



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday, 22 September 2022

10.30am

AGENDA
KENT AND MEDWAY FIRE AND RESCUE AUTHORITY
AUDIT AND GOVERNANCE COMMITTEE

Thursday, 22 September at 10.30am
Held at The Godlands, Straw Mill Hill
Tovil, Maidstone, ME15 6XB

Ask for: Marie Curry
Telephone: (01622) 692121

UNRESTRICTED ITEMS

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

A Routine Business

- A1. Election of Chair for 2022/23
- A2. Election of Vice-Chair for 2022/23
- A3. Chair's Announcements *(if any)*
- A4. Declarations of Interests in Items on this Agenda
- A5. Membership Changes and Apologies for Absence
- A6. Minutes of the meeting held on 28 April 2022 *(for approval)*

B For Decision

- B1. Final Provisional Outturn for 2021/22 Summary
- B2. Internal Audit Annual Report for 2021/22
- B3. Annual Governance Statement 2021/22
- B4. Treasury Management Annual Report for 2021/22
- B5. Annual Statement of Accounts for 2021/22
- B6. Treasury Management Practices
- B7. Chair of Audit and Governance Committee's Report to the Authority

C For Information

- C1. Mid-Year Treasury Management and Investment Update for 2022/23

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

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

Marie Curry
Clerk to the Authority

12 September 2022

Please note that any background papers referred to in the accompanying reports may be inspected by arrangement with the Lead/Contact Officer named on each report.

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KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Thursday, 28 April 2022 at Kent Fire and Rescue Service Headquarters.

PRESENT:- Mr N Collor, Mr P Harman, Ms S Hudson, Mr V Maple (Chair), Ms L Parfitt-Reid, Mr C Simkins and Mr S Tranter (Vice Chair).

APOLOGIES: - Mr A Booth, Mr D Daley and Mr P Cole

OFFICERS:- The Chief Executive, Miss A Millington QFSM; the Director Finance and Corporate Services, Ms A Kilpatrick; Director Prevention, Protection, Customer Engagement and Safety, Mr J Quinn; Assistant Director, Operations, Mr M Deadman; Head of Finance, Treasury and Pensions Mrs N Walker, Head of Finance, Treasury and Pensions, Barrie Fullbrook and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE: - Mr P Cuttle, Grant Thornton and Ms F Smith ,KCC Internal Audit

UNRESTRICTED ITEMS

10. Chair's Announcements

(Item A1)

- (1) Members of the Committee stood for a minute's silence to pay respects to Tom Mason, former Kent and Medway Fire and Rescue Authority Vice Chair and the Chair of the previous established Audit and Governance Committee.
- (2) The Chair welcomed Paul Cuttle, Grant Thornton, to the meeting.
- (3) The Chair welcomed Frankie Smith, KCC Internal Audit, to the meeting.

11. Minutes – 25 November 2021

(Item A4)

- (1) RESOLVED that the Minutes of the Audit and Governance Committee meeting held on 25 November 2021, be approved and signed by the Chair as a correct record.

12. Corporate Risk Register

(Item B1 – Report by Director Finance and Corporate Services)

- (1) The Committee received the latest update on the Corporate Risk Register for consideration. Members were reassured that good progress continues to be made on a number of the action plans, which will help mitigate or reduce respective potential risks.
- (2) In response to a question raised by Mr Tranter around what is the criteria for a risk that is deemed 'no longer critical' being removed from the Register and how this is justified

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because a risk is still a risk even if it's a possibility, the Head of Finance, Mrs N Walker, responded by saying that even when a risk is removed from the Register because it is now not deemed as a 'critical risk' that would essentially affect the Service's ability to carry out its statutory duties, the risk is still being monitored through internal Strategic Boards.

- (3) In response to a concern raised by Mr Collor with regards to the removal of Covid off the Register, the Head of Finance, Mrs N Walker provided reassurances that even though Covid has been removed from the Register as a corporate risk, this is still monitored within the Service's Business Continuity Plans.
- (4) In response to a question raised by Mr Maple around cyber security and what the Service is doing to mitigate this risk, bearing in mind some high profile cases in the media of late, the Director Finance and Corporate Services responded by providing assurances to Members that a lot of work does go on behind the scenes to limit the potential risks of a cyber-attack and offered that the Head of Information Technology and Business Change attends the next meeting to provide Members with a presentation on the work that is being undertaken which was welcomed by the Committee.
- (5) RESOLVED that:
 - (a) the amendments to the Risk Register as shown in Appendix 1 to the report, be approved.
 - (b) the addition of a new risk to the Register in relation to the escalation of a potential cyber-attack in line with Government guidance, be approved.
 - (c) A presentation on the work the Service is doing to mitigate the risk of a cyber-attack at the next meeting of the Committee, be approved.
 - (d) the contents of the report be noted.

13. Anti-Fraud and Corruption Framework and Action Plan Update

(Item B2 – Report by Director Finance and Corporate Services)

- (1) The Committee received the updated versions of the Anti-Fraud and Corruption Framework; the Anti-Fraud and Corruption Action Plan and the Fraud Response Plan for consideration. The Committee also received the Fighting Fraud and Corruption Locally (FFCL) Checklist to note.
- (2) RESOLVED that:-
 - (a) the Anti-Fraud and Corruption Framework, as attached at Appendix 1 to the report, be approved.

- (b) the Anti-Fraud and Corruption Action Plan, as attached at Appendix 2 to the report, be approved.
- (c) the Fraud Response Plan, as attached as Appendix 3 to the report, be approved.
- (d) the inclusion of the Fighting Fraud and Corruption Locally (FFCL) Checklist be noted.

14. External Auditors Draft Audit Plan for 2021/22 and the Audit Risk Assessment

(Item B3 – Report by Director Finance and Corporate Services)

- (1) Mr Paul Cuttle, Grant Thornton, introduced for Members' consideration, the External Auditors Draft Audit Plan for 2021/22 as well as the template for informing the Audit Risk Assessment.
- (2) RESOLVED that:-
 - (a) the Audit Risk Assessment, as attached at Appendix 1 to the report, be approved.
 - (b) the External Auditors Draft Audit Plan for 2021/22, as attached Appendix 2 to the report, be approved.
 - (c) The Chair, on behalf of the Committee, thanked Grant Thornton for their work.

15. Internal Audit Plan for 2022/23 and Audit Charter

(Item B4 – Report by Director Finance and Corporate Services)

- (1) Ms F Smith, Head of KCC Internal Audit, introduced for Members' consideration, the proposed Internal Audit Plan for 2022/23, along with the Audit Charter and Key Performance Indicators.
- (2) RESOLVED that:-
 - (a) the Internal Audit Plan for 2022/23, as set out in Annex 1 of Appendix 1 to the report, be approved;
 - (b) the Internal Audit Charter, as set out in Annex 2 of Appendix 1 to the report, be approved;
 - (c) the proposed Key Performance Indicators for the Internal Audit, as set out in Annex 3 to Appendix 1 to the report, be approved;
 - (d) the Chair, on behalf of the Committee, placed on records its thanks to KCC Internal Audit for their work.

16. Treasury Management Update

(Item B5 – Report by Director Finance and Corporate Services)

- (1) Since the Treasury Management and Investment Strategy 2022/23 was agreed in principle by this Committee at its last meeting in November, the Chartered Institute of Public Finance and Accountancy (CIPFA) has published a revised Treasury Management Code and Prudential Code, with full implementation of the new Codes expected by 2023/24.
- (2) The Committee received an overview of the updated Code requirements, along with the Treasury Management Policy Statement and the revised Treasury Management Practices for consideration.
- (3) RESOLVED that:-
 - (a) the adoption of the Treasury Management Policy Statement, as attached at Appendix 1 to this report be approved.
 - (b) the adoption of the revised Treasury Management Practices, as attached at Appendix 2 to this report, be approved.

17. Internal Audit Progress Report for 2021/22

(Item C1 – Report by Director Finance and Corporate Services)

- (1) Ms F Smith from KCC Internal Audit, introduced for Members' consideration, the Internal Audit Progress report. This report provided an update of the work that has been concluded by KCC Internal Audit, on behalf of the Authority, against the 2021/22 Audit Plan, a summary of which was attached at Appendix 1 to the report.
- (2) RESOLVED that:
 - (a) The contents of the report be noted.

By: Director, Finance and Corporate Services

To: Audit and Governance Committee – 22 September 2022

Subject: FINAL PROVISIONAL OUTTURN 2021/22 SUMMARY

Classification: Unrestricted

FOR DECISION

SUMMARY

A detailed report on the final provisional outturn for 2021/22 was presented to Members at the Authority meeting on 5 July 2022. Whilst nothing has changed, in relation to the final provisional outturn since the 5 July meeting, this report is presented today as part of the suite of papers that Members review in order to gain sufficient assurance to formally approve the Statement of Accounts for 2021/22, albeit the External Auditors will not undertake their review of the 2021/22 financial year until October 2022.

This report consequently provides Members with a summary of the key points from the report presented to the July meeting of the Authority and sets out the recommendations that were agreed by Members at that meeting.

