on that date would be £43k.

Notes to the Statement of Accounts

10. Debtors

All figures are in £'000	31 March 2022	2021
Central government bodies[1]	2,109	4,784
Other local authorities[1]	165	183
Collection Fund	4,237	2,780
Pension Fund	5,871	2,003
Other entities and individuals[1]	1,667	1,649
Total Debtors	**14,049**	**11,399**

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

Collection Fund debtors at 31 March 2022 are shown net of provisions for bad and doubtful debts £3.213m (£3.052m at 31 March 2021).

11. Cash and Cash Equivalents

Policy:

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

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

All figures are in £'000	31 March 2022	2021
Bank current accounts and cash held by the Authority	53	51
Short term deposits	11,628	16,771
Total Cash and Cash Equivalents	**11,681**	**16,822**

12. Assets Held for Sale

Policy:

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

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

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

Notes to the Statement of Accounts

Assets Held for Sale (continued)

All figures are in £'000	2021/22	2020/21
Balance at start of year	2,654	425
Assets newly classified as held for sale	-	2,145
Revaluation gains	3	95
Revaluation losses	-	-11
Assets transferred to surplus	-785	-
Assets sold in year	-1,352	-
Total Assets Held For Sale	**520**	**2,654**

13. Creditors

All figures are in £'000	31 March 2022	31 March 2021
Central government bodies[1]	5,095	1,818
Collection fund receipts in advance	1,515	1,376
Collection Fund creditor[3]	858	4,525
Other local authorities [,2]	998	718
Other entities and individuals[1,2]	4,686	6,043
Total Creditors	**13,152**	**14,480**

[1] Includes part of the amount shown as short term creditors in Note 9.
[2] Includes part of capital creditors totalling £131k (£38k at 31 March 2021).
[3] Includes Collection Fund long term creditors of £507k

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 2022 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be maintained to fund these and any other potential claims. Whilst many claims are settled within a year some do take a number of years to be resolved.

Non-Domestic Rate Appeals

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

Provisions (Continued)

All figures are in £'000	Insurance and General Provision	Non-Domestic Rates Appeals	Total
Balance at 1 April 2021	395	1,070	1,465
Movements in 2021/22:			
Additional provisions made	114	1,267	1,381
Amounts used	-180	-1,070	-1,250
Unused amounts reversed	-200	-	-200
Balance at 31 March 2022	**129**	**1,267**	**1,396**

15. Usable Reserves

Policy:

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

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

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

Government Grants

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

Infrastructure

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

Insurance and Resource

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

Notes to the Statement of Accounts

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

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

This table below sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2022/23.

All figures are in £'000	**Balance at 1 April 2021**	**Net Reserve Transfers 2021/22**	**Balance at 31 March 2022**
General Fund Balance	**3,710**	**50**	**3,760**
Earmarked Reserves:			
- Government Grants	5,615	-2,401	3,214
- Infrastructure	27,045	825	27,870
- Insurance and Resource	3,585	731	4,316
- Rolling Budgets	1,074	-207	867
- Service Transformation and Productivity	902	392	1,294
Total Earmarked Reserves	**38,221**	-660	37,561
Total General and Earmarked Reserves	**41,931**	-610	41,321

Additional breakdown of Government Grant Reserve balance:

All figures are in £'000	**Balance at 31 March 2022**
New Dimensions and New Threats	410
Building Risk Review and Protection Uplift	205
Emergency Services Mobile Communications Programme (ESMCP)	347
Pensions Administration for McCloud / Sargeant Remedy	191
Road Safety Project	8
2021/22 Additional Retail, Hospitality and Leisure Business Rates Reliefs	1,585
75% Local Tax Income Guarantee Grant	468
Total Government Grants Reserve	**3,214**

Notes to the Statement of Accounts

16. Unusable Reserves

Policy:

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

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

All figures are in £'000	**2021/22**	**2020/21**
Revaluation reserve	-48,708	-42,408
Accumulated Absences account	433	537
Pensions reserve	1,011,463	1,026,856
Collection Fund Adjustment account	-89	4,190
Capital Adjustment Account	-64,433	-64,735
Total unusable reserves	**898,666**	**924,440**

