# Statement of Accounts

# 2022/23

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

Alison Hartley

Director of Finance and Corporate Services

Date:

26 May 2023

# Contents

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1** | **-** | **14** |  | **Narrative Report** |  |
| **15** |  |  |  | **Statement of Responsibilities for the Statement of Accounts** |  |
| **16** | **-** | **21** |  | **Report of the Auditors to the Members of Kent and Medway Towns** | | |  |
|  |  |  |  | **Fire Authority** | | |  |
| **22** |  |  |  | **Comprehensive Income and Expenditure Statement** |  |
| **23** | **-** | **27** |  | **Movement in Reserves Statement** |  |
| **28** |  |  |  | **Balance Sheet** |  |
| **29** |  |  |  | **Cash Flow Statement** |  |
| **30** | **-** | **72** |  | **Notes to the Statement of Accounts** |  |
| **73** |  |  |  | **Firefighters’ Pension Fund Account** |  |
| **74** | **-** | **77** |  | **Glossary of Terms** |  |
| **78** |  |  |  | **Index to Notes to the Statement of Accounts** |  |
|  |  |  |  |  |

**Introduction**

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

* An understanding of the Statement of Accounts.

* A review of the Authority’s revenue and capital budget outturn for 2022/23.

* An explanation of the Authority’s financial position at the end of the financial year.

* An overview of developments which may have an impact on the Authority both now and in the future.
* A commentary on the Authority’s financial performance and economy, efficiency and effectiveness in its use of resources in the year which includes:
* An analysis of the development and the performance of the Authority in the year and its position at the end of the year.
* Details of the most relevant financial and non-financial performance indicators.

**Accounting Statements**

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

The information contained within this Narrative Report is intended to be fair, balanced and concise. The Accounts and the Narrative Report are published on the Authority’s website at

www.kent.fire-uk.org**.**

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

**The main statements in these accounts comprise:**

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

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

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

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

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

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

**Revenue Budget and Expenditure**

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

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

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

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue Budget Outturn 2022/23** | |  |  |  | |  | |  | |
|  | | **Original** |  | **Revised** | |  | |  | |
| All figures shown are in £’000 | | **Budget** |  | **Budget** | | **Outturn** | | **Variance** | |
|  |  | |  |  | |  | |  | |
| Service Costs | 78,654 | |  | 78,747 | | 77,862 | | -885 | |
| Direct Pension Costs | 2,080 | |  | 2,080 | | 2,436 | | 356 | |
| Capital Financing Costs | 7,164 | |  | 3,230 | | 2,649 | | -581 | |
| Transfers from(-) / to Reserves | -10,469 | |  | -6,628 | | -4,700 | | 1,928 | |
| **Total** | **77,429** | |  | **77,429** | | **78,247** | |  | |
| **Net Revenue Budget deficit for the year** | | | | | | | | **818** | |
|  |  | |  |  | |  | |  | |
| **Funded From:** |  | |  |  | |  | |  | |
|  |  | |  |  | |  | |  | |
| Revenue Support Grant | 6,655 | |  |  | |  | |  | |
| Non-Domestic Rates | 15,836 | |  |  | |  | |  | |
| Council Tax | 53,911 | |  |  | |  | |  | |
| Services Grant | 1,027 | |  |  | |  | |  | |
| **Total** | **77,429** | |  | |  | |  | |

**Revenue Budget Outturn 2022/23**

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

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

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

**Grant Income**

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

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

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

**Provisions**

There are no new provisions this year. The Authority continues to make provision for Insurance with regard to claims notified but not yet settled and general provisions, which total £60k, but also for the Authority’s share of amounts provided by Kent billing authorities for Non-Domestic Rates appeals of £1.179m.

**Revenue Reserves**

At the February 2022 meeting of the Authority, Members agreed to maintain the target level of General Fund balances (also known as the General Reserve) to a level approximately equivalent to 5% of the base revenue budget. In line with this requirement, the General Reserve position at 31 March 2023 has increased by £210k to £3.970m.

In addition to the General Reserve, the Authority also holds a number of other reserves, earmarked for specific purposes, details of which can be found in Note 15 in the Statement of Accounts. At 31 March 2023, earmarked reserves had reduced by £5.728m from the position reported at the end of the previous financial year. The majority of funds held in earmarked reserves are within the Infrastructure Reserve, a significant part of which is planned to be used to fund investment in station and premises improvements and the purchase of light and heavy fleet vehicles in future years. It is therefore expected that the funds held within this reserve will diminish over the medium term, as and when capital spend is incurred.

**Capital Budget and Expenditure**

Capital expenditure is defined as the purchase, improvement or enhancement of an asset, where the benefit of the expenditure will last beyond the year in which it was incurred. Capital expenditure for 2022/23 was £4.235m against a revised budget of £5.358m.

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Capital Budget Outturn 2022/23**    All figures shown are in £’000 | **Original Budget** | **Revised Budget** | **Outturn** | **Variance** |
|  |  |  |  |  |
| Station development programme | 4,660 | 1,700 | 954 | 746 |
| Premises | 272 | 824 | 771 | 53 |
| Information and communication systems | 285 | 299 | 204 | 95 |
| Vehicles and equipment | 7,974 | 2,536 | 2,306 | 230 |
|  |  |  |  |  |
| **Total** | 13,191 | 5,359 | 4,235 |  |
| **Net Capital Budget Underspend** |  |  |  | **1,124** |

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

**Borrowing and Capital Reserves**

The Authority did not plan to fund any capital expenditure from borrowing in 2022/23. In line with previous years, the Authority continues to use temporarily surplus cash balances instead of borrowing from external sources to fund unfinanced capital expenditure from earlier years. A loan of £300k matured during 2022/23 so was repaid, reducing the level of outstanding debt as at 31 March 2023 to £701k.

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

**Treasury Activity**

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

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

**Pension Assets and Liabilities**

The presentation of pension assets and liabilities within the accounts is a requirement of the legislation governing the preparation of these accounts. The overall impact of recognising the Authority’s firefighters’ pension liability of £643.301m on the Balance Sheet has led to an overall negative balance of £474.351m.

Movements on the pension liability can be quite volatile and are not only dependent on the assumptions used but also there is an impact depending on whether it is a full or roll-forward valuation. The Actuary for the firefighter pension schemes has carried out a roll-forward valuation for 2022/23. Changes to the financial assumptions included an increase in the discount rate and a decrease in the expectation of future inflationary pressures, resulting in an overall decrease to the value of the defined benefit obligation. The reassessment of the net defined benefit liability has had a significant impact on the Comprehensive Income and Expenditure Statement resulting in a revised remeasurement of (£389.847m) in 2022/23 compared to (£37.962m) in 2021/22.

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

**Financial Climate and Impact on Services**

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

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

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

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

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

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

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

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

**Safety and Wellbeing Plan** -The Authority works very closely with its partners to ensure Kent and Medway continues to be one of the safest areas to live and work in England. Careful planning and the ability to adapt and respond to change ensures the Authority is able to face the challenges ahead

efficiently and effectively. As a result, performance has remained strong and the Authority continues to be one of the best performing authorities in the country.

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

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

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

The Authority continues to look at ways to operate more efficiently, for example by streamlining processes and making them leaner. The Authority has, for a number of years, made average savings of £2m per annum, some of which facilitates the funding of increased cost pressures, but other savings are re-invested back into the service to fund improved areas of activity or investment. But the Authority is clear that the requirement to generate savings each year will continue for some time to come.

Pay awards in 2022/23 were higher than budgeted for and this therefore has an impact on funding requirements in future years. This longside other commitments such as the cost impact of actuarial valuations on the pension funds for example, results in the need to drive efficiences and cash savings going forward. Consequently, it is likely that significant savings will need to be achieved in future years to meet these commitments. Savings are currently planned in the MTFP to the value of at least £7m, but more will be needed to meet these pressures. The challenge is to make sure the Authority can achieve these savings and still maintain or enhance the services delivered to the public. The Authority will continue to keep the safety of local people, businesses and firefighters as its priority when responding to these challenges.

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

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

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

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

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

**Electronic Communications Code Consultation** - The Electronic Communications Code regulates the rights of telecommunications 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 has since sold the site at Thanet which included a large communications mast, so this has helped to reduced the risk to the Authority. We still have masts at Service Headquarters, Sevenoaks, Southborough, Swanscombe and Cranbrook that many be impacted by any new legislation.