Key points to note are:

- The final provisional revenue budget underspend is £1.707m against an approved budget of £71.573m for 2021/22.
- The 2021/22 capital outturn is £1.989m against the revised capital budget of £2.871m.

RECOMMENDATION

Members are requested to:

1. Consider and note the contents of the report.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Barrie Fullbrook
TELEPHONE NUMBER: 01622 692121 ext 8264
EMAIL: barrie.fullbrook@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Provisional Revenue Budget Outturn for 2021/22

1. A detailed report on the final provisional outturn for 2021/22 was presented to Members at the July Authority meeting. That report contained several appendices providing Members with detailed explanations for budget variances; details of the balances held in each reserve at the end of the financial year and details of the final outturn on the Firefighters' Pension Fund Account for 2021/22. Therefore, this report provides Members with only a summary of the key points presented to Members in July.
2. It is the remit of this committee to review and agree the final accounts on behalf of the Authority at the end of each financial year, and as such there are a number of reports which form the suite of papers which lead up to the Statements of Accounts for the relevant year. However, it is the responsibility of the full Authority to review regular detailed monitoring reports on revenue and capital expenditure incurred during the year. As such, this report summaries the key information extracted from the detailed report, to aid Members assurance of the contents of the draft Statement of Accounts for 2021/22, which are presented at Item B5 later on this agenda.
3. **Revenue Budget Outturn** - As reported to the Authority in July, the provisional final revenue budget underspend is £1.707m. The final outturn on Business Rates Section 31 grants (£1.594m), was not materially different to the estimates provided by District Councils and Medway Council (billing authorities) for closing the 2021/22 accounts (£1.585m), so no adjustment has been made to the Accounts. Consequently, this will provide a small amount of additional income (£9k) in 2022/23.
4. **Capital Outturn** - The 2021/22 capital outturn was £1.989m against the revised capital budget of £2.871m. Work in relation to a number of projects, e.g. roofing repairs at a number of stations has been delayed until 2022/23, mainly as a result of contractor availability and delivery timescales, hence funding was slipped to 2022/23.
5. **Use of the Revenue Budget Underspend** - At the July Authority meeting, Members agreed the following recommendations:
 - to transfer £1m of the final revenue budget underspend to the Service Transformation and Productivity Reserve and;
 - to transfer any final underspend in excess of £1m (provisionally £707k) to the Insurance and Resource Reserve.
6. **Closing Reserve Balances** - As at 31 March 2022, £3.760m was held in the General Reserve; £37.561m was held in Earmarked Reserves (including the transfer of

£1.707m in relation to the 2021/22 revenue budget underspend) and; £9.470m was held in the Capital Receipts Reserve. Therefore, total Usable Reserves held at the end of the financial year totalled £50.791m.

7. **Firefighters' Pension Fund Account** - The cost of eligible expenditure chargeable to the Firefighters' Pension Fund including ongoing firefighter pensions, pension commencement lump sums and transfers values out totalled £26.911m in 2021/22. Employee contributions, Authority contributions and transfer values in totalled £12.886m, meaning a government top-up grant of £14.025m was required to balance the Pension Fund to nil for 2021/22. An amount of £8.154m was paid to the Authority in July 2021, based on 80% of the forecast amount due when the estimates were submitted to the Home Office in September 2020, meaning the balance of £5.871m was paid to the Authority in July 2022, along with 80% of the estimated deficit for 2022/23.
8. **External Audit** - In previous years, the final suite of papers for the year end accounts would usually include the External Auditors Findings report, which sets out their findings having concluded their review of the accounts. However, as previously explained, many External Auditors are finding the provision of resources to undertake year end audit reviews very challenging this year and as such, we have agreed that they will undertake their review of the final accounts in October. It is therefore our expectation that the meeting of this Committee on 28 November 2022 will hopefully be able to consider the External Auditors report for the 2021/22 financial year.

IMPACT ASSESSMENT

9. There are no funding implications arising from this report, which cannot be managed within existing resources.

RECOMMENDATIONS

10. Members are requested to:
 - 10.1 Consider and note the contents of the report.

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By: Director, Finance and Corporate Services

To: Audit and Governance Committee – 22 September 2022

Subject: INTERNAL AUDIT ANNUAL REPORT 2021/22

Classification: Unrestricted

FOR DECISION

SUMMARY

The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and as such this is provided by Kent County Council under a Service Level Agreement.

As part of the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion to Members on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. Their annual opinion is largely informed by work undertaken as part of the Internal Audit Plan for the 2021/22 financial year. The opinion also considers the results of audits for the previous two financial years, and the subsequent follow-up work undertaken.

Attached to this report is the Annual Internal Audit Report for 2021/22 for Members to review and the Head of Internal will be presenting this report at the Audit and Governance Committee meeting.

RECOMMENDATIONS

Members are requested to:

1. Consider and accept the Internal Audit Annual Report 2021/22 (paragraphs 4 to 7 and **Appendix 1** refers).
2. Consider and note the Progress Update to External Quality Assessment (EQA) Action Plan for Internal Audit Services (paragraph 9 and **Annex C of Appendix 1** refers).

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services - Alison Kilpatrick

TELEPHONE NUMBER: 01622 692121 ext 8262

EMAIL: alison.kilpatrick@kent.fire-uk.org

BACKGROUND PAPERS: None

COMMENTS

Background

1. Section 5 of the Accounts and Audit Regulations 2015 requires the Authority to undertake an adequate and effective internal audit of its risk management, control and governance processes. The Authority discharges its Internal Audit function under a Service Level Agreement to Kent County Council (KCC). Annually the Head of Audit provides an opinion on the adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control. The annual opinion presented in this report is largely informed by work undertaken as part of the Internal Audit Plan for 2021/22 but also considers the subsequent follow-up work undertaken for audits of the previous two financial years.
2. The Head of Audit's opinion is one of the key independent means of assurance available to Members in discharging their role of overseeing the internal control processes implemented by officers and ensuring that a sound system of governance of the Authority's business is in place.
3. The assurance given on individual audits is at the time of issue of that report, but before full implementation of any agreed management action plan. The Authority maintains its own internal follow-up process for audits with assurance levels of "Adequate" and above which are then reviewed by Internal Audit and verified if necessary prior to being closed. Internal Audit however undertake full follow-up reviews for all 'limited' and 'no' assurance audits.

The Internal Audit Annual Report 2021/22

4. The Annual Report for 2021/22 is attached at **Appendix 1** for Members to review and accept. The Head of Internal Audit will present this report and their findings at the Audit and Governance Committee meeting. The audits agreed by Members in the 2021/22 Audit Plan and the subsequent amendments to three audits agreed by Members at A&G Committee November 2021 have been completed and no further amendments to the plan were required.
5. There have been seven audit reviews achieved during the year, which have resulted in one high, four substantial and two adequate opinions. Those reviews have resulted in six audits obtaining very good prospects for improvement and one obtaining good prospects for improvement, based on their resulting action plans.
6. Two further advisory audits (Fire Standards and Cyber Security) were also completed within the year and Internal Audit have confirmed good assurance for the processes and controls in place. However some action points for improvement have been identified and many have already been implemented. As the Cyber Security review was only completed

towards the end of 2021/22 a summary extract of the audit review is available to Members at **Annex C of Appendix 1**.

7. We are pleased to inform Members that the overall opinion for 2021/22 remains at 'Substantial' and KFRS have achieved 100% on all 5 key performance indicators for all audits completed.

Counter Fraud

8. Over the last year a series of Counter Fraud training sessions have been provided by the KCC Counter Fraud Team to a number of KFRS employees across a wide range of teams. The Authority is keen that all KFRS colleagues have a good understanding of what fraud is and that they are able to confidently identify and report fraudulent activities. As such we are working with the KCC Counter Fraud Team to provide a series of online training videos to support this requirement.

Conformance with Public Sector Internal Audit Standards

9. The Public Sector Internal Audit standards are mandatory for the internal audit practice. They require Internal Audit to maintain a Quality Assurance and Improvement Programme (QAIP) which includes internal and external assessments of their compliance. An External Quality Assessment (EQA) of Internal Audit Services was completed in early 2021 by an independent assessor and identified 21 actions requiring review or consideration. Internal Audit have made good progress with 19 of those 21 actions. A full update of the External Quality Assessment (EQA) Action Plan is available to Members at **Annex C of Appendix 1**.

IMPACT ASSESSMENT

10. Sufficient resources were available to enable the programme of work to be delivered in 2021/22. The annual audit opinion provides Members with assurance that the Authority has robust internal control processes in place and the cost of the service has remained within the funding allocated.

RECOMMENDATIONS

11. Members are requested to:
 - 11.1 Consider and accept the Internal Audit Annual Report 2021/22 (paragraphs 4 to 7 and **Appendix 1** refers).
 - 11.2 Consider and note the Progress Update to External Quality Assessment (EQA) Action Plan for Internal Audit Services (paragraph 9 and **Annex C of Appendix 1** refers).