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	**2021/22**	**2020/21**
Balance at 1 April	**-42,408**	**-41,171**
Upward revaluation of assets	-8,752	-3,123
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	21	220
Difference between fair value depreciation and historical cost depreciation	1,823	1,636
Accumulated gains on assets sold or scrapped	608	30
Balance at 31 March	**-48,708**	**-42,408**

Notes to the Statement of Accounts

Accumulated Absences Account

Policy:

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

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

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

All figures are in £'000		**2021/22**		**2020/21**
Balance at 1 April		**537**		**415**
Settlement or cancellation of accrual made at the end of the preceding year	-537		-415	
Amounts accrued at the end of the current year	433		537	
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		-104		122
Balance at 31 March		**433**		**537**

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

Notes to the Statement of Accounts

(**Pensions Reserve continued**)

All figures are in £'000	2021/22	2020/21
Balance at 1 April	**1,026,856**	**821,585**
Re-measurements of the net defined benefit liability	-37,962	190,882
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	35,402	26,555
Employer's pensions contributions and direct payments to pensioners payable in the year	-12,833	-12,166
Balance at 31 March	**1,011,463**	**1,026,856**

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	2021/22	2020/21
Balance at 1 April	**4,190**	**-573**
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	-2,042	1,310
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	-2,237	3,453
Balance at 31 March	**-89**	**4,190**

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	**2021/22**	**2020/21**
Balance at 1 April	**-64,735**	**-63,172**
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	4,964	4,687
Revaluation (gains) / losses on property, plant and equipment	-690	-95
Revaluation (gains) / on assets held for sale	-3	-84
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	812	51
Adjusting amounts written out of the Revaluation Reserve	-1,823	-1,636
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
Use of Capital Receipts Reserve to finance new capital expenditure	-	-1,371
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
Statutory provision for the financing of capital investment charged against the General Fund	-969	-969
Capital expenditure charged against the General Fund Balance	-1,989	-2,146
Balance at 31 March	**-64,433**	**-64,735**

Notes to the Statement of Accounts

17. Officers' Remuneration

This table provides details of actual remuneration for 2021/22 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2020/21 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 shown are in £'000**	**Salary and Allowances**	**Pension Contributions**	**Total Remuneration inc Pension Contributions**
2021/22			
Chief Executive – A Millington	162.1	23.5	185.6
Director, Operations (left 31/7/2021)	42.7	15.9	58.6
Director, Operations (from 10/05/2021) post later renamed to Director, Response and Resilience	123.8	35.7	159.5
Director, Prevention, Protection, Customer Engagement & Safety	131.6	19.1	150.7
Director, Finance and Corporate Services (reduced to 0.81 FTE from 25/10/2021)	120.7	10.7	131.4
Assistant Director, Response (promoted to Director, Operations 10/05/2021)	10.9	3.1	14.0
Assistant Director, Response (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Resilience (left 30/09/2021)	48.3	14.0	62.3
Assistant Director, Resilience (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Customer & Building Safety (left 11/11/2021)	52.3	15.0	67.3
Assistant Director, Customer & Building Safety (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, People & Learning* (reduced to 0.61 FTE from 01/12/2021)	86.0	9.5	95.5
Assistant Director, Corporate Services	99.1	14.4	113.5
	1,122.3	**231.4**	**1,353.7**

*Change in role title during 2021/22

Notes to the Statement of Accounts

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

*Change in role title during 2020/21

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

Notes to the Statement of Accounts

Officers' Remuneration (continued)

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

	Number of Employees	
Remuneration Band	**2021/22**	**2020/21**
£50,000 - £54,999	66	76
£55,000 - £59,999	59	26
£60,000 - £64,999	18	16
£65,000 - £69,999	20	17
£70,000 - £74,999	3	3
£75,000 - £79,999	3	-
£80,000 - £84,999	1	4
£85,000 - £89,999	2	1
Total	**172**	**143**

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	2021/22	2020/21
Allowances	75	79
Expenses	1	-
Total	**76**	**79**

19. External Audit Costs

The following external audit costs were incurred in the year.