**The Development and Performance of the Authority in 2022/23 and Financial Position at**

**31 March 2023.**

**Budget Strategy**

The Authority’s budget for 2022/23 supported delivery of the initiatives detailed in the Customer Safety Plan 2021-2031 (and supporting strategies). The Authority has a prudent approach to budget development ensuring that expenditure plans are fully resourced and that savings proposed are achievable.

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

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

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

**Reserves**

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

The amount set aside in the Authority’s General Reserve is subject to an annual assessment to ensure that the balance should cover the costs of a significant emergency or unforeseen event. The Authority has £3.970m in General Reserves as at the 31 March 2023, which equates to approximately 5% of the base revenue budget.

At 31 March 2023 the Authority’s earmarked reserves are healthy, with a balance of £31.833m. Details of the balances in each reserve and a breakdown of government grants to be carried forward are provided in Note 15. Resources have been set aside in the Infrastructure Reserve to fund the Station Development programme, replacement fire appliances, vehicles, operational and IT equipment. As the revenue budget comes under greater pressure opportunities to replenish these balances will diminish as the current cycle of planned works and purchases are completed.

**Cashflows**

The Cash Flow Statement in the Accounts details the cashflows for the year and shows that the Authority’s cash balances have decreased by £3.802m over the year. The Authority uses its temporary surplus cash balances to fund its capital financing requirement (in lieu of borrowing) with the remainder placed in interest bearing deposit accounts or Money Market Funds. At 31 March 2023 cash, deposits and investments totalled £45.535m. This comprises of £35.803m which represents the money set aside in general and earmarked reserves, £9.856m of unused capital receipts less £124k being the net of other assets and liabilities at the end of the financial year.

Over the next three years £701k of the Authority’s loans from the Public Works Loan Board will be repaid and with over half of the Authority’s reserves planned to be used for the Infrastructure Programme and other expenditure commitments, cash balances are expected to reduce over this timeframe.

**The Authority’s Financial and Non- Financial Performance Indicators**

**Financial Performance**

Every year External Audit assesses the Authority’s financial statements. The External Auditor’s (Grant Thornton) Findings Report for 2021/22 was reported to the Audit and Governance Committee meeting on 28 November 2022. However, there is a national issue in relation to the actuarial valuation of pension funds, which is currently resulting in a delay in achieving the formal sign off of the accounts by the Auditor. So at the time of publishing these accounts the audit of the 2021/22 accounts are not yet completed.

As part of the annual Audit of the Financial Statements Auditors are required to give a separate opinion on Value for Money which focuses on the Financial Sustainability, Governance and that the Authority has made proper arrangements for improving economy, efficiency and effectiveness in its use of resources. The Auditors Annual Audit letter was received by the Management team in March 2023 and is due to be presented to the Full Authority at the next available meeting on the 29 June2023. The report confirmed that the Authority has no areas of significant weakness following its review. It was noted that the Authority has a clear understanding of the medium-term challenges it faces and has ensured the Medium Term Financial Plan (MTFP) is aligned to deliver the outcomes of its key strategies. The Authority has a significant medium term capital programme, with an adequate level of reserves to address unforeseen risks and there is support for future spending plans. Budget reporting is strong and at a sufficient level of detail to enable the Authority to make effective decisions. There is a low turnover on the Corporate Management Board and Committees. It was recognised that the Chief Executive has been in place for almost 12 years and was awarded an OBE at the start of the 2023 for their long-standing service to the fire and rescue sector.

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

**Governance Assurance Statement**

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

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

**Transparency**

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

**Inspection**

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

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

* ‘good’ at effectively keeping people safe and secure from fire and other risks
* ‘outstanding’ for efficiently keeping people safe and secure from fire and other risks and
* ‘good’ at looking after its people

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

**Non-Financial Performance**

**Environmental Improvement and Asset and Fleet Strategy**

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

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

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

In our commitment to reducing our CO2 emissions we have developed a Climate Action Plan as part of a drive to be carbon neutral by 2030. As an example, we have undertaken a biodiversity audit across the estate and introduced 47 hybrid vehicles into our diverse fleet. All of these vehicles are pool cars and their hybrid system combines the use of a petrol engine and an electric motor, improving fuel efficiency and reducing exhaust emissions. Being conscious of the environmental impact caused by cars, these hybrid pool vehicles allow us to make our journeys more sustainably.

We have installed CCTV in all of our fire engines and blue light response vehicles alongside telematics in the majority of our vehicles. This has resulted in a number of benefits, including an insurance premium discount of £45.5k and a £32.4k claims handling saving based on our achievements against Key Performance Indicators (KPI) set by the insurance mutual Fire and Rescue Indemnity Company (FRIC) due to a more effective insurance claims process. Better management information is now being obtained to be able to defend against motor insurance claims made against us and to improve driving styles.

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

**Service Performance**

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

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

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

Reducing the number of road traffic collisions (RTCs) across Kent and Medway and the number of people killed or seriously injured (KSI) as a result, continues to be a priority for the Authority. In 2022/23 the Authority attended 1,057 RTCs which is fractionally more than in 2021/22 (1,043). The Authority continues to work with its partners to promote road safety across the county.

A number of on-call stations and some officers respond to immediately life-threatening medical emergency calls, such as suspected heart attacks, in support of the ambulance service. Under this arrangement, the Authority’s staff are sent to a medical incident as the quickest resource and are always backed up by the ambulance service. During 2022/23 the Authority attended 2,304 of these incidents which is lower than the amount attended in the previous year (3,412).

The Authority’s response times to life-threatening incidents has declined compared to previous years. In 2022/23 66% of life-threatening incidents were reached within 10 minutes and 76.7% within 12 minutes. Overall performance is lower than the targets set for these indicators; 71% and 82% respectively.

In addition to responding to emergency calls, the Authority carries out a number of activities to support our customers and business safety. In 2022/23, the Authority’s Customer Safety teams have delivered 11,228 Safe and Well Visits to customers across the County. In addition to these visits, crews and the taskforce team have delivered 7,588 home safety visits. Our business safety teams carried out 1,089 building inspections as part of our risk-based inspection programme in 2022/23. In addition, the Authority has carried out 2,377 building regulation consultations in the last year.

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

**Customer Service**

We carry out regular benchmarking to see how good we are at providing excellent Customer Service. During 2020/21 we launched the Institute of Customer Service (ICS) business benchmarking tool for external customers to complete an independent survey. We repeated this benchmarking exercise in 2022. The results of the last survey completed by Kent and Medway residents, showed that our satisfaction levels are outstanding and improved on our excellent scores from 2020. When benchmarked against other local public services in the institute’s UK Customer Satisfaction Index, the Authority scores compare exceptionally well across the areas measured; experience, customer ethos, emotional connection, ethics and complaint handling. The Authority also compared well against the all sector UK Customer Satisfaction Index average, which includes private sector organisations. Some of the headlines are:-

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

.

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

**Use of Resources Summary**

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

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

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.

**The Authority's Responsibilities**

The Authority is required to:

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

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

  approve the Statement of Accounts.

**The Director, Finance and Corporate Services’ Responsibilities**

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

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

* selected suitable accounting policies and then applied them consistently;
* made judgements and estimates that were reasonable and prudent;
* complied with the local authority Code.

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

* kept proper accounting records which were up to date;
* taken reasonable steps for the prevention and detection of fraud and other irregularities.

In my view, the accounts which follow give a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2023.