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Internal Audit Annual Report

2021/22

Date: 22 September 2022

Frankie Smith
Audit Manager

Email: Frankie.Smith@Kent.Gov.UK
Telephone: 03000 419434

ANNUAL INTERNAL AUDIT REPORT 2021/22

1. Purpose and Background

- 1.1 The Annual Report provides a summary of the work completed by the Internal Audit service during 2021/22.
- 1.2 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance, to support the Authority's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:
- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework.
 - A summary of the audit work from which the opinion is derived.
 - Any issues which the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.
 - A comparison of the work undertaken, with the work that was planned.
 - A summary of the performance of the Internal Audit function against its key performance indicators.
 - A statement of conformance with the PSIAS.
 - The outcomes from the Internal Audit Quality Assurance and Improvement Programme (QAIP).
 - Disclosure of any qualifications to the opinion, with justifications.
 - Disclosure of any impairments or restrictions in scope.
- 1.3 The purpose of this report is to satisfy these requirements.

2. Annual Opinion

- 2.1 Internal Audit concludes that '**Substantial**' assurance can be assigned in relation to the Authority's corporate governance, risk management and internal control arrangements. There are no significant matters which need to be included within the Annual Governance Statement.
- 2.2 This opinion is derived from the findings, conclusions and assurances from the work undertaken by Internal Audit during 2021/22 and the progress to implement agreed actions from previous audit reviews. Furthermore, our opinion acknowledges that there have been no instances of material internal or external fraud detected or reported during 2021/22.
- 2.3 There have been no limitations to the scope of Internal Audit work during 2021/22. Internal Audit provides this assurance based on the scope of the work performed and at the time of the audit.

2.4 The ability of Internal Audit to remain independent is fundamental to the robustness of the opinion provided. There has been no impairment to our audit work and reporting during 2021/22.

2.5 Members are reminded that they can contact Internal Audit directly for further information on any audit or to discuss any other matter. Contact details are given at the front of this report.

3. Summary of Internal Audit Work 2021/22

3.1 The original 2021/22 Internal Audit Plan was agreed by Authority in April 2021. However, the three 3 audits highlighted in blue below were late adjustments to the original plan, to reflect changing priorities, so these were agreed by the Audit and Governance Committee in November 2021.

3.2 The 2021/22 Audit Plan included 7 audit and 2 consultancy reviews. All work has been completed. **Table 1** summarises the outcomes from the 2021/22 Audit Plan:

TABLE 1 Overview of 2021/22 Audit Plan			
Audit	Audit Opinion	Prospects for Improvement	Date Reported to Audit & Governance
FS01-2022 Operational Response Training	ADEQUATE	VERY GOOD	April 2022
FS02-2022 Treasury Management	ADEQUATE	GOOD	November 2021
FS03-2022 Workforce Planning	HIGH	VERY GOOD	April 2022
FS04-2022 Collaborations	SUBSTANTIAL	VERY GOOD	April 2022
FS05-2022 Equality, Diversity & Inclusion	SUBSTANTIAL	VERY GOOD	April 2022
FS06-2022 IT Helpdesk	SUBSTANTIAL	VERY GOOD	April 2022
FS07-2022 Vehicle & Equipment Replacement Programme	SUBSTANTIAL	VERY GOOD	April 2022
FS08-2022 Fire Standards	N/A	N/A	April 2022
FS09-2022 Cyber Security	N/A	N/A	September 2022

3.3 **Annex A** provides the definitions for the Audit Opinions and Prospects for Improvement.

3.4 The summary extract for **FS09-2022 Cyber Security** can be found at **Annex B**.

3.5 **Table 2** provides a comparison of the Assurance Opinions and Prospects for

Improvement allocated to audit reviews since 2019/20:

TABLE 2

Comparison of Assurance Opinions and Prospects for Improvement since 2019/20

Audit		Assurance	Prospects for Improvement
2020/21	Incident Command	SUBSTANTIAL	VERY GOOD
	Building Safety	HIGH	VERY GOOD
	Contract Management	SUBSTANTIAL	VERY GOOD
	Payroll	SUBSTANTIAL	GOOD
	Customer	SUBSTANTIAL	VERY GOOD
	Sickness	ADEQUATE	GOOD
	Risk Management	SUBSTANTIAL	VERY GOOD
	BACS Payments	N/A	N/A
2019/20	Information Governance	SUBSTANTIAL (Information Governance)	GOOD
		LIMITED (Physical Information Security)	
	Financial Strategies	HIGH	GOOD
	Business Continuity Management	SUBSTANTIAL	GOOD
	Property Statutory Compliance	LIMITED	GOOD
	Operational Assurance	SUBSTANTIAL	GOOD
	Health and Safety	ADEQUATE	GOOD
	EU Exit Lessons Learned	SUBSTANTIAL	N/A
	Fire Setters	LIMITED	GOOD

4. Implementation of Agreed Actions

- 4.1 **Table 3** highlights the outcomes of all the agreed actions followed up during 2021/22:

TABLE 3 Summary of Agreed Actions			
Audit	Date	Assurance Opinion	Status
Business Continuity	October 2019	SUBSTANTIAL	Closed / Verified
Property Statutory Compliance	March 2020	LIMITED	Closed / Verified
Incident Command	April 2021	SUBSTANTIAL	Closed / Verified
Building Safety	October 2021	HIGH	Closed / Verified
Contract Management	September 2021	SUBSTANTIAL	Ongoing
Payroll	May 2021	SUBSTANTIAL	Closed / Verified
Customer	May 2021	SUBSTANTIAL	Closed / Verified
Sickness	May 2021	ADEQUATE	Closed / Verified
Risk Management	May 2021	SUBSTANTIAL	Closed / Verified
Treasury Management	September 2021	ADEQUATE	Closed / Verified
Operational Response Training	November 2021	ADEQUATE	Closed / Verified
Workforce Planning	November 2021	HIGH	Closed / Verified
Vehicle & Equipment Replacement Programme	December 2021	SUBSTANTIAL	Closed / Verified
Equality, Diversity & Inclusion	December 2021	SUBSTANTIAL	Ongoing
Collaborations	December 2021	SUBSTANTIAL	Closed / Verified
IT Helpdesk	January 2022	SUBSTANTIAL	Ongoing

- 4.2 Good progress is being made to implement agreed actions arising from audits. The overall response to implement all agreed actions due during 2021/22, by the original or revised implementation date is 100%.

5. Summary of Counter Fraud Work 2021/22

- 5.1 There were no fraud or irregularities identified, reported or investigated by Internal Audit during 2021/22.
- 5.2 During 2021/22, the Counter Fraud Team have delivered a series of Counter Fraud training sessions to officers and are currently developing several Counter Fraud training presentations / videos.

6. Conformance with Public Sector Internal Audit Standards (Standards)

- 6.1 All internal audit work completed during 2021/22 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard: **1300 – Quality Assurance and Improvement Programme.**
- 6.2 The Standards require all public sector internal audit functions to be externally assessed on a five-yearly basis, to assess conformance with the Standards. The most recent External Quality Assessment (EQA) was completed in March 2021. The purpose of this assessment was to review compliance with the 4 elements of the Code of Ethics and against 52 elements of the Standards to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively.
- 6.3 A full update on the External Quality Assessment (EQA) Action Plan, is presented at **Annex C**. The EQA undertaken, in 2021 identified 21 actions which consisted of 8 requiring review and 13 that were required to be considered. See **Table 4** below for further details. In summary, good progress has been made in respect of the identified actions, with 19 of the 21 actions now considered as 'complete'. The remaining 2 actions are considered to be 'in progress' and a way forward has been determined to ensure that these actions are embedded into Internal Audit processes.

TABLE 4						
Summary of External Quality Assessment Outcomes						
Category	Recommendations	Review	Consider		Complete	In Progress
Resources	3	1	2		3	0
Competency	5	4	1		4	1 - C3. Engagement Plans
Delivery	5	3	2		4	1 - D5. Communication
Enhancements for Consideration	8	N/A	8		8	0
Total	21	8	13		19	2

7. Internal Audit Performance

- 7.1 In April 2021, Members agreed the following performance indicators would be tracked and monitored throughout the year on all audit engagements completed. **Table 5** provides the year-end performance outturn against each indicator:

Table 5			
Internal Audit Performance Indicators			
	Indicator	Target	Actual
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%	100%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	89%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%	67%
4.	Final Report to be issued within 5 working days of receiving management response	90%	89%
5.	Client Satisfaction Questionnaires to be issued for all audits / investigations completed with the final report	100%	100%
7.	% Positive Client feedback	90%	100%
8.	% Completion of Annual Internal Audit Plan @ 31 March 2022	90%	90%
KMFRA			
	Indicator	Target	Actual
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%
4.	Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%	100%
5.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%