All figures are in £'000	2021/22	2020/21
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year	30	27
Additional Audit Fee 2019/20	10	
Additional Audit Fee 2020/21	15	-
Total	**55**	**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	2021/22	2020/21
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant	6,457	6,422
Small Business Rate Relief	1,292	1,371
S31 Compensation for Expansion of Business Rate Relief 20/21*	-74	3,175
S31 Compensation for Expansion of Business Rate Relief	1,585	-
Enterprise Zone Relief Grant	-	24
Local Tax Income Guarantee Scheme 20/21*	-82	619
Transparency Code Set-Up Grant	8	8
Covid-19 Grant	115	1,589
Local Council Tax Support Grant	956	-
Credited to Services:		
New Dimension	973	972
Fire Link	548	624
ESMCP and ESMCP Infrastructure	18	319
Grenfell Infrastructure	-	132
Building Risk Review	-	60
Protection Uplift and Accreditation Grants	480	382
Protection Accreditation	-	45
New Threats	84	58
Firefighter Employer Pension Contributions	3,536	3,536
Firefighter Pensions Administration	94	97
Redmond Review – Audit Grant	14	-
Apprenticeship Levy Draw-Down	48	104
Office of Rail Regulation - Channel Tunnel Safety Authority	51	57
Road Safety Grants	90	-
Total	**16,193**	**19,594**

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

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 and amounts due to are detailed in Note 10 and amounts owed are detailed in Note 13.

Senior Officers and Members - The total remuneration paid to senior officers is shown in Note 17 and details of Members' allowances paid in 2021/22 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 2021/22 was £339k (£165k in 2020/21). The services purchased include pension and treasury administration, IT network services and internal audit. The Monitoring Officer for the Authority is no longer provided by KCC as in previous years, but is now provided by the Monitoring Officer at Medway Council.

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

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

BlueLight Commercial – This was established in 2020 by the Home Office, to work in collaboration with blue light organisations and local/national suppliers, to help transform their commercial services. The organisation has been set up as a not for profit, private company limited by guarantee. It is owned by the Police and Crime Commissioners. The Police and Crime Commissioner for Kent is a voting member of the Fire Authority and is Chair of the BlueLight Commercial Board. Membership is open to any organisation with a purpose or interest in the delivery of efficient and effective commercial services in support of blue light services. The Authority is named as a Participating Organisation on a BlueLight Commercial Contract and has placed two orders for vehicles during 2021/22 totalling £1.3m, for which goods are still to be delivered and paid for.

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	**2021/22**	**2020/21**
Opening Capital Financing Requirement	**2,798**	**3,767**
Capital Investment		
Property, Plant and Equipment	1,989	3,517
Sources of Finance:		
Capital Receipt	-	-1,371
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-1,989	-2,146
Minimum Revenue Provision	-112	-151
Voluntary Revenue Provision	-857	-818
Closing Capital Financing Requirement	**1,829**	**2,798**
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 is the lessee of a number of operating leases, these include managed service arrangements for the provision of personal and protective equipment (PPE) for firefighters, watercoolers, lone worker devices and rental space for the control room.

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

	2021/22	**2020/21**
Not later than one year	785	776
Later than one year and not later than five years	3,251	4,092
Later than five years	623	633
Total	**4,659**	**5,501**

Notes to the Statement of Accounts

24. Termination Benefits

Exit Packages by Cost Band

Cost Band £	2021/22 Compulsory Redundancies No.	2021/22 Compulsory Redundancies £'000	2021/22 Other Departures Agreed No.	2021/22 Other Departures Agreed £'000	2020/21 Compulsory Redundancies No.	2020/21 Compulsory Redundancies £'000	2020/21 Other Departures Agreed No.	2020/21 Other Departures Agreed £'000
0k - 20k	-	-	6	57	-	-	6	50
20k - 40k	-	-	-	-	-	-	1	25
40k - 60k	-	-	1	42	-	-	-	-
Total	**-**	**-**	**7**	**99**	**-**	**-**	**7**	**75**

The cost of exit packages detailed above include statutory / discretionary redundancy costs and payments in lieu of notice. In addition to the above, two flexible retirements were agreed during 2021/22 at a cost of £473k. The total cost of exit packages was all paid out in 2021/22.