**Vince Maple Alison Hartley**

**Chair of the Audit and Governance Committee Director, Finance and Corporate Services**

**Kent and Medway Towns Fire Authority Kent and Medway Towns Fire Authority**

**26 May 2023**

**Page intentionally left blank**

**Page intentionally left blank**

**Page intentionally left blank**

**Page intentionally left blank**

**Page intentionally left blank**

**Paul Cuttle, Key Audit Partner**

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

**London**

**DD MMMM YYYY**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| All figures are in £’000 **2021/22** | | | |  | **2022/23** | | |
| **Gross Expenditure** | **Gross Income** | **Net** |  | Note | **Gross Expenditure** | **Gross Income** | **Net** |
| 62,585 | -6,682 | 55,903 | Operational Response and Resilience |  | 67,336 | -6,742 | 60,594 |
| 8,410 | -791 | 7,619 | Customer Safety, Business Safety and Engagement |  | 8,958 | -545 | 8,413 |
| 25,592 | -1,285 | 24,307 | Corporate Teams |  | 25,632 | -1,203 | 24,429 |
| 3,397 | - | 3,397 | Pensions, Financing and Other Costs |  | 2,648 | - | 2,648 |
| **99,984** | **-8,758** | **91,226** | **Cost of Services** | 7 | **104,574** | **-8,490** | **96,084** |
|  |  |  | **Other Operating Expenditure** |  |  |  |  |
| -175 | - | -175 | Gain(-) / Loss on disposal of non-current assets |  | 92 | - | 92 |
|  |  |  | **Financing & Investment Income & Expenditure** |  |  |  |  |
| 56 | - | 56 | Interest payable and similar charges | 7 | 45 | - | 45 |
| 20,340 | - | 20,340 | Net interest on the defined benefit liability |  | 25,992 | - | 25,992 |
| - | -75 | -75 | Interest and Investment income | 7 | - | -1,138 | -1,138 |
| - | -6 | -6 | Gain(-) / Loss on financial instruments carried at fair value through profit or loss | 7 | - | -79 | -79 |
|  |  |  | **Taxation and Non-Specific Grant Income** |  |  |  |  |
| - | -53,201 | -53,201 | Council Tax income | 7 | - | -53,239 | -53,239 |
| - | -13,947 | -13,947 | Non-domestic rates and top-up grant | 7 | - | -14,280 | -14,280 |
| - | -10,258 | -10,258 | Non ring-fenced grants | 7 | - | -10,618 | -10,618 |
| - | -14,025 | -14,025 | Government grant payable to pension fund | 28 | - | -14,006 | -14,006 |
|  |  | **19,935** | **Deficit on Provision of Services** |  |  |  | **28,853** |
|  |  | -8,731 | Surplus(-) on revaluation of property plant and equipment | 16 |  |  | -12,530 |
|  |  | -37,962 | Re-measurements of the net defined benefit liability | 16,25 |  |  | -389,847 |
|  |  | **-46,693** | **Other Comprehensive Income and Expenditure** |  |  |  | **-402,377** |
|  |  | **-26,758** | **Total Comprehensive Income and Expenditure** |  |  |  | **-373,524** |
|  | | | | | | | |

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

**General Fund Balance**

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

**Earmarked Reserves**

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

**Capital Receipts Reserve**

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

**Unapplied Capital Grants Reserve**

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

The Net Increase/Decrease before the Transfers to Earmarked Reserves line in the table below shows the statutory General Fund Balance before

any discretionary transfers to or from Earmarked Reserves are undertaken by the Authority. The 2022/23 Movement in Reserves Statement follows on from the 2021/22 Statement below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | |  | | | |  | |  |
| **2021/22**  **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** |  | **-3,710** | **-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 | 25 | - | - | | - | | | - | | -612 | -612 | |
| Revaluation gains | 16 | - | - | | - | | | - | | -8,752 | -8,752 | |
| Revaluation losses charged to revaluation reserve |  | - | - | | - | | | - | | 21 | 21 | |
|  |  |  |  | |  | | |  | |  |  | |
| **Total Comprehensive Income and Expenditure** |  | **19,935** | **-** | | **-** | | | **19,935** | | **-46,693** | **-26,758** | |
|  |  |  |  | |  | | |  | |  |  | |
| **Adjustments between accounting basis and funding basis under regulations** |  |  |  | |  | | |  | |  |  | |
| **Adjustments to revenue resources** |  |  |  | |  | | |  | |  |  | |
| *Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:* |  |  |  | |  | | |  | |  |  | |
| Pension costs transferred to or from the Pensions Reserve: |  |  |  | |  | | |  | |  |  | |
| Net retirement benefits as per IAS19 | 25 | -49,427 | - | | - | | | -49,427 | | 49,427 | - | |
| Gain in relation to Government grant payable to the pension fund | 28 | 14,025 | - | | - | | | 14,025 | | -14,025 | - | |
| Employer’s contribution to pension schemes | 16 | 12,833 | - | | - | | | 12,833 | | -12,833 | - | |
| Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account) | 16 | 4,279 | - | | - | | | 4,279 | | -4,279 | - | |
| Accrued annual leave (tfr’d to the accumulated absences reserve) | 16 | 104 | - | | - | | | 104 | | -104 | - | |
| **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 | | - | |
| Derecognition of non-current assets and non-current assets held for sale | 8 | -1,420 | - | | - | | -1,420 | | 1,420 | | - | |
| **Total adjustments to revenue resources** |  | **-23,877** | **-** | | **-** | | **-23,877** | | **23,877** | | **-** | |
| **Adjustments between revenue and capital resources** |  |  |  | |  | |  | |  | |  | |
| Transfer of cash sale proceeds as part of the gain/(loss) on disposal |  | 1,604 | - | | -1,604 | | - | | - | | - | |
| Administrative costs of non-current asset disposals |  | -9 | - | | 9 | | - | | - | | - | |
| Statutory provision for the repayment of debt | 16,22 | 112 | - | | - | | 112 | | -112 | | - | |
| Voluntary provision for the repayment of debt | 16,22 | 857 | - | | - | | 857 | | -857 | | - | |
| Capital expenditure funded from revenue contribution | 16,22 | 1,989 | - | | - | | 1,989 | | -1,989 | | - | |
| **Total adjustments between revenue and capital resources** |  | **4,553** | **-** | | **-1,595** | | **2,958** | | **-2,958** | | **-** | |
| **Adjustment to capital resources** |  |  |  | |  | |  | |  | |  | |
| Use of capital receipts reserve to finance capital expenditure | 22 | - | - | | - | | **-** | | **-** | | **-** | |
| **Total adjustments to capital resources** |  | **-** | **-** | | **-** | | **-** | | **-** | | **-** | |
|  |  |  |  | |  | |  | |  | |  | |
| **Net (increase)/decrease before transfer to Earmarked Reserves** | 15 | **610** | - | | -1,595 | | -984 | | -25,774 | | -26,758 | |
| Transfers to/from Earmarked Reserves |  | -660 | 660 | | - | | - | | - | | - | |
| (Increase)/Decrease in 2021/22 | 16 | -50 | 660 | | -1,595 | | -984 | | 25,774 | | -26,758 | |
| **Balance at 31 March 2022** |  | **-3,760** | **-37,561** | | **-9,470** | | **-50,791** | | **898,666** | | **847,875** | |
| *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** | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2022/23**  **All figures are in £’000** | Notes | **General Fund Balance** | **Earmarked Reserves** | **Capital Receipts Reserve** | **Total Usable Reserves** | | **Unusable Reserves** | **Total Reserves** | |
|  |  |  |  |  |  | |  |  | |
| **Balance at 31 March 2022 brought forward** |  | **-3,760** | **-37,561** | **-9,470** | **-50,791** | | **898,666** | **847,875** | |
|  |  |  |  |  |  | |  |  | |
| Movement in reserves during 2022/23: |  |  |  |  |  | |  |  | |
| Deficit on the provision of services | 6 | 28,853 | - | - | 28,853 | | - | 28,853 | |
| *Other Comprehensive Income and Expenditure* |  |  |  |  |  | |  |  | |
| Re-measurements of the net defined benefit liability | 25 | - | - | - | - | | -383,852 | -383,852 | |
| Changes to injury scheme | 25 | - | - | - | - | | -5,995 | -5,995 | |
| Revaluation gains | 16 | - | - | - | - | | -13,035 | -13,035 | |
| Revaluation losses charged to revaluation reserve |  | - | - | - | - | | 505 | 505 | |
|  |  |  |  |  |  | |  |  | |
| **Total Comprehensive Income and Expenditure** |  | **28,853** | **-** | **-** | **28,853** | | **-402,377** | **-373,524** | |
|  |  |  |  |  |  | |  |  | |
| **Adjustments between accounting basis and funding basis under regulations** |  |  |  |  |  | |  |  | |
| **Adjustments to revenue resources** |  |  |  |  |  | |  |  | |
| *Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:* |  |  |  |  |  | |  |  | |
| Pension costs transferred to or from the Pensions Reserve: |  |  |  |  |  | |  |  | |
| Net retirement benefits as per IAS19 | 25 | -49,160 | - | - | -49,160 | | 49,160 | - | |
| Gain in relation to Government grant payable to the pension fund | 28 | 14,006 | - | - | 14,006 | | -14,006 | - | |
| Employer’s contribution to pension schemes | 16 | 13,711 | - | - | 13,711 | | -13,711 | - | |
| Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account) | 16 | 529 | - | - | 529 | | -529 | - | |
| Accrued annual leave (tfr’d to the accumulated absences reserve) | 16 | -131 | - | - | -131 | | 131 | - | |
|  |  |  |  |  |  |  | | |  | |  |

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

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

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

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

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

**1. Accounting policies**

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

**General Principles**

The accounts of the Fire and Rescue Authority have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS) and other approved accounting standards. The accounts have been prepared with the objective of providing financial information that is useful to a wide range of users in making decisions about providing resources to the Authority and assessing the stewardship of the Authority’s management.