ANNEX A - DEFINITIONS

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

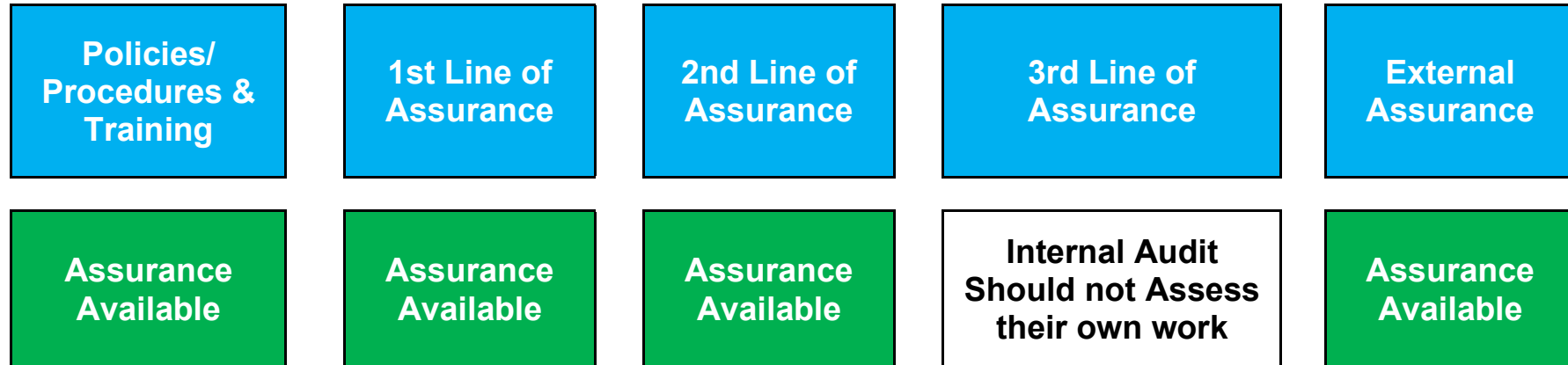
ANNEX A - DEFINITIONS

RISK ASSESSMENTS	
High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.

PROSPECTS FOR IMPROVEMENT	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

ANNEX B – FS09-2022 CYBER SECURITY

It was agreed as part of the 2021/22 Audit Plan that Internal Audit would undertake an assurance mapping exercise of the Authority's Cyber Security arrangements. The purpose of this exercise was to establish where the Authority is receiving assurance in relation to Cyber Security. This identified good assurance is being received across the following areas:



The assurance mapping exercise also identified the following as potential future audits:

Theme	Scope
Cyber Security Awareness Training	To ensure Cyber Security awareness training is provided to new starters
Disaster Recovery	Disaster Recovery audits should be completed periodically to reflect the ever-changing risks.

ANNEX C – EXTERNAL QUALITY ASSESSMENT OUTCOMES

Ref.	Issue	Recommendation	Internal Audit Response + Action Plan	Progress Update
R1	Internal Audit Charter (Consider)	When the Internal Audit Charter is next revised update the requirement for the Head of Internal Audit to provide an Annual Opinion in relation to Risk Management, Governance and Internal Control.	<p>Response Recommendation agreed.</p> <p>Agreed Action Plan The insert will be included within the annual review of the Charter, which will be submitted to the Audit and Governance Committee in April 2022.</p> <p>Action Owner Head of Internal Audit</p> <p>Due Date August 2021</p>	<p>Complete</p> <p>The Audit Charter was reviewed and updated ahead of the April 2022 Audit and Governance meeting.</p>
R2	Internal Audit Management (Review)	Specific arrangements should be implemented for client management within the new structure that allow for the Head of Internal Audit to act in a Managing Director role whilst still retaining CAE responsibility for key clients and therefore responsibility for issue of reports.	<p>Response Recommendation agreed.</p> <p>Action Plan The service is currently implementing a restructure. When this is completed and the accompanying changes have been embedded, a review of Chief Audit Executive (CAE) responsibilities will be undertaken in advance of 2022/23. This will include consideration of the circumstances as to if / when there should be nominated CAEs within the shared service</p> <p>Due Date: February 2022</p>	<p>Complete</p> <p>The reason for the recommendation is acknowledged, and how some Internal Audit organisations who operate on a shared service basis with a Director of Internal Audit was considered. It is, however, concluded that it is not appropriate for the Internal Audit service at KCC to introduce a Managing Director with multiple CAEs structure.</p>

R3	2020/21 Engagement Completion (Consider)	Current year provision has been impacted by Covid and the team is holding a number of vacancies. Where these events impact upon completion of the internal audit plan and therefore the content of the Head of Internal Audit Annual Opinion, a reflection on the advice provided by CIPFA should be referred to.	<p>Response Recommendation agreed.</p> <p>The CIPFA Guidance has been referred to throughout 2020-21 when it was necessary to make changes to the Audit Plan.</p> <p>Action Plan In compilation of the Annual Opinion for 2020-21 to be submitted to KCC's Governance and Audit Committee in July 2021, there will be due consideration and reference to the CIPFA Annual Opinion Guidance, with reference to be included within the Opinion Report to Committee</p> <p>Due Date July 2022</p>	Complete
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C1	Audit Planning (Review)	<p>The current KCC risk management framework is not based on a full three lines model; an assessment of inherent risk, existing controls and assurances is therefore not available to support internal audit planning at a strategic or engagement level. Consideration of a risk is therefore focused on residual and target levels and consequently Internal Audit should determine and evidence (a) how successive annual internal audit plans provide assurance regarding each client's business objectives and risks at a corporate and directorate level, (b) transparency regarding how conflicting priorities have been resolved within the resources available, and (c) how the intended focus of areas included in the annual plan is aligned with the changed risk environment when compiling engagement plans.</p>	<p>Response Recommendation agreed.</p> <p>The current audit planning arrangements are considered robust and a major strength of the Internal Audit service and the widespread engagement undertaken is acknowledged by stakeholders. The ability to adapt to a changing risk environment is aptly illustrated in 2020-21 with the identification of and delivery of extensive covid-related coverage and Brexit related engagement by the service. Furthermore, the compilation of an Audit Plan is based upon several different factors, not purely on theoretical considerations. Further clarification has been sought from the Assessor and will be reviewed.</p> <p>Action Plan While, therefore, this Issue and Recommendation is not wholly considered to be reflective of the approaches undertaken by the service, as part of the continuous improvement ethos of the section to enhance existing arrangements, factors a-c will be reviewed as part of the audit planning process with a position statement for 22-23 Audit Planning to be prepared.</p> <p>Due Date: April 2022</p>	<p>Complete</p> <p>This recommendation was reviewed / considered when developing the 2022/23 Audit Planning process.</p>
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C2	Management Objectives (Review)	The Internal Audit Service should consider focusing each audit on agreed Management Objectives for the area for review as this would help structure the engagement on significant risks and align with the associated controls that are designed to mitigate this risk.	<p>Response Recommendation agreed</p> <p>Action Plan The explicit focus upon agreed Management Objectives will be incorporated into the Audit Manual. This will be communicated to members of the Internal Audit Team in in-house training and development and monitored by reviewers and Audit Managers during the preparation of Engagement Plans as business as usual.</p> <p>Due Date April 2022</p>	<p>Complete</p> <p>The Audit Manual has been updated and a training session was delivered to Internal Audit colleagues in November 2021.</p>
C3	Engagement Plans (Review)	The Internal Audit service intends to commission a Risk Based Audit training session once the current re-structure has been completed. It would be beneficial if this contained both an appreciation of risk management best practice and associated risk-based auditing methodologies and specific instruction on its development by the team. It would be beneficial if a direct link were created within the methodology to align achievement of a stated Management Objective with the basis for providing an opinion. This would also align with the functionality of the Pentana software.	<p>Response Recommendation agreed.</p> <p>To be reviewed and implemented appropriately.</p> <p>The Internal Audit service will continue to review and refine its ongoing risk-based approach.</p> <p>Action Plan To commission best practice risk-based internal audit training for all members of the Internal Audit Team. This will be followed up with any necessary amendments to audit approaches undertaken in the Audit Manual.</p> <p>Due Date December 2021</p>	<p>In Progress</p> <p>Risk-based Internal Audit training has been arranged for the whole Team in January 2023.</p>

C4	Use of Pentana software (Consider)	The team should provide further guidance on how the software is to be used and then provide consistent instruction where necessary regarding its use as this will enhance efficiency and the ability of managers to supervise audit engagements. The team might find it beneficial to create an 'Example File' which could be reviewed by staff as part of mandatory training	<p>Response Recommendation agreed.</p> <p>The need to develop the use of Pentana to enhance efficiency is recognised.</p> <p>Action Plan The 2021/22 Internal Audit Plan includes a provision for Pentana development which will address the factors in the issue and recommendation. Pentana development will be factored into resourcing on an ongoing basis for future years Audit Plans.</p> <p>Due Date March 2022</p>	<p>Complete</p> <p>Several workshops have been held with Internal Audit colleagues over the last few months, to develop knowledge and awareness of how to use the system more effectively. As a result of these sessions, some updates have been made to Pentana to improve functionality and where relevant guidance notes have been updated accordingly. There will continue to be an ongoing Pentana training and development programme to maximise the team's expertise and the efficiency and effectiveness of the system.</p>
C5	Grading of Issues (Review)	It would be beneficial to align future grading of issues with impact definitions used within the risk management process relating to each client's risk appetite. It is suggested that where definitions may result in a risk value of 'High' (16+), this would reflect impact definitions in categories relating to 'Serious or Major' events. This would assist in both agreeing the specific risk focus of each engagement as well as assessing the relative importance of findings at the exit meeting and in determining an opinion within assurance reports through use of a consistent understanding and application of risk.	<p>Response Recommendation agreed.</p> <p>To be reviewed and implemented appropriately.</p> <p>Action Plan The Internal Audit Management Team will review the recommendations and consider whether enhancement to the grading of issues are beneficial for KCC and individual external clients, with the underlying ethos of the efficiency of processes for a shared service being a key consideration.</p> <p>Due Date December 2021</p>	<p>Complete</p> <p>The Head of Internal Audit, in conjunction with the Internal Audit Management Team have discussed the options to amend the grading of audit issues in-line with the relevant Risk Management strategies and have agreed to maintain the existing gradings.</p>