25. Defined Benefit Pension Schemes

Participation in Pension Schemes

Policy:

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

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

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

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

The Authority participates in four employment schemes:

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

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

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

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

Firefighters’ Pension Schemes

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

In 2021/22 the Authority paid £8.462m (£8.327m in 2020/21) to the Firefighters’ Pension Fund in respect of firefighters’ retirement benefits, representing 30% (29.6% in 2020/21) of firefighter pensionable pay (employer contribution rates are 37.3% for members of the 1992 and modified schemes, 27.4% for members of the 2006 scheme and 28.8% for members of the 2015 scheme). In addition £503k was paid to the Fund in respect of ill-health charges (£350k) and non-abated pensions (£153k).

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

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

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

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

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

Transactions Relating to Post-employment Benefits

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

McCloud / Sargeant Case

The Public Service Pensions and Judicial Offices Bill (PS&JO Bill) was passed in March 2022. This Bill consolidates the information which has been issued to date and formalises the ruling by the court (McCloud / Sargeant case), forming the proposal for how the government will remove the discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members. The implications of the remedy in the McCloud/Sargeant judgement on transitional protection are reflected in the pension valuations as at 31 March 2022. However, there is a potential additional liability in relation to compensation that may be claimed by scheme members but a judgement in this area is still awaited.

Changes in employer contribution rates were due to be implemented from April 2023, but the implementation of the McCloud remedy reforms, delayed completion of the 2016 valuation process, and the review of the cost control mechanism means that this has now been delayed until April 2024.

Matthews / O'Brien Case

The Government has confirmed that FRAs will be required to undertake an options exercise in 2023, allowing in-scope individuals the opportunity to purchase pension entitlement as a special member of the NFPS 2006. No allowance has been made in the IAS19 disclosure at 31 March 2022, as it has yet to be determined how FRAs should undertake any calculations where the data is now unlikely to be available, which also means that it is not currently possible to make a reasonable estimate as to the potential cost impact.

Notes to the Statement of Accounts

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

All figures are in £'000	LG Pension Scheme 2021/22	LG Pension Scheme 2020/21	Firefighter Schemes 2021/22	Firefighter Schemes 2020/21	Firefighter Injury 2021/22	Firefighter Injury 2020/21	Total 2021/22	Total 2020/21
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
Current service cost	7,510	4,426	19,753	13,125	1,014	659	28,277	18,210
Past service costs	580	30	230	160	-	-	810	190
Financing and Investment Income and Expenditure:								
Net interest expense	959	758	18,804	17,770	577	563	20,340	19,091
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**9,049**	**5,214**	**38,787**	**31,055**	**1,591**	**1,222**	**49,427**	**37,491**
Remeasurement of the net defined benefit liability comprising:								
Return on Plan assets (excluding the amount in net interest expense)	-188	-16,928	-	-	-	-	-188	-16,928
Actuarial gains and losses arising on changes in:								
Financial assumptions	-8,479	30,472	-30,386	191,382	-684	4,017	-39,549	225,871
Demographic assumptions	-	-1,023	-	-7,100	-	-19	-	-8,142
Experience loss/gain(-) on defined benefit obligations	233	-1,157	1,470	-9,851	72	1,089	1,775	-9,919
Other actuarial losses/gains(-)	-	-	-	-	-	-	-	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**615**	**16,578**	**9,871**	**205,486**	**979**	**6,309**	**11,465**	**228,373**
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	-9,049	-5,214	-38,787	-31,055	-1,591	-1,222	-49,427	-37,491
Actual amount charged against the General Fund Balance for pensions in the current year:								
Employer's contributions payable to scheme	2,439	1,769	8,965	8,956	1,429	1,441	12,833	12,166
Retirement benefits payable to pensioners – Authority	-	-	-	-	1,429	1,441	1,429	1,441
Retirement benefits payable to pensioners - Fund	2,325	1,480	26,856	23,595	-	-	29,181	25,075

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	**2021/22**	**2020/21**
Present value of the defined benefit obligation:		
Local Government Pension Scheme	-126,815	-125,902
Fire Pension Schemes	-967,519	-981,088
Fair value of assets in the Local Government Pension Scheme	82,871	80,134
Net liability arising from defined benefit obligation	**-1,011,463**	**-1,026,856**

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	**2021/22**	**2020/21**
Opening fair value of scheme assets	80,134	60,608
Interest income	1,505	1,438
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount in the net interest expense	188	16,928
Other actuarial gains	-	-
Administration expenses	-48	-50
Contributions from employer	2,439	1,769
Contributions from employees into the scheme	978	921
Benefits paid	-2,325	-1,480
Closing fair value of scheme assets	**82,871**	**80,134**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £1.693m (2020/21: £18.366m).