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

**1.1 Accounting convention**

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

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

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

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

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

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

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

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.

1. **Accounting Standards that have been issued but have not yet been adopted**

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by the Code for 2022/23. These changes relate to accounting amendments to IAS 8 accounting estimates, IAS 1 disclosure of accounting policies, IAS 12 deferred tax related issues, IFRS 3 Updating a reference to the conceptual framework. These changes are not expected to have a material impact on the Authority’s Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

1. **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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items in the Authority’s Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment**

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

The carrying value of depreciating assets at 31 March 2023 is £82m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property plant and equipment assets would increase by £301k for every year that useful lives had to be reduced.

**Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The carrying amount of the defined benefit obligation on all Pension Schemes at 31 March 2023 is £729.620m.

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

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

**Impairment of Debtors**

The debtors figure included in the accounts for Council Tax and Business Rates (NNDR) includes an estimation for those debts that may not be recovered. The bad debt calculation is completed by each billing authority (12 Districts and 1 Unitary) and returned to us as the precepting authority to enable us to account for our share. An impairment allowance of £3.122m has been set aside in relation to Council Tax debts that may not be received and £290k in relation to Business Rates debts that may not be received. A provision of £1.178m has been set aside for business rate appeals that have yet to be determined. Any variation in actual recovery of Council Tax or Business Rates would affect the final collection fund surplus/deficit position, in particular the financial impact on the cost of living crisis may affect residents ability to pay. This in turn would impact on future year’s budgets when recognised in line with statutory requirements.

1. **Events after the reporting Period**

There are no events to report.

1. **Expenditure and Funding Analysis**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| All figures are in £’000 |  |  | **2021/22** | | | | |
|  | **Outturn as reported to Authority** | **Adjustments** | **Net Expenditure Chargeable to the General Fund** | | **Adjustments between the Funding and Accounting Basis** | | **Net Expenditure in the Comprehensive Income and Expenditure Statement** |
|  |  |  |  | | See note 6a | |  |
|  |  |  |  | |  | |  |
| Operational Response and Resilience | 41,758 | 39 | 41,797 | | 14,106 | | 55,903 |
| Customer Safety, Business Safety and Engagement | 5,744 | 97 | 5,841 | | 1,778 | | 7,619 |
| Corporate Teams | 20,303 | 277 | 20,580 | | 3,727 | | 24,307 |
| Pensions, Financing and Other Costs | 2,061 | 526 | 2,587 | | 810 | | 3,397 |
| **Net Cost of Services** | **69,866** | **939** | **70,805** | | **20,421** | | **91,226** |
| Other Income and Expenditure |  |  | -70,195 | | -1,096 | | -71,291 |
| **Surplus (-) or Deficit (+)** |  |  | **610** | | **19,325** | | **19,935** |
|  |  |  |  | |  | |  |
| Opening General and Earmarked Reserves Balance | |  |  | 41,931 | |
| Less Deficit on General Fund in the year | |  |  | -610 | |
| **Closing General and Earmarked Reserves Balance** | |  |  | **41,321** | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| All figures are in £’000 |  |  | **2022/23** | | | |
|  | **Outturn as reported to Authority** | **Adjustments** | **Net Expenditure Chargeable to the General Fund** | | **Adjustments between the Funding and Accounting Basis** | **Net Expenditure in the Comprehensive Income and Expenditure Statement** |
|  |  |  |  | | See note 6a |  |
|  |  |  |  | |  |  |
| Operational Response and Resilience | 49,759 | 196 | 49,955 | | 10,639 | 60,594 |
| Customer Safety, Business Safety and Engagement | 6,811 | 188 | 6,999 | | 1,414 | 8,413 |
| Corporate Teams | 21,617 | 575 | 22,192 | | 2,237 | 24,429 |
| Pensions, Financing and Other Costs | 60 | 2,191 | 2,251 | | 397 | 2,648 |
| **Net Cost of Services** | **78,247** | **3,150** | **81,397** | | **14,687** | **96,084** |
| Other Income and Expenditure |  |  | -75,879 | | 8,648 | -67,231 |
| **Surplus (-) or Deficit (+)** |  |  | **5,518** | | **23,335** | **28,853** |
|  |  |  |  | |  |  |
| Opening General and Earmarked Reserves Balance | |  |  | 41,321 |
| Less Deficit on General Fund in the year | |  |  | -5,518 |
| **Closing General and Earmarked Reserves Balance** | |  |  | **35,803** |

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

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

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

**7. Expenditure and Income Analysed By Nature**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| All figures are in £’000 | **2021/22** | | **2022/23** | |
|  |  |  |  |  |
| Employee expenses | 65,790 |  |  | 71,785 |
| Other operating expenses | 13,773 |  |  | 18,399 |
| Depreciation | 4,964 |  |  | 5,051 |
| Revaluation gains (-) on property, plant and equipment | -693 |  |  | -249 |
| IAS19 adjustment | 16,254 |  |  | 9,457 |
| Employee leave accrual adjustment | -104 |  |  | 131 |
| **Expenditure charged to Cost of Services** |  | **99,984** |  | **104,574** |
|  |  |  |  |  |
| Government grants and contributions | -5,936 |  |  | -5,513 |
| Fees, charges and other service income | -2,822 |  |  | -2,977 |
| **Income credited to Cost of Services** |  | **-8,758** |  | **-8,490** |
|  |  |  |  |  |
| **Net expenditure charged to Cost of Services** |  | **91,226** |  | **96,084** |
|  |  |  |  |  |
| Interest payments | 56 |  |  | 45 |
| Pensions interest cost | 21,797 |  |  | 28,111 |
| Expected return on pensions assets | -1,505 |  |  | -2,170 |
| LGPS administration expenses | 48 |  |  | 51 |
| Gain (-) / Loss on disposal of assets | -175 |  |  | 92 |
| **Expenditure charged to Provision of Services** |  | **20,221** |  | **26,129** |
|  |  |  |  |  |
| Pension fund top-up grant | -14,025 |  |  | -14,006 |
| Interest and investment income | -75 |  |  | -1,138 |
| Gain (-) / Loss on financial instruments carried at fair value through profit or loss | -6 |  |  | -79 |
| Income from Council Tax | -53,201 |  |  | -53,239 |
| Income from Business Rates and top-up grant | -13,947 |  |  | -14,280 |
| Non-ring fenced Government grants | -10,258 |  |  | -10,618 |
| **Income credited to Provision of Services** |  | **-91,512** |  | **-93,360** |
|  |  |  |  |  |
| **Expenditure and Income charged to Provision of Services** |  | **-71,291** |  | **-67,231** |
|  |  |  |  |  |
| **Deficit on Provision of Services** |  | **19,935** |  | **28,853** |

**7a. Revenue from Contracts with Service Recipients**

**Policy:**

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

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000s | **2021/22** | **2022/23** |
|  |  |  |
| Revenue from contracts with service recipients: |  |  |
| Operational Response and Resilience – provision of fire cover | 2,186 | 2,312 |
|  |  |  |
| **Total included in Comprehensive Income and Expenditure Statement** | **2,186** | **2,312** |

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

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

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000s | **2021/22** | **2022/23** |
|  |  |  |
| Not later than one year | 2,206 | 2,428 |
| Later than one year and not later than five years | 9,702 | 8,386 |
|  |  |  |
| **Amounts of transaction price fully unsatisfied** | **11,908** | **10,814** |

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

1. **Property, Plant and Equipment**

**Policy:**

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

Assets that are undergoing work which results in them not being completed or becoming operational at the year-end results in the asset being carried forward in “assets under construction”. Expenditure incurred during the year that is capital under statutory provisions but that does not result in the creation of a non-current asset is charged to the Comprehensive Income and Expenditure Statement in the year that it occurs and then reversed out through the Movement in Reserves Statement to ensure there is no impact on the council tax payer.