D1	Engagement Boundaries (Consider)	Whilst we recognise that HoldCo is a wholly owned subsidiary, audit reviews should be focused on the specific client's management objectives. In the case of a commercial entity these may not be the same as that of KCC and therefore it is important that a clear understanding of the system boundaries is established. In other organisations, this is often achieved by allocating the contractor audit to a different team than that which services the client.	<p>Response Recommendation Agreed.</p> <p>Although the theoretical point is understood, it is considered that it is appropriately addressed, but accept that the separation of duties could be better documented. It is inevitable that the occasional review will require audit coverage of processes at both client and contractor side to occur in the best interest of reviewing overall control arrangements. Thus, a further example is when we reviewed a significant overpayment to a supplier, which necessitated looking at processes and arrangements within the Council and within one of the companies. If this had not been approached on such a holistic basis, then it would not have added value to our stakeholders nor identified the key and critical weaknesses that contributed to the overpayment. Similarly, the BACS review required coverage of both client and contractor arrangements. The service, in auditing the LatCo's and the Council, have been very clear in who audits which service and what is referred to in the recommendation is considered to be consistently undertaking as business as usual. In terms of allocating the contractor audit to a different team than that which services the client, this has been occurring on an ongoing / business as usual basis for several years.</p> <p>Action Plan Current arrangements could be enhanced by including within our checklist to document that the same auditor is not auditing the contractor and client to formalise our longstanding approach and for this to be formalised within the planning and audit allocation process.</p> <p>Due date October 2021</p>	<p>Complete</p> <p>Discussions held at Team Meeting in October 2021 to consider whether enough is being undertaken to manage the potential engagement boundary risk and to remind Audit colleagues to keep potential conflicts in mind for all audits and the importance of raising issues with the relevant manager as soon as practically possible.</p> <p>The Audit Planning checklist has been updated to reflect potential / actual conflicts of interest encountered during audits, which had not been previously anticipated.</p>
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D2	IA Opinions (Review)	Internal Audit should consider whether there is merit to moving towards three levels of opinion – Substantial, Adequate and Limited. Consider rewording basis of overall opinions to provide increasing clarity regarding how internal auditors should assess the assurance level provided based on the significance of the risks identified. Where a risk/recommendation of a 'Critical' nature is identified this would indicate that a 'Limited Assurance' opinion should be used.	<p>Response Recommendation Agreed</p> <p>This will be considered while acknowledging that stakeholder and client expectations are also relevant to the review. As a shared service, a key factor should also be that having one basis for reporting opinions is paramount to consistency and efficiency of the service.</p> <p>Action Plan: The Internal Audit Management Team will review the recommendation and consider whether moving to three levels of opinion and updating the issue grading definitions are beneficial for KCC and external clients.</p> <p>Dependent upon this review, any proposed changes would be discussed with senior management from KCC and external clients and proposed to respective Audit Committees.</p> <p>Due date October 2021</p>	<p>Complete</p> <p>The Head of Internal Audit and Audit Management colleagues have considered the current opinion gradings / definitions in comparison with other Internal Audit services / peers, and we have decided to keep the current gradings / definitions to ensure consistency across all clients.</p>
D3	Quality Assurance and Improvement Programme (Consider)	The Head of Internal Audit maintains a summary of those areas of its service that require further development, but it would be good practice to include this as an Appendix in the Annual Report. In Annual Reports produced for clients, other than KCC, it would be appropriate to simply include a summary of key areas of development that the service will be focusing on in the coming year.	<p>Response Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p>Action Plan More detailed reporting of the QAIP will be incorporated into the Annual Report and then on an ongoing basis.</p> <p>Due Date August 2021</p>	<p>Complete</p>

D4	Head of Internal Audit Annual Report (Review)	The Head of Internal Audit should include a summary of the significant risks facing each client along with significant other sources of assurance that have been recognised when reaching the annual opinion in the Annual Report.	<p>Response Recommendation Agreed.</p> <p>This will enhance the Annual Internal Audit Report and Opinion.</p> <p>Action Plan For the 2020-21 Annual Opinion, an assessment of other sources of assurance will be undertaken, determining whether reliance can be placed to include within the overall assessment for the Head of Internal Audit Opinion. In line with guidance from the EQA Assessor, it is intended to concentrate on those corporate risks with a residual risk rating of 25.</p> <p>Moving forward, the Internal Audit service will continue to work closely with the Risk Management service in developing assurance mapping across the Council.</p> <p>Due Date: August 2021</p>	Complete
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D5.	Communication (Review)	<p>This feedback, which is summarised on page 25 of the report, may relate to the changes which have been seen in the membership of the senior internal audit management team in recent years. In responding to the recommendation in Resources – item 2 Internal Audit Management – the Head of Internal Audit should consider how the revised arrangements best provide for client engagement at senior levels in order to respond to the issues being raised but particularly in relation to the question ‘Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods’, and other noted comments. The matter of ‘Adding Value’ has been separately addressed within the section on suggested enhancements which follows as Part Two of the report.</p>	<p>Response Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>All stakeholder and client feedback are reviewed and addressed as appropriate.</p> <p>Feedback arrangements are strong, both based on surveys following each individual audit engagement and also in the annual Stakeholder survey and this is considered to comply with and potentially exceed Standards. The surveys for the EQA have identified 93% positives, which, while not grounds for complacency, is considered more than satisfactory. Various arrangements are already in place in sharing good practice from other local authorities via established networks, however the value of this can be enhanced and also communicated more extensively.</p> <p>Action Plan All factors in the issue and recommendation will be reviewed by the Head of Internal Audit and incorporated to enhance the quality of the service.</p> <p>Due Date September 2021</p>	<p>In Progress</p> <p>Stakeholder mapping exercise is currently underway. The outcomes of this exercise will be formulated into a revised Customer Relationship Strategy.</p>
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1	Exit meeting template (Consider)	It may be beneficial to introduce a standard template on which to record findings / recommendations along with draft management responses, as this will both formalise the approach as well as support timely feedback and verify any misunderstandings or factual inaccuracies. This may represent a more efficient and effective use of time by all parties rather than wait for production of a draft report.	<p>Response Recommendation Agreed</p> <p>Action Plan A template will be prepared. It will be communicated to the team, incorporated in the Audit Manual and its' usage monitored during quality assurance reviews as business as usual.</p> <p>Due Date September 2021</p>	<p>Complete</p> <p>An Exit Meeting guidance note has been prepared and circulated to Audit colleagues for testing. The guidance note sets out what should be covered during exit meetings and what information should be recorded in Pentana on the Quality Assurance & Reporting checklist.</p>
2	Client surveys (Consider)	The level of response is similar to that seen in other organisations and therefore Internal Audit may find it useful to utilise an application such as Microsoft Forms or Survey Monkey for collecting feedback, as this can prove to be an efficient means which helps achieve an early response.	<p>Response Recommendation Agreed.</p> <p>This can be considered. Another method has previously been reviewed, however there were data /GDPR issues associated with its usage.</p> <p>Action Plan The use of MS Forms Survey will be progressed. The template will be prepared and utilised as part of the ongoing feedback arrangements relating to each audit at the earliest opportunity.</p> <p>Due Date July 2021</p>	<p>Complete</p> <p>Pilot testing currently underway of new MS Forms survey. This will be introduced more widely for the 2022/23 Audit Plan.</p>

3	Contractual Arrangements (Consider)	To develop an appropriate Service Level Agreement for the provision of a future internal audit services by Kent County Council, which could include expectations of each client including appropriate performance measures. Matters of a professional nature regarding routine compliance with the PSIAS should become matters covered within an Internal Audit Charter, which reflects the service provided and appropriate to all clients. Such requirements would then be managed using standard contract and performance monitoring arrangements.	<p>Response Recommendation Agreed.</p> <p>Service Level Agreements are currently in place where Internal Audit provide services in the delivery of Annual Audit Plans and most of the elements referred to in the findings and recommendation are already incorporated.</p> <p>Action Plan Existing SLA's will be reviewed to review the factors identified within the finding and recommendation and, where appropriate, amendments will be proposed with relevant external clients.</p> <p>Due Date October 2021</p>	<p>Complete</p> <p>This was incorporated into the development of the new service level agreement (SLA) with Tonbridge & Malling Borough Council and will be covered in the development of any future SLA's with other clients.</p>
4.	Standard Engagement Report (Consider)	The current engagement report template includes a statement reflecting compliance with the Standards for the Professional Practice of Internal Auditing. To consider whether this should more appropriately reflect the PSIAS for public sector clients. It may also be appropriate to include reference to compliance with the Code of Ethics.	<p>Response Recommendation Agreed.</p> <p>This will enhance existing reporting arrangements.</p> <p>Action Plan Relevant inserts will be incorporated into report templates.</p> <p>Due Date September 2021</p>	<p>Complete</p> <p>Report templates have been updated as agreed.</p>