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

All figures are in £'000	Local Government Pension Scheme 2021/22	Local Government Pension Scheme 2020/21	Firefighter Pension Schemes 2021/22	Firefighter Pension Schemes 2020/21	Firefighter Injury 2021/22	Firefighter Injury 2020/21	Total 2021/22	Total 2020/21
Balance at 1 April	**-125,902**	**-91,567**	**-951,536**	**-765,942**	**-29,552**	**-24,684**	**-1,106,990**	**-882,193**
Current service cost	-7,510	-4,426	-19,753	-13,125	-1,014	-659	-28,277	-18,210
Interest cost	-2,416	-2,146	-18,804	-17,770	-577	-563	-21,797	-20,479
Contributions from scheme participants	-978	-921	-3,866	-3,703	-	-	-4,844	-4,624
Re-measurement (gains) and losses - actuarial gains/losses arising from:								
changes in financial assumptions	8,479	-30,472	30,386	-191,382	684	-4,017	39,549	-225,871
change in demographic assumptions	-	1,023	-	7,100	-	19	-	8,142
Past service cost	-580	-30	-230	-160	-	-	-810	-190
Experience loss/(gain) on defined benefit obligation	-233	1,157	-1,470	9,851	-72	-1,089	-1,775	9,919
Benefits paid	2,325	1,480	26,856	23,595	1,429	1,441	30,610	26,516
Unfunded pension payments	-	-	-	-	-	-	-	-
Balance at 31 March	**-126,815**	**-125,902**	**-938,417**	**-951,536**	**-29,102**	**-29,552**	**-1,094,334**	**-1,106,990**

Notes to the Statement of Accounts

Local Government Pension Scheme assets comprised:

	31 March 2022 £'000	%	31 March 2021 £'000	%
Equity Investments	53,346	64	51,601	64
Gilts	506	1	476	1
Other Bonds	11,442	14	10,008	13
Property	9,734	12	8,293	10
Cash	1,712	2	3,973	5
Absolute Return Fund	6,131	7	5,783	7
Total	**82,871**	**100**	**80,134**	**100**

The table below details percentages of the total Fund held at 31 March 2022 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 2022 % Quoted	% Unquoted
Fixed Interest Government Securities	Overseas	1.0	
Corporate Bonds	UK	4.0	
	Overseas	10.0	
Equities	UK	16.0	
	Overseas	42.0	
Property	All		12.0
Others	Absolute return portfolio	7.0	
	Private equity		4.0
	Infrastructure		2.0
	Derivatives		-
	Cash/temporary investments		2.0
Net Current Assets	Debtors		-
	Creditors		-
Total		**80.0**	**20.0**

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	
	2021/22	2020/21	2021/22	2020/21
Mortality assumptions:				
Longevity at 65 for current male pensioners:	21.6	21.6	20.5	20.5
Longevity at 65 for current female pensioners	23.7	23.6	22.8	22.7
Longevity at 65 for future male pensioners	23.0	22.9	21.8	21.7
Longevity at 65 for future female pensioners	25.1	25.1	24.3	24.2
Other assumptions:				
Rate of consumer price index inflation	3.20%	2.85%	3.30%	2.85%
Rate of retail price index inflation	3.55%	3.20%	3.60%	3.25%
Rate of increase in salaries	4.20%	3.85%	4.30%	3.85%
Rate of increase in pensions	3.20%	2.85%	3.30%	2.85%
Rate for discounting scheme liabilities	2.60%	2.00%	2.60%	2.00%

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	4,986	-4,792	32,870	-31,476	1,346	-1,276
Rate of increase in salaries by 0.1%	361	-358	1,677	-1,664	-	-
Rate of increase in pensions by 0.1%	2,515	-2,457	12,866	-12,622	469	-460
Rate for discounting scheme liabilities by 0.1%	-2,828	2,896	-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 were increased from 14.5% in 2021/22 to 15.5% from 1 April 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. The LGPS scheme became a career-average revalued earnings (CARE) scheme from April 2014.