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

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

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

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

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

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

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

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

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

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

In addition to land and buildings the Authority has a fleet of fire appliances, specialist vehicles and cars. This table provides an analysis of property assets at 31 March 2023.

|  |  |  |
| --- | --- | --- |
|  |  | |
|  | **Operational** | **Surplus** | | **Held for sale** |
|  |  |  | |  |
| Fire Stations | 56 | - | | - |
| Headquarters | 1 | - | | - |
| Residential houses | 20 | - | | - |
| Technical Rescue Centre | 1 | - | | - |
| Training Centre | 1 | - | | - |
| Other | 1 | - | | - |

**Revaluations**

The Authority’s External Valuers, GVA Grimley Limited t/a Avison Young, carried out a full valuation of the Authority’s entire land and building portfolio at 31 March 2020. The highest value fire stations and service headquarters have a full physical inspection and valuation each year, as does 25% of the remaining estate on a four year rolling basis. For the rest of the estate values are reviewed and an adjustment made for any impairment or increase in valuation as appropriate, to reflect any significant changes in values during the year. The valuations have been carried out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The valuations are in accordance with International Valuation Standards (IVS) and the requirements of the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2020 (the Red Book).

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

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

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **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 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2022/23**  All figures are in £’000 | **Land and Buildings** | **Vehicles, Plant and Equipment** | **Assets under Construction** | **Surplus Assets** | **Total Property, Plant and Equipment** |
|  |  |  |  |  |  |
| **Cost or Valuation at 1 April 2022** | **98,485** | **33,730** | **1,408** | **924** | **134,547** |
| Additions | 438 | 1,641 | 1,858 | - | 3,937 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | 12,020 | 173 | - | 337 | 12,530 |
| Revaluation increases recognised in the deficit on the provision of services | 244 | 5 | - | - | 249 |
| De-recognition – disposals | -178 | -805 | - | -19 | -1,002 |
| Assets reclassified | - | - | - | -1,198 | -1,198 |
| Assets under construction completed in year | 121 | - | -121 | - | - |
| Other movements in cost or valuation | -3,316 | -149 | - | -14 | -3,479 |
|  |  |  |  |  |  |
| **Cost or Valuation at 31 March 2023** |  |  |  |  |  |
|  |  |  |  |  |  |
| Accumulated Depreciation and Impairment at 1 April 2022 | 0 | -20,095 | 0 | 0 | -20,095 |
| Depreciation/impairment charge | -3,321 | -1,715 | - | -15 | -5,051 |
| Assets Reclassified | - | - | - | - | - |
| De-recognition – disposals | 5 | 729 | - | 1 | 735 |
| Other movements in depreciation and impairment | 3,316 | 149 | - | 14 | 3,479 |
|  |  |  |  |  |  |
| **Accumulated Depreciation and Impairment at 31 March 2023** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Net Book Value at 31 March 2023** | **107,814** | **13,663** | **3,145** | **30** | **124,652** |
|  |  |  |  |  |  |
| Net Book Value at 31 March 2022 | 98,485 | 13,635 | 1,408 | 924 | 114,452 |

1. **Financial Instruments**

**Policy:**

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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 | **2023** | | **2022** | **2023** | | **2022** |
|  |  | |  |  | |  |
| **Investments** |  | |  |  | |  |
| Current Investments1 | - | | - | 7,754 | | 4,989 |
| Short term investments2 | - | | - | 30,040 | | 33,010 |
| Cash and cash equivalents2 | - | | - | 7,879 | | 11,681 |
| **Debtors** |  | |  |  | |  |
| Long term debtors2 | - | | - | - | | - |
| Short term debtors2 | - | | - | 1,647 | | 2,499 |
| **Borrowings** |  | |  |  | |  |
| Long term borrowing2 | -400 | | -701 | - | | - |
| Short term borrowing2 | - | | - | -301 | | -300 |
| Cash and cash equivalents2 | - | | - | - | | - |
| **Creditors** |  | |  |  | |  |
| Long term creditors | - | | -507 | - | | - | |
| Short term creditors2 | - | | - | -5,152 | | -4,289 |
|  |  | |  |  | |  |

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

2 carried at amortised cost

The fair value of loans borrowed from the Public Works Loan Board (PWLB) is £709k compared to their book value of £701k (£1.055m: £1.001m in 2021/22). The fair value of the loans is higher than the carrying amount because the Authority’s portfolio of loans comprises of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional saving (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the market. However, a supplementary measure of the additional debt that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates from the PWLB as at 31 March 2023. If a value was calculated on this basis the carrying amount of £701k would be valued at £740k. However, if the Authority were to seek to make early repayment of the loans to the PWLB, the PWLB would usually charge a penalty which is calculated by comparing the interest rate being paid on the loans to current borrowing rates. As at 31 March 2023, however, if the loans were repaid on that date there would be a discount of £427.

1. **Debtors**

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

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

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

1. **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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **31 March** | | |
| All figures are in £’000 | **2023** | | **2022** |
|  |  | |  |
| Bank current accounts and cash held by the Authority | 53 | | 53 |
| Short term deposits | 7,826 | | 11,628 |
| **Total Cash and Cash Equivalents** | **7,879** | | **11,681** |

1. **Assets Held for Sale**

**Policy:**

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

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

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

**Assets Held for Sale (continued)**

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

1. **Creditors**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **31 March** | | |
| All figures are in £’000 | **2023** | | **2022** |
|  |  | |  |
| Central government bodies1 | 4,363 | | 5,095 |
| Collection fund receipts in advance | 1,524 | | 1,515 |
| Collection Fund creditor | 2,174 | | 1,365 |
| Other local authorities ,2 | 1,143 | | 491 |
| Other entities and individuals1,2 | 3,394 | | 4,686 |
| **Total Creditors** | **12,598** | | **13,152** |

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

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

1. **Provisions**

**Policy:**

It is the policy of the Authority to make provisions in the accounts where there is an obligation to make a payment but where the amount or timing is uncertain. Provisions are charged to expenditure when the Authority becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made, they are charged direct to the provision.

The level of the provision is kept under review and if the provision is not required it is reversed and credited back to expenditure in that financial year.

**Insurance and General Provision**

The Authority has external cover for insurance claims. At 31 March 2023 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be maintained to fund these and any other potential claims. Whilst many claims are settled within a year some do take a number of years to be resolved.

**Non-Domestic Rate Appeals**

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

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

1. **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.

**Rolling Budgets**

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

**Service Transformation and Productivity**

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

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

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

Additional breakdown of Government Grant Reserve balance:

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

1. **Unusable Reserves**

**Policy:**

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

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

|  |  |  |
| --- | --- | --- |
|  |  | |
|  |  | |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| Revaluation reserve | -58,096 | -48,708 |
| Accumulated Absences account | 564 | 433 |
| Pensions reserve | 643,059 | 1,011,463 |
| Collection Fund Adjustment account | -618 | -89 |
| Capital Adjustment Account | -64,899 | -64,433 |
| **Total unusable reserves** | **520,010** | **898,666** |

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

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

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Balance at 1 April** | **-48,708** | **-42,408** |
| Upward revaluation of assets | -13,035 | -8,752 |
| Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services | 505 | 21 |
| Difference between fair value depreciation and historical cost depreciation | 2,009 | 1,823 |
| Accumulated gains on assets sold or scrapped | 1,133 | 608 |
| **Balance at 31 March** | **-58,096** | **-48,708** |

**Accumulated Absences Account**

**Policy:**

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

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| All figures are in £’000 | **2022/23** | | **2021/22** | |
|  |  |  |  |  |
| **Balance at 1 April** |  | **433** |  | **537** |
| Settlement or cancellation of accrual made at the end of the preceding year | -433 |  | -537 |  |
| Amounts accrued at the end of the current year | 564 |  | 433 |  |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 131 |  |  | -104 |
| **Balance at 31 March** |  | **564** |  | **433** |