5.	Release of Engagement Reports (Consider)	Consider in conjunction with recommendation Resources (1) releasing the report in the name of the responsible CAE and then referencing any internal staff that have been involved.	<p>Response Recommendation Agreed</p> <p>Action Plan This will be considered in review with Resources Recommendation 2 and, if appropriate, amendments to the front page of the report templates will be undertaken to include naming the CAE.</p> <p>Due Date July 2021</p>	<p>Complete</p> <p>Report templates have been updated as agreed.</p>
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6.	Adding Value (Consider)	<p>Whilst it is appreciated that where outsourced service providers have limited access to a range of clients within each of the sectors being serviced, in order to advise on best practice, the internal audit service should consider how it can best react to the feedback provided and consider: a) Inclusion of relevant wording of advice to highlight such matters' b) Enhancing the skills and training matrices to focus on specific sector or technical areas. c) Forming a peer group of internal audit providers with whom views regarding alternative approaches can be shared. d) Researching Audit Committee papers from other organisations to identify common themes and recommended practice elsewhere. e) Increasing the range of specialist and professional groups with which internal audit staff engage, and f) Developing a 'best practice' database of relevant management objectives, significant risks, controls and relevant legislation that can be used to support planning.</p>	<p>Response Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>There are many ways in which any Internal Audit service can provide added value and there are many differing professional interpretations. There are many examples of where the service has provided added value.</p> <p>The EQA survey was 100% positive to the added value question and other comments highlighted perceived added value.</p> <p>The suggestions (a-f) are mainly undertaken already- we are in several peer groups, audit committee papers are referred to from other organisations. Thus, for example, with peer groups, we are currently in 3 separate peer groups, Kent Audit Group (KAG), Local Authority Chief Auditor Network (LACAN) and the Home Counties Chief Internal Auditors Group (HCCIAG) with which we have excellent relationships, contribute actively and share and learn extensively from each other.</p> <p>It is uncertain whether the database idea would be an efficient utilisation of time in terms of the time to set up and maintain.</p> <p>Action Plan The service will continue to seek and aspire to improving its value to each of the organisations it delivers for. The factors a-f will be reviewed.</p> <p>Due Date December 2021</p>	<p>Complete</p> <p>The Internal Audit Progress Reports / Annual Report do provide details of any consultancy / advice work completed in the period.</p> <p>An annual skills gap analysis is completed, and relevant training arranged as needed.</p> <p>Audit colleagues proactively engage / attend a number of networking forums with other Internal Audit Services / peers.</p> <p>Audit Management regularly review / observe other Audit Committee meetings / reports to share best practice and for further development.</p> <p>The Pentana library facility and audit drive is used to store best practice and training materials for the team to access.</p> <p>Further work is planned / ongoing to ensure other sources of assurance is considered / drawn on during audit planning and the Annual Report + HoIA Opinion.</p>
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7.	Internal Audit Manual (Consider)	A previous recommendation noted that the team intended to commission a Risk Based Internal Audit training session. It may be useful to support this with inclusion of a 'softer' explanation within the introduction to each section of the Internal Audit Manual to provide guidance regarding: a) The relevance of the section to maintaining a constructive relationship with the client, bearing in mind the nature of their business, b) The aims and anticipated outcomes arising from each element of audit work, particularly in relation to any practices that are amended as a result of this review such as focus on Management Objectives or the conduct of an Exit Meeting using the proposed template, and c) How these relate to the conduct of the engagement particularly in relation to significant risk and its alignment with each client's approach to risk management.	<p>Response Recommendation Agreed - to be considered.</p> <p>Action Plan The recommendation will be considered in the next review of the Audit Manual.</p> <p>Due Date March 2022</p>	<p>Complete</p> <p>The elements raised within the recommendation have been considered within a recent review of the Audit Manual.</p>
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8.	Use of Sub Contractor Support (Consider)	When contracting with external arrangements, it would be good practice to review or confirm the status of the most recent EQA report, where there is available with regard to professional firms and other outsourced providers.	<p>Response Recommendation Agreed to be reviewed and implemented appropriately.</p> <p>The issue and recommendation are understood, however not necessarily considered relevant to practice by the service. Thus, for example, in engaging the services of another provider in 20-21, it is considered that this risk was adequately mitigated with a Letter of Engagement with the provider containing a formal commitment to the Code of Ethics and the Standards. Furthermore, the quality and high reputation of the organisation engaged is widely known within the Local Government Internal Audit community.</p> <p>Action Plan In the eventuality of engaging another provider, the good practice referred to will be adopted.</p> <p>Due Date May 2021</p>	<p>Complete</p> <p>The EQA report / outcomes are now requested from all potential contractors during the preliminary commissioning stage and are considered / assessed by the IA Management Team prior to formal instruction.</p>
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By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 22 September 2022
Subject: ANNUAL GOVERNANCE STATEMENT 2021/22
Classification: Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval to the Annual Governance Statement 2021/22. The preparation of this followed the completion of the annual internal self-assessment process.

This Statement is a requirement set out in the Accounts and Audit Regulations 2015, which requires us to undertake an annual review of the effectiveness of the system of internal control. It is reviewed by the External Auditors and published alongside the Statement of Accounts each year.

RECOMMENDATION

Members are requested to:

1. Approve the Annual Governance Statement for 2021/22 (paragraphs 7 to 14 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Policy Manager – Owain Thompson
TELEPHONE NUMBER: 01622 692121 ext 6374
EMAIL: owain.thompson@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. In the 'Delivering Good Governance in Local Government Framework, 2016', CIPFA (Chartered Institute of Public Finance and Accountancy) define governance as: "*the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*". The requirement to ensure good governance is enshrined in regulation. Section 3 of the Accounts and Audit (England) Regulations 2015 requires the Authority to ensure it has a sound system of control to facilitate the effective management of its functions, to manage its finances and manage risks; whilst Section 6 stipulates the need to conduct an annual review of the effectiveness of the system of internal control.
2. The Annual Governance Statement provides an analysis of the Authority's governance arrangements and systems of internal control along with an assessment of their effectiveness. The draft Annual Governance Statement was published on the Authority's website at the end of June alongside the draft (pre-audited) set of accounts. Following its formal approval by Members, the final Annual Governance Statement will be published with the final approved, and audited, Statement of Accounts for the 2021/22 financial year.
3. The main aim of the Annual Governance Statement is to provide clear and transparent evidence that the Authority is effectively managed and delivers its services in accordance with current legislation and its own stated aims, objectives and values.
4. The Annual Governance Statement and its underpinning review considers the previous twelve months. This means that the processes, systems, and initiatives that were reviewed for this annual governance statement have operated throughout the whole of the financial year ending 31 March 2022 and have remained in operation up to the date of approval of the 2021/22 Statement of Accounts. This is the reason that the Annual Governance Statement references the previous, and not this, financial year.
5. **Fire and Rescue National Framework Statement of Assurance** – In 2012, the Government issued additional guidance setting out how fire and rescue authorities should undertake an operational assessment of progress, in meeting the requirements of the Fire and Rescue National Framework for England ('the Framework'). Fire and rescue authorities have a statutory duty to have regard to the Framework in carrying out their functions and must publish an annual statement of assurance of compliance with the Framework. Within the Authority this statement of assurance was previously known as the Operational Assurance Statement.
6. From this year onwards the Operational Assurance Statement is renamed the Statement of Assurance and published as a separate, stand-alone document. Whilst its purpose and focus has always been separate from the Annual Governance

Statement, previously the two documents were joined together and published as a single report comprising two parts (Annual Governance Statement and Operational Assurance Statement). The decision to publish the Statement of Assurance as a stand-alone document was felt to be necessary to ensure clarity of purpose and focus between this and the Annual Governance Statement. This is underscored by the fact that each serves an entirely different set of legislative requirements. The name change from Operational Assurance Statement to Statement of Assurance is to ensure clarity about its function and purpose. It also brings the Authority in line with the nomenclature used by the majority of other fire and rescue authorities. The Statement of Assurance for this year will be brought to Members for their approval at the October meeting of the Fire Authority.