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

Firefighter's that hadn't already transferred over to the 2015 Firefighter CARE Pension Scheme were transferred on 1 April 2022 and all legacy schemes (FPS 1992, FPS 2006 and Modified Scheme) were closed on this date. The Authority expects to make the following contributions to pension schemes in the year to 31 March 2023: LGPS (15.5%) £2.320m and; 2015 Firefighter Pension Scheme (28.8%) £9.029m. The estimated weighted average duration of the defined benefit obligation for scheme members is 18 years for the Firefighter Schemes and 23 years for LGPS (18 and 23 years respectively in 2020/21).

26. Contingent Liabilities and Assets

Policy:

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

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

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

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

to increase the level of claims costs borne by FRIC (thereby reducing external insurance costs); or reducing the contributions of member FRAs. The FRIC Board have agreed the first refund of contributions since activity first started in 2015. They have adopted a risk-based approach to determining the level of reserves that may be required and agreed a policy so that when this is exceeded by 20% they will return surplus contributions. The return is in proportion to the element of surplus attributable to each fiscal year, with the element for each year apportioned between Members according to the their contributions in that year, for this year a refund on contribution of £24,447 is due from FRIC.

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

27. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument at disadvantageous interest rates or terms.

Overall Procedures for Managing Risk

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

- Adherence to the CIPFA Treasury Management Code of Practice.

- Adopting a Treasury Policy Statement and Treasury Management clauses within its financial regulations.

- Approving annually in advance prudential and treasury indicators which set limits for the Authority's overall borrowing; the maximum and minimum exposures to fixed and variable interest rates; the maximum and minimum exposures to the maturity structure of its debt; and the maximum exposure to investments maturing beyond one year.

- Approving an Investment Strategy for the forthcoming year setting out the criteria for investment and the selection of counterparties.

The annual Investment and Treasury Management Strategy for 2021/22 was approved by the Authority in February 2021, and is implemented by the Finance team. The key limits approved were:

- The authorised limit for external borrowings and long term liabilities was set at £22m.

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

- The maximum amounts of fixed and variable interest rate exposure were set at 100%

- No investments would be made for a period in excess of twelve months.

Market Risk

Interest Rate Risk

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

As at 31 March 2022 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 2021/22 was £75k which equates to an average rate of 0.15%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £50k.

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 2022**
Less than one year	300
Between one and two years	301
Between two and five years	400
More than five years	-
Total	**1,001**

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 2022 the Authority had £2.66m deposited with the Debt Management Office and £4.98m in Treasury Bills, both secure Government backed assets . There was also £3.53m deposited in instant access accounts, £8.10m deposited in Money Markets, £16.35m in notice accounts and £14m in fixed term.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks, building societies and Money Markets is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority's investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values based on historic default. The expected losses calculations as at 31 March 2022 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 2022**
Less than three months	471
Three to six months	-
Six months to one year	8
More than one year	-
Total	**479**

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	2021/22 Pension Fund	2020/21 Pension Fund
Contributions receivable from:		
Fire Authority:		
Contributions in relation to pensionable pay	-8,462	-8,327
Early retirements (ill health)	-350	-351
Other	-153	-278
Firefighters’ contributions	-3,866	-3,703
	-12,831	**-12,659**
Transfers in from other authorities	**-55**	**-146**
Benefits payable:		
Pensions	21,272	20,511
Commutation and lump sum retirement benefits	5,626	3,137
Lump sum death benefits	-	-
	26,898	**23,648**
Transfers out to other authorities	**13**	**93**
Net amount payable for the year	**14,025**	**10,936**
Top-up grant payable by the Government	-14,025	-10,936
	-	**-**

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2022. 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	2021/22	2020/21
Current assets:		
Contributions due from Fire Authority	89	106
Top-up receivable from the Government	5,871	2,003
Current liabilities:		
Unpaid pension benefits	-285	-142
Other current liabilities[1]	-5,675	-1967
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

DLUHC

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates

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

Net Cost of Services

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

Past Service Pension Costs

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

Precept

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

Public Works Loans Board

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

Related Party Transaction

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

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute

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

Glossary of Terms

SECAmb

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

Voluntary Revenue Provision

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

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