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

(**Pensions Reserve continued**)

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Balance at 1 April** | **1,011,463** | **1,026,856** |
| Re-measurements of the net defined benefit liability | -389,847 | -37,962 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 35,154 | 35,402 |
| Employer’s pensions contributions and direct payments to pensioners payable in the year | -13,711 | -12,833 |
| **Balance at 31 March** | **643,059** | **1,011,463** |

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Balance at 1 April** | **-89** | **4,190** |
| Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income for the year in accordance with statutory requirements | 672 | -2,042 |
| Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income for the year in accordance with statutory requirements | -1,201 | -2,237 |
| **Balance at 31 March** | **-618** | **-89** |

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

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Balance at 1 April** | **-64,433** | **-64,735** |
|  |  |  |
| *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 | 5,051 | 4,964 |
| Revaluation (gains) / losses on property, plant and equipment | -249 | -690 |
| Revaluation (gains) / on assets held for sale | - | -3 |  |
| Revenue expenditure funded from capital under statute | 297 | - |  |
| Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 853 | 812 |
| Adjusting amounts written out of the Revaluation Reserve | -2,009 | -1,823 |
|  |  |  |
| *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 | -1,508 | - |
| Statutory provision for the financing of capital investment charged against the General Fund | -828 | -969 |
| Capital expenditure charged against the General Fund Balance | -2,073 | -1,989 |
|  |  |  |
| **Balance at 31 March** | **-64,899** | **-64,433** |

1. **Officers' Remuneration**

This table provides details of actual remuneration for 2022/23 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2021/22 is also shown below. Details of the Senior Officer structure and related salary is published on the Authority’s website at <http://www.kent.fire-uk.org>

|  |  |  |  |
| --- | --- | --- | --- |
| **Post Holder Information**  **All figures shown are in £’000** | **Salary and Allowances** | **Pension**  **Contributions** | **Total**  **Remuneration**  **inc Pension**  **Contributions** |
|  |  |  |  |
| **2022/23** |  |  |  |
| Chief Executive – A Millington | 165.7 | 25.7 | 191.4 |
| Director, Response and Resilience | 134.5 | 38.7 | 173.2 |
| Director, Prevention, Protection, Customer Engagement & Safety | 134.5 | 20.8 | 155.3 |
| Director, Finance and Corporate Services | 109.1 | - | 109.1 |
| Assistant Director, Resilience | 105.1 | 30.3 | 135.4 |
| Assistant Director, Response | 105.1 | 30.3 | 135.4 |
| Assistant Director, Customer & Building Safety | 105.1 | 30.3 | 135.4 |
| Assistant Director, People & Learning | 62.1 | - | 62.1 |
| Assistant Director, Corporate Services | 102.1 | 15.8 | 117.9 |
|  |  |  |  |
|  | **1,023.3** | **191.9** | **1,215.2** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **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 | 117.1 | 33.7 | 150.8 |
| Director, Prevention, Protection, Customer Engagement & Safety | 131.6 | 19.1 | 150.7 |
| Director, Finance and Corporate Services (reduced to 0.81 FTE from 25/10/2021) | 120.7 | 10.7 | 131.4 |
| Assistant Director, Response (promoted to Director, Operations 10/05/2021) | 10.9 | 3.1 | 14.0 |
| Assistant Director, Response (from 04/06/2021) | 81.6 | 23.5 | 105.1 |
| Assistant Director, Resilience (left 30/09/2021) | 48.3 | 14.0 | 62.3 |
| Assistant Director, Resilience (from 04/06/2021) | 81.6 | 23.5 | 105.1 |
| Assistant Director, Customer & Building Safety (left 11/11/2021) | 52.3 | 15.0 | 67.3 |
| Assistant Director, Customer & Building Safety (from 04/06/2021) | 81.6 | 23.5 | 105.1 |
| Assistant Director, People & Learning\* (reduced to 0.61 FTE from 01/12/2021) | 86.0 | 9.5 | 95.5 |
| Assistant Director, Corporate Services | 99.1 | 14.4 | 113.5 |
|  |  |  |  |
|  | **1,115.6** | **229.4** | **1,345.0** |
| \*Change in role title during 2021/22 |  |  |  |

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

1. **Members’ Allowances**

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
| Allowances | 76 | 75 |
| Expenses | 1 | 1 |
| **Total** | **77** | **76** |

1. **External Audit Costs**

The following external audit costs were incurred in the year.

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

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

1. **Grant Income**

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

|  |  |  |  |
| --- | --- | --- | --- |
| All figures are in £’000 | **2022/23** | | **2021/22** |
| **Credited to Taxation and Non-Specific Grant Income:** |  | |  |
| Revenue Support Grant | 6,655 | | 6,457 |
| Small Business Rate Relief Grant and Compensation | 2,756 | | 1,292 |
| Compensation for Additional Business Rate Relief 20/21\* | - | | -74 |
| Compensation for Additional Business Rate Relief 21/22\* | -206 | | 1,585 |
| Compensation for Additional Business Rate Relief 22/23 | | 246 | - |
| Business Rates Levy Account Surplus | | 125 | - |
| Enterprise Zone Relief Grant | 6 | | - |
| Local Tax Income Guarantee Scheme 21/22\* | - | | -82 |
| Transparency Code Set-Up Grant | 8 | | 8 |
| Covid-19 Grant | 1 | | 115 |
| Local Council Tax Support Grant | - | | 956 |
| Services Grant | | 1,027 | - |
| **Credited to Services:** |  | |  |
| Firefighter Employer Pension Contributions | 3,536 | | 3,536 |
| New Dimensions | | 973 | 973 |
| New Threats | | 39 | 84 |
| FireLink | 474 | | 548 |
| Prevention and Protection Uplift and Accreditation Grants | | 406 | 480 |
| Apprenticeship Levy Drawdown | | 44 | 48 |
| Redmond Review – Audit Grant | | 14 | 14 |
| ESMCP Infrastructure | 5 | | 18 |
| Firefighter Pensions Administration | - | | 94 |
| Office of Rail Regulation - Channel Tunnel Safety Authority | - | | 51 |
| Road Safety Grants | 1 | | 90 |
| Building Safety Regulator Compliance | | 21 | - |
| **Total** | **16,131** | | **16,193** |

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

1. **Related Parties**

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

**Central Government** - Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government departments are detailed in Note 20 and amounts due to KFRS are detailed in Note 10 and amounts owed by KFRS are detailed in Note 13.

**Senior Officers and Members** - The total remuneration paid to senior officers is shown in Note 17 and details of Members’ allowances paid in 2022/23 are shown in Note 18.

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

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

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

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

**SECAmb** – Kent Fire and Rescue Service continue to work with the Trust to provide co-responding support, which results in us attending a number of incidents and we assist with gaining access at incidents where patients are in locked or inaccessible areas. There are a number of stations where SECAmb are able to use KFRS facilities without charge in line with the Authority’s charging policy.

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

1. **Capital Expenditure and Capital Financing**

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Opening Capital Financing Requirement** | **1,829** | **2,798** |
|  |  |  |
| **Capital Investment** |  |  |
| Property, Plant and Equipment | 3,937 | 1,989 |
| Revenue expenditure funded from capital under statute | 297 | - |
|  |  |  |
| **Sources of Finance:** |  |  |
| Capital Receipt | -1,508 | - |
| Sums Set Aside from Revenue: |  |  |
| Revenue Contributions towards Capital | -2,073 | -1,989 |
| Minimum Revenue Provision | -73 | -112 |
| Voluntary Revenue Provision | -755 | -857 |
| **Closing Capital Financing Requirement** | **1,654** | **1,829** |
|  |  |  |
| *Explanation of movements in year:* |  |  |
| Decrease in underlying need to borrow | -175 | -969 |
|  |  |  |
| **Change in Capital Financing Requirement** | **-175** | **-969** |

1. **Leases**

**Policy:**

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

The Authority is the lessee of a number of operating leases, these include managed service arrangements for the provision of personal and protective equipment (PPE) for firefighters, watercoolers, lone worker devices and rental space for the control room.