Style and Content of the 2021/22 Annual Governance Statement

7. Following a narrative detailing the regulatory elements, the 2021/22 Annual Governance Statement informs the reader about what governance means in the context of this authority; it then goes on to describe how the Authority ensures effective governance arrangements are in place; how the Authority's strategic planning fits into and supports this; and the key pieces of legislation relating to the Authority's governance arrangements and operations.
8. Following issues over the past few years with financial management and corporate governance in some local authorities, CIPFA reviewed its guidance and issued the 'Financial Management Code' (this was brought to Members' attention at the February 2021 meeting of the Authority). This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability by embedding enhanced standards of financial management. The Code came into effect from 1 April 2020, with the initial 12 months operating as a 'shadow year', followed by a full implementation deadline of 31 March 2021. As per the requirements set out by CIPFA, the Annual Governance Statement also includes an assessment of the Authority's compliance with the principles of the Code.
9. In addition, in early 2021 CIPFA issued guidance stating that when local government bodies are preparing their annual governance statements, they should also make specific comment about the impact of the coronavirus pandemic on governance arrangements. This stems from a recognition by CIPFA that, as a result of the pandemic, many organisations will have experienced changes to their ways of working and adapted their governance arrangements accordingly. As a result of this requirement the Annual Governance Statement contains an assessment of the effects of the pandemic on governance arrangements.
10. The CIPFA Governance Framework defines the seven principles that should underpin the governance of local government organisations and provides a structure to aid

authorities in their approach to governance. CIPFA state that local authorities should be able to demonstrate that their governance structures comply with these seven principles. The principles set out in CIPFA framework are embedded in the Authority through its Code of Corporate Governance (presented to Members at the Authority meeting on 23 July 2020). The Authority's Code of Corporate Governance is the means through which the Authority applies the principles of good governance and sets out how it meets each of these principles in its day-to-day activities.

11. Consequently, the self-assessment process for the Annual Governance Statement is built around the Authority's compliance with the seven principles. The review is undertaken by the Policy Manager working in conjunction with the heads of sections, Finance Managers, Assistant Director Corporate Services and Director of Finance and Corporate Services.
12. Against each of the seven principles, the relevant governance frameworks and controls are reviewed and evidence collated. Where available, external, independent sources of assurance – such as Internal and External Audit reports, HMICFRS inspection reports, and awards and recognition schemes – are considered to supplement the self-assessment. Once completed, an overall assessment rating is made which provides a summarised account of how the Authority's internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. Set out in **Appendix 1** is the Annual Governance Statement for Members review and agreement.
13. The overall level of assurance is assessed against a five tier rating which runs from red to green. The criteria that inform this rating are drawn from the definitions in the assurance levels used by Internal Audit. This ensures consistency with the reporting methodology used during other assessments of the Authority's effectiveness.
14. Once the Annual Governance Statement has been approved by the Authority, it is signed by the Chair and the Chief Executive and published alongside the Final audited Statement of Accounts for the year.

Conclusions from the Self-Assessment

15. On the basis of our internal review of the operation of the Authority's internal controls (including the effects upon these of the coronavirus pandemic), the level of assurance for the 2021/22 financial year has been assessed as **SUBSTANTIAL**. This indicates that in general strong systems and sound controls are in place, but processes will be reviewed periodically to ensure that they remain efficient and effective. However, training on some policy areas will be undertaken as necessary.
16. Generally, the Authority has a well-established, well-documented governance framework and breaches are rare. Documentation and changes are provided via the intranet and available to all colleagues. Members will from time to time receive reports

seeking agreement to new or amended policies, whilst procedures and guidance supporting these is circulated internally as required. Processes for monitoring and validating key processes exist and are maintained regularly. Members should be assured therefore that arrangements operate effectively and provide the level of protection required. The annual reports of the Head of Internal Audit and the External Auditors also confirm this position.

IMPACT ASSESSMENT

17. There are no financial impacts associated with this report.

RECOMMENDATION

18. Members are requested to:

18.1 Approve the Annual Governance Statement for 2021/22 (paragraphs 7 to 14 and **Appendix 1** refer).

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Annual Governance Statement 2021/22

Introduction

Kent Fire and Rescue Service is overseen and run by a dedicated local authority called the Kent and Medway Fire and Rescue Authority. The [Kent and Medway Fire and Rescue Authority](#) ('the Authority') is responsible for ensuring that it delivers its services in accordance with the prevailing legislation, regulations and government guidance and that proper standards of stewardship, conduct, and professional competence are followed to by those working for and with the Authority. In this Authority however, responsibility for the approval of the final accounts and the Annual Governance Statement is the responsibility of the Audit and Governance Committee.

The Annual Governance Statement is a legally required review of the Authority's governance and systems of internal control along with an assessment of their effectiveness. The legal requirement to undertake this annual review is set out in [Section 6 of the Accounts and Audit Regulations 2015](#).

Good governance is key to the ethical stance of the organisation and the Authority is committed to applying the principles of good governance as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) in their '[Delivering Good Governance in Local Government Framework 2016](#)'.

This CIPFA framework is the established standard for public sector governance and by adhering to it, the Authority ensures that the services provided to the people of Kent and Medway are delivered efficiently, effectively and fairly, that public money is used wisely, is properly accounted for and achieves optimum value for money.

The Accounts and Audit regulations state that the publication of an annual governance statement in accordance with the principles of the CIPFA framework fulfils these statutory requirements. It is for this reason that the assessment takes place against the CIPFA framework.

In discharging these responsibilities, the Authority is required to ensure that appropriate arrangements are put in place for the control and management of its business affairs, service performance and finances, and for the management of the risks it faces. It also makes a commitment to keep under review its governance arrangements and address any key issues that may arise.

What this statement tells you

This document sets out the results of the assessment for 2021/22 and enables the reader to form a view of how the Authority meets its duty to deliver services to the people of Kent and Medway effectively and fairly.

This statement provides a summarised account, based on a self-assessment of how our internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. It is written to provide a clear, simple assessment of how the Authority's governance has operated over the past financial year and identifies any improvements made and any weaknesses or gaps in the arrangements that require addressing.

Its main aim is to provide the reader with confidence that the Authority is effectively managed, and delivers the services required in accordance with current legislation and our stated aims, objectives and values.

The review considers the previous twelve months. This means that the processes, systems and initiatives that were reviewed for this annual governance statement have operated throughout the whole of the financial year ending 31 March 2022 and have remained in operation up to the date of approval of the 2021/22 Statement of Accounts.

Once approved by the Audit and Governance Committee, the Annual Governance Statement is [published on our website alongside the statement of accounts](#). Paper copies of this report are also available from: Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone ME15 6XB, or by telephoning 01622 692121. We will also accept requests made via social media.

Relationship with the Fire and Rescue National Framework Statement of Assurance

[Section 21 of the Fire and Rescue Services Act 2004](#) requires the Secretary of State to prepare a Fire and Rescue National Framework which sets priorities and objectives for fire and rescue authorities in England. The current [Fire and Rescue National Framework](#) was published on 1 June 2018.

Fire and rescue authorities have a statutory duty to have regard to the Fire and Rescue National Framework. Consequently, the Authority undertakes a separate self-assessment of operational performance, known as the Statement of Assurance. The Statement of Assurance is the assessment of the position of the Authority against the Fire and Rescue National Framework and is published as a separate document.

This also links to the revised inspection and assurance process for fire and rescue services that was announced in 2017 as part of the reforms carried out by the Home Secretary. Paragraphs 7.4 and 7.5 of the Fire and Rescue National Framework require fire and rescue authorities to co-operate with HMICFRS and give due regard to reports and recommendations made by HMICFRS.

What is governance?

CIPFA define governance as follows:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”
CIPFA, Delivering Good Governance in Local Government Framework, 2016, p12

Good governance in public sector organisations is critical as it enables effective organisational structures and processes which, in turn, allow for the attainment of sustainable economic, societal and environmental outcomes. The fundamental function of good governance in the public sector is to ensure that authorities achieve their intended outcomes while acting in the public interest at all times.

Within the Authority, the concept of governance exists against the backdrop of the legal requirement for a review of systems and controls as set out in the Accounts and Audit Regulations 2015; and the daily organisational adherence to the principles of good governance contained within the CIPFA governance framework.

The CIPFA framework defines the seven principles that should underpin the governance of local government organisations and provides a structure to aid authorities in their approach to governance. The seven principles are set out on page 12 of this document:

CIPFA state that local authorities should be able to demonstrate that their governance structures comply with these seven principles. The principles set out in CIPFA framework are embedded in the Authority through its Code of Corporate Governance. This is the means through which the Authority applies the principles of good governance and sets out how the Authority meets each of the principles in its day-to-day activities. However, the relatively recent launch of the Financial Management (FM) Code highlights an important focus on improving financial resilience and embedding enhanced standards of financial management. There are therefore clear links between the FM Code and the Governance Framework, particularly in relation to the focus on achieving sustainable outcomes.

Who is responsible for ensuring good governance?

The Authority has overall responsibility for ensuring effective governance arrangements are in place, with the Authority meeting three times a year to conduct its business. The Authority is made up of 25 elected councillors appointed by Kent County Council (21) and Medway Council (4) as well as the Kent Police and Crime Commissioner.

In October 2021 the Authority established a new committee, the Audit and Governance Committee. The purpose of this committee is to provide independent assurance to the Authority of the adequacy of the risk management framework and the internal control environment. Meeting three times

per year, it provides an independent review of KMFRA's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It is also responsible for signing off the final accounts and this AGS for the relevant financial year. The lead officer is the Director of Finance and Corporate Services and there are 10 elected councillors from the Authority who serve as members.