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

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

1. **Termination Benefits**

**Exit Packages by Cost Band**

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

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

1. **Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

**Policy:**

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

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

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

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

The Authority participates in two employment schemes:

1. **Local Government Pension Scheme (LGPS) which is operated by the Kent County Council Superannuation Fund, under the regulatory framework -** The governance of the scheme is the responsibility of the Superannuation Fund Committee of Kent County Council. Policy is determined in accordance with Pension Fund Regulations. The Investment Managers of the fund are appointed by the Committee. The LGPS became a Career Average Revalued Earnings (CARE) scheme from 1 April 2014.

The principal risks to the Authority of the Scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the Scheme (i.e. large scale withdrawals 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.

1. **The 2015 Firefighters’ Pension Scheme (2015 FPS) for which the Authority is the Scheme Manager and is therefore responsible for managing and administering the scheme -** Firefighters’ employed by the Authority can join the 2015 Firefighters’ Pension Scheme. Previously, some members will have built up final salary benefits in the 1992 Firefighters’ Pension Scheme and/or the 2006 Firefighters’ Pension Scheme but these schemes were closed to active membership on 31 March 2022. From 1 April 2022 all active firefighter membership is in the 2015 Firefighters’ Pension Scheme, which is a Career Average Revalued Earnings (CARE) scheme introduced on 1 April 2015 and is governed by the Firefighters’ Pension Scheme (England) Regulations 2014.

The 2015 Firefighters’ Pension Scheme is a defined benefit scheme however, the scheme is unfunded and DLUHC uses a methodology consistent with the SCAPE approach (Superannuation Charge Adjusted for Past Experience) as the basis for calculating the employers’ contribution rate paid by fire and rescue authorities. Unfunded means that there are no investment assets built up to meet the pension liabilities and cash has to be provided to meet the payments as they fall due. In 2022/23 the Authority paid £9.049m (£8.462m in 2021/22) into the Firefighters’ Pension Fund in respect of firefighters’ retirement benefits. The employer contribution rate was 28.8% for 2022/23. In addition £729k was paid by the Authority into the Fund in respect of ill-health charges (£579k) and non-abated pensions (£150k).

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

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

**Transactions Relating to Post-employment Benefits**

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

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

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

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

**Matthews / O’Brien Case**

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

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

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

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.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **LG Pension Scheme** | | **Firefighter Schemes** | | **Firefighter**  **Injury** | | **Total** | |
| **All figures are in £’000** | **2022/23** | **2021/22** | **2022/23** | **2021/22** | **2022/23** | **2021/22** | **2022/23** | **2021/22** |
|  |  |  |  |  |  |  |  |  |
| **Comprehensive Income and Expenditure Statement** |  |  |  |  |  |  |  |  |
| *Service cost comprising:* |  |  |  |  |  |  |  |  |
| Current service cost | 6,750 | 7,510 | 15,552 | 19,753 | 766 | 1,014 | 23,068 | 28,277 |
| Past service costs | - | 580 | 100 | 230 | - | - | 100 | 810 |
| *Financing and Investment Income and Expenditure:* |  |  |  |  |  |  |  |  |
| Net interest expense | 1,162 | 959 | 24,093 | 18,804 | 737 | 577 | 25,992 | 20,340 |
| **Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services** | **7,912** | **9,049** | **39,745** | **38,787** | **1,503** | **1,591** | **49,160** | **49,427** |
| *Remeasurement of the net defined benefit liability comprising:* |  |  |  |  |  |  |  |  |
| Return on Plan assets (excluding the amount in net interest expense) | 1,084 | -188 | - | - | - | - | 1,084 | -188 |
| Actuarial gains and losses arising on changes in: |  |  |  |  |  |  |  |  |
| Financial assumptions | -61,898 | -8,479 | -389,355 | -30,386 | -8,672 | -684 | -459,925 | -39,549 |
| Demographic assumptions | -2,990 | - | - | - | - | - | -2,990 | - |
| Experience loss/gain(-) on defined benefit obligations | 15,633 | 233 | 55,172 | 1,470 | 2,677 | 72 | 73,482 | 1,775 |
| Other actuarial losses/gains(-) | -1,498 | - | - | - | - | - | -1,498 | - |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **-41,757** | **615** | **-294,438** | **9,871** | **-4,492** | **979** | **-340,687** | **11,465** |
| **Movement in Reserves Statement** |  |  |  |  |  |  |  |  |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | -7,912 | -9,049 | -39,745 | -38,787 | -1,503 | -1,591 | -49,160 | -49,427 |
| *Actual amount charged against the General Fund Balance for pensions in the current year:* |  |  |  |  |  |  |  |  |
| Employer’s contributions payable to scheme | 2,429 | 2,439 | 9,780 | 8,965 | - | - | 12,209 | 11,404 |
| Retirement benefits payable to pensioners | - | - | - | - | 1,502 | 1,429 | 1,502 | 1,429 |

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| **Present value of the defined benefit obligation:** |  |  |
| Local Government Pension Scheme | -86,319 | -126,815 |
| Fire Pension Schemes | -643,301 | -967,519 |
| Fair value of assets in the Local Government Pension Scheme | 86,561 | 82,871 |
| **Net liability arising from defined benefit obligation** | **-643,059** | **-1,011,463** |
|  |  |  |

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

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

Discretionary benefits arrangements have no assets to cover their liabilities.

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

|  |  |  |
| --- | --- | --- |
| All figures are in £’000 | **2022/23** | **2021/22** |
|  |  |  |
| Opening fair value of scheme assets | 82,871 | 80,134 |
| Interest income | 2,170 | 1,505 |
| *Re-measurement gain/(loss):* |  |  |
| The return on plan assets, excluding the amount in the net interest expense | -1,084 | 188 |
| Other actuarial gains | 1,498 | - |
| Administration expenses | -51 | -48 |
| Contributions from employer | 2,429 | 2,439 |
| Contributions from employees into the scheme | 1,080 | 978 |
| Benefits paid | -2,352 | -2,325 |
| **Closing fair value of scheme assets** | **86,561** | **82,871** |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £1.086m (2021/22: £1.693m).

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Local Government Pension Scheme** | | **Firefighter**  **Pension Schemes** | | **Firefighter**  **Injury** | | **Total** | **Total** |
| All figures are in £’000 | **2022/23** | **2021/22** | **2022/23** | **2021/22** | **2022/23** | **2021/22** | **2022/23** | **2021/22** |
|  |  |  |  |  |  |  |  |  |
| **Balance at 1 April** | **-126,815** | **-125,902** | **-938,417** | **-951,536** | **-29,102** | **-29,552** | **-1,094,334** | **-1,106,990** |
|  |  |  |  |  |  |  |  |  |
| Current service cost | -6,750 | -7,510 | -15,552 | -19,753 | -766 | -1,014 | -23,068 | -28,277 |
| Interest cost | -3,281 | -2,416 | -24,093 | -18,804 | -737 | -577 | -28,111 | -21,797 |
| Contributions from scheme participants | -1,080 | -978 | -4,240 | -3,866 | - | - | -5,320 | -4,844 |
|  |  |  |  |  |  |  |  |  |
| *Re-measurement (gains) and losses - actuarial gains/losses arising from:* |  |  |  |  |  |  |  |  |
| changes in financial assumptions | 61,898 | 8,479 | 389,355 | 30,386 | 8,672 | 684 | 459,925 | 39,549 |
| change in demographic assumptions | 2,990 | - | - | - | - | - | 2,990 | - |
|  |  |  |  |  |  |  |  |  |
| Past service cost | - | -580 | -100 | -230 | - | - | -100 | -810 |
| Experience loss/(gain) on defined benefit obligation | -15,633 | -233 | -55,172 | -1,470 | -2,677 | -72 | -73,482 | -1,775 |
| Benefits paid | 2,352 | 2,325 | 28,026 | 26,856 | 1,502 | 1,429 | 31,880 | 30,610 |
| Unfunded pension payments | - | - | - | - | - | - | - | - |
| **Balance at 31 March** | **-86,319** | **-126,815** | **-620,193** | **-938,417** | **-23,108** | **-29,102** | **-729,620** | **-1,094,334** |

**Local Government Pension Scheme assets comprised:**

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

The table below details percentages of the total Fund held at 31 March 2023 in each class of asset (split by those that have a quoted market price in an active market and those that do not).

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **31 March 2023** | |
|  |  | **%** | **%** |
|  |  | **Quoted** | **Unquoted** |
|  |  |  |  |
| Fixed Interest Government Securities | Overseas | 1 | - |
| Corporate Bonds | UK | 4 | - |
|  | Overseas | 9 | - |
| Equities | UK | 16 | - |
|  | Overseas | 44 | - |
| Property | All | - | 10 |
| Others | Absolute return portfolio | 7 | - |
|  | Private equity | - | 4 |
|  | Infrastructure | - | 3 |
|  | Cash/temporary investments | - | 2 |
| **Total** |  | **81** | **19** |

**Significant Actuarial Assumptions**

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

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

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

**Impact on the Defined Benefit Obligation in the Schemes**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |  | |  | |  | |
| Change in assumption: | | **Local Government Pension Scheme** | | | | **Firefighter Pension Schemes** | | | | **Injury**  **and Ill-Health** | |
| All figures are in £’000 | | Increase | | Decrease | | Increase | | Decrease | | Increase | Decrease |
|  | | 0.5% | | 0.5% | | 0.1% | | 0.1% | | 0.1% | 0.1% | |
|  |  | |  | |  | |  | |  | |  | |
| *Increase or decrease:* |  | |  | |  | |  | |  | |  | |
| Life expectancy by 1 year | 2,777 | | -2,684 | | 23,936 | | -22,998 | | 1,196 | | -1,136 | |
| Rate of increase in salaries | 924 | | -886 | | 1,123 | | -1,116 | | - | | - | |
| Rate of increase in pensions | 7,874 | | -6,810 | | 9,073 | | -8,835 | | 250 | | -246 | |
| Rate for discounting scheme liabilities | -7,531 | | 8,672 | | -9,764 | | 10,018 | | -242 | | 246 | |

**Impact on the Authority’s Cash Flows**

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

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

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

1. **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.

1. **Nature and Extent of Risks Arising from Financial Instruments**

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

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

**Overall Procedures for Managing Risk**

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

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

The annual Investment and Treasury Management Strategy for 2022/23 was approved by the Authority in February 2022, and is implemented by the Finance team. The key limits approved were:

|  |
| --- |
|  The authorised limit for external borrowings and long term liabilities was set at £25m. |
|  |
|  The operational boundary, or expected level of debt and other long term liabilities during the year,  was set at £21m. |
|  |
|  The maximum amounts of fixed and variable interest rate exposure were set at 100% |
|  |
|  No investments would be made for a period in excess of twelve months. |

**Market Risk**

**Interest Rate Risk**

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

As at 31 March 2023 all borrowing was at fixed interest rates and is carried at amortised cost, therefore movements in interest rates do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Long term borrowing decisions are based on interest rates prevailing at the time and there is a risk that the rate on a loan may be higher than the market rate available in the future.

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

Interest earned on deposits and investments in 2022/23 was £1,138k which equates to an average rate of 2.14%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £46k.

**Liquidity Risk**

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

|  |  |
| --- | --- |
| All figures are in £’000 | **31 March 2023** |
|  |  |
| Less than one year | 301 |
| Between one and two years | 400 |
| Between two and five years | - |
| More than five years | - |
| **Total** | **701** |

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions and from income due to the Authority for services provided. The Authority defines default as the failure of a counterparty to fulfil their obligation of money owed to the Authority. The Authority will only write-off debt where it has exhausted its opportunities for recovering monies.

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility, the impact on the financial instruments held has been considered. This risk is minimised through the annual Investment and Treasury Management Strategy which reflected a level of uncertainty in the year ahead. The Strategy specified the counterparties, the maximum amounts that could be invested with each and the maximum duration of 12 months. Deposits are spread amongst counterparties to further minimise risk as it is unlikely that all counterparties would default at the same time.

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

The Authority’s maximum exposure to credit risk in relation to its deposits in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. At the 31 March 2023 the Authority had £7.67m deposited in Treasury Bills, which are secure Government backed assets . There was also £0.3m deposited in instant access accounts, £7.53m deposited in Money Markets, £16.35m in notice accounts and £13.69m in fixed term deposits.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks, building societies and Money Markets is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority’s investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values based on historic default. The expected losses calculations as at 31 March 2023 resulted in a total immaterial figure. The CIPFA Code states that “accounting policies need not be applied if the effect of applying them would be immaterial” the effect of the expected losses have therefore not been shown in the accounts.

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

|  |  |
| --- | --- |
| All figures are in £’000 | **31 March 2023** |
|  |  |
| Less than three months | 723 |
| Three to six months | - |
| Six months to one year | 1 |
| More than one year |  |
|  |  |
| **Total** | **724** |

1. **Firefighters’ Pension Fund Account**

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | |  | **2022/23** | **2021/22** | |  | **Pension Fund** | **Pension Fund** | | All figures are in £’000 | |  |  |  | | **Contributions receivable:** |  |  | | Fire Authority: |  |  | | Contributions in relation to pensionable pay | -9,049 | -8,462 | | Early retirements (ill health) | -579 | -350 | | Other | -151 | -153 | | Firefighters’ contributions | -4,240 | -3,866 | |  | **-14,019** | **-12,831** | | Transfers in from other authorities | **-118** | **-55** | | **Benefits payable:** |  |  | | Pensions | 22,402 | 21,272 | | Commutations and lump sum retirement benefits | 5,741 | 5,626 | |  | **28,143** | **26,898** | | **Payments to and on account of leavers:** |  |  | | Transfers out to other authorities | **-** | **13** | | Net amount payable for the year | 14,006 | 14,025 | | Top-up grant payable by the Government | -14,006 | -14,025 | |  | **-** | **-** | |  |  |  |   **Firefighters’ Pension Fund Net Assets Statement**  The statement below identifies the Firefighters’ Pension Fund assets and liabilities that are included in the Authority’s Balance Sheet.   |  |  |  |  | | --- | --- | --- | --- | | All figures are in £’000 | **2022/23** | | **2021/22** | |  |  | |  | | **Current assets:** |  | |  | | Contributions due from Fire Authority | 74 | | 89 | | Top-up receivable from the Government | 3,864 | | 5,871 | | **Current liabilities:** |  | |  | | Unpaid pension benefits | | -133 | -285 | | Other current liabilities1 | | -3,805 | -5,675 | |  | **-** | | **-** |   1 This reflects the extent to which the Pension Fund Account assets and liabilities impact on the Authority’s cash position. |

**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 theaccounting 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.

**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.

**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.

**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.

|  |  |  |
| --- | --- | --- |
| **Page** | **Note** |  |
|  |  |  |
|  |  |  |
| 30 | 1. | Accounting Policies |
| 32 | 2. | Accounting Standards that have been issued but have not yet been adopted |
| 32 | 3. | Critical Judgements in Applying Accounting Policies |
| 33 | 4. | Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty |
| 34 | 5. | Events after the reporting period |
| 35 | 6. | Expenditure and Funding Analysis |
| 37 | 6a. | Expenditure and Funding Analysis Adjustments Between Funding and Accounting Basis |
| 38 | 7. | Expenditure and Income Analysed by Nature |
| 39 | 7a. | Revenue from Contracts with Service Recipients |
| 40 | 8. | Property, Plant and Equipment |
| 45 | 9. | Financial Instruments |
| 47 | 10. | Debtors |
| 47 | 11. | Cash and Cash Equivalents |
| 47 | 12. | Assets Held for Sale |
| 48 | 13. | Creditors |
| 48 | 14. | Provisions |
| 49 | 15. | Usable Reserves |
| 51 | 16. | Unusable Reserves |
| 55 | 17. | Officers’ Remuneration |
| 58 | 18. | Members’ Allowances |
| 58 | 19. | External Audit Costs |
| 58 | 20. | Grant Income |
| 59 | 21. | Related Parties |
| 60 | 22. | Capital Expenditure and Capital Financing |
| 60 | 23. | Leases |
| 61 | 24. | Termination Benefits |
| 61 | 25. | Defined Benefit Pension Schemes |
| 69 | 26. | Contingent Liabilities and Assets |
| 70 | 27. | Nature and Extent of Risks Arising from Financial Instruments |
| 73 | 28. | Firefighters’ Pension Fund Account |