The Chief Executive has management responsibility for ensuring that effective controls and processes are implemented across the Authority in compliance with the Code of Corporate Governance, and these are regularly reviewed and updated with regular reports submitted to the Authority. The Director of Finance and Corporate Services is responsible for ensuring that effective financial controls are in place, the provision of an effective internal audit function, and for reviewing the overall effectiveness of the Governance Framework. However, the whole corporate leadership team has collective responsibility for setting the strategic direction and managing the finances, albeit the Director of Finance and Corporate Services leads in coordinating and facilitating a culture of efficiency and value for money. The future strategic direction is set out in a suite of six strategies, each covering specific areas of the organisation, and detailing what has been achieved and what we aim to achieve. These were approved by the Authority in July 2021 and they underpin the Customer Safety Plan.

The responsibility for ensuring that appropriate systems of internal control are introduced and complied with, remain effective and are regularly reviewed, is delegated to a number of senior managers at Director or Assistant Director level across the Authority. They are charged with delivery of those functions incorporated within each of the functional elements comprising the overall Governance Framework. Where the Authority has developed arrangements to work in collaboration with other fire and rescue authorities or other public bodies, such as the police, every effort is made to ensure that the principles of good governance that are in place within the Authority also operate within the management processes of those collaborative arrangements.

Governance, strategy and planning – how does it all fit together and interact?

At the heart of the organisation is [our vision, aim and objectives](#); these are [supported by our customer promise](#).

The first stage in developing the Authority's plans is to consider the long-term aim and objectives. Once these have been assessed and agreed by Members, proposals for changes to the Service are drawn up and consulted upon with colleagues, members of the public, businesses and community groups as published in the [Safety and Wellbeing Plan](#) (formerly referred to as the integrated risk management plan) which sets out proposed changes for consultation.

The outcomes of the Safety and Wellbeing Plan, once agreed by Members are then fed into the [Customer Safety Plan](#). The Plan is reflected in the [Medium Term Financial Plan](#) and [infrastructure programme \(p22\)](#). The Customer Safety Plan also provides details of the Authority's performance over the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these targets. The information in

the Customer Safety plan is updated regularly through the course of the year, and republished every four years.

Each Directorate within the Service develops a [strategy](#) that sets out how it will meet the objectives in the Customer Safety Plan. These strategies are updated annually but are completely refreshed on a four yearly cycle, to coincide with the latest Customer Safety Plan.

There are several reports and documents that we are required to publish as a fire and rescue service. The first of these is the [Safety and Wellbeing Plan](#), which is required under the [Fire and Rescue Services Act 2004](#).

We publish an [Annual Governance Statement](#) (this document), in line with the requirements of the Accounts and Audit Regulations 2015. In addition, we undertake and publish the [Statement of Assurance](#), an annual assessment of the position of the Authority against the Fire and Rescue National Framework 2018.

The CIPFA framework states that each local authority should be able to demonstrate that its governance structures comply with the seven principles of good governance in the public sector. In order to achieve this a local authority should develop and maintain a local Code of Governance that reflects these principles. For the Authority, this requirement is met through the publication of our [Code of Corporate Governance](#). This is reviewed annually and updated as required.

Key pieces of legislation and guidance

The key pieces of legislation relating to the Authority's governance arrangements and operations as a fire authority are as follows:

[Accounts and Audit \(England\) Regulations 2015](#) – This legislation is what requires the Authority to undertake a review of its systems of governance and internal control. The Annual Governance Statement is the report of this review.

[Kent Fire Services \(Combination Scheme\) Order](#) – This is the Order made by Parliament which first established the Authority. It contains the Constitution of the Authority and prescribes the arrangements for the Authority to take over responsibility for Kent Fire Brigade from Kent County Council on 1 April 1998.

[County of Kent Act](#) – This covers access for the fire service to new and extended buildings.

[Fire and Rescue Services Act 2004](#) – This outlines the duties and powers of fire authorities to promote fire safety; fight fires; protect people and

property from fires; rescue people from road traffic collisions; deal with other specific emergencies, such as flooding or terrorist attack and; do other things to respond to the particular needs of their communities and the risks they face.

[Regulatory Reform Fire Safety Order 2005](#) – This covers fire safety in public, commercial and industrial buildings along the common parts of blocks of flats. This is the legislation that gives KFRS powers to undertake fire safety inspections and prosecute breaches of the order. These regulations will be updated in early 2023.

[Civil Contingencies Act 2004](#) – This sets out the framework for civil protection in the United Kingdom. It imposes a clear set of roles and responsibilities on those organisations with a role to play in preparing for and responding to emergencies. KFRS is one of those organisations.

[Fire and Rescue National Framework for England](#) – Published by the Home Office, this presents the government's priorities and objectives for fire and rescue authorities. Fire and rescue authorities have a statutory duty to have regard to this.

[Local Government Act 1972](#) – This makes provision with respect to local government and the functions of local authorities in England and Wales. This legislation that it sets out the role of the Section 151 Officer (Director of Finance) and the financial regulations under which we operate. The Kent Fire Services (Combination Scheme) Order references the fact that KFRS will abide by the Local Government Act 1972.

[Financial Management Code 2019](#) – provides guidance for good and sustainable financial management in local authorities. The FM **Code** offers assurance that authorities are managing resources effectively, regardless of their current level of financial risk.

The Assurance Process – How we provide and use assurance information

IDENTIFY	ASSESS	REVIEW	ACT
What do we want assurance on?	How is that assurance provided?	How is that assurance reviewed and validated?	What do we do with the information received?
<ul style="list-style-type: none"> • That we comply with our Code of Corporate Governance • That we deliver the services, and objectives set out in our Customer Safety Plan • That we take account of the views of stakeholders and customers • That we use and account for public money properly • That the risks we face are effectively managed • That we comply with legislation, regulation and statutory guidance • That we get the best out of our Members and employees • That we collaborate effectively where it improves services • That we demonstrate high standards of ethical behaviour 	<ul style="list-style-type: none"> • External Auditor's Reports • Internal Auditor's Reports • HMICFRS inspection reports • Feedback received from our customers and partners • Senior managers' self-assessment of key controls, including compliance with the CIPFA statement on "The Role of the Chief Financial Officer in Local Government" • Operational Assurance processes • Performance and risk monitoring and reporting • Continuous coaching dialogue and performance management • Comparison with our peers • Awards and accreditations received 	<ul style="list-style-type: none"> • Regular performance reports have been presented to Members via the Authority • Regular reports reviewed and monitored by Corporate Management Board and Corporate Portfolio Board • Regular monitoring of key performance information • Publishing of key performance information and data for public access and scrutiny • Regular reports and information to Government Departments • External and Internal Audit validation • Public scrutiny and challenge of key performance and financial information published on our website 	<ul style="list-style-type: none"> • Communicate our results to the public • Consider the findings, learn from the information received, and respond accordingly • Update our plans to deliver improvements • Revisit our key controls and make improvements where required • Provide additional training and support where needed • Monitor the achievement of the changes we make and the direction of travel • Develop a specific action plan to deliver any governance improvements required • Learn from experiences and continually look to improve

How did we do?

The overall level of assurance is assessed against a five-tier RAG (red, amber, green) rating. The criteria that inform this rating are drawn from the definitions in the assurance levels used by Internal Audit – this ensures consistency with the reporting methodology used during these other assessments of the Authority's effectiveness. These are displayed on page 29 of this Statement.

As stated earlier, the review uses the structure and takes place against the seven principles of the CIPFA framework of good governance in the public sector.

This 2021/22 review was undertaken between March and April 2022 and has been informed by the following:

- The views of the External Auditor, in the External Auditor's Findings Report 2020/21 and the Annual Letter, presented to the [October 2021](#) and [February 2022](#) Authority meetings respectively.
- The views of the Head of Internal Audit contained in the Internal Auditor's Annual Report 2020/21 presented to the [July 2021](#) Authority meeting and the Internal Audit 2021/22 progress report presented to the [November 2021](#) Audit and Governance Committee meeting.
- The results of the self-assessments undertaken by senior officers responsible for functional areas of the Service and validated by the Corporate Management Board, including the level of awareness of the role and interrelationship between control systems.
- External awards and recognition, including the Authority being awarded '[Good](#)' by [HMICFRS across all three inspection areas](#) and the [HMICFRS inspection of the Authority's response to covid-19](#).
- A review of our performance against our stated objectives and targets for 2021/22.
- The risk management process and a review and update of the Corporate Risk Register that went to the [April 2022 meeting of the Authority's Audit and Governance Committee](#). The Corporate Risk register is reviewed by the Audit and Governance Committee annually.
- The effectiveness of any changes and improvements made to the governance framework during the last financial year.
- An assessment of our response to the coronavirus pandemic and its consequent effects upon the Authority's governance arrangements, including the [HMICFRS inspection of the Authority's response to covid-19](#).

The level of assurance for 2021/22

- On the basis of our internal review of the operation of the Authority's internal controls (including the effects upon these of the coronavirus pandemic), the level of assurance for the 2021/22 financial year has been assessed as **SUBSTANTIAL**. This indicates that in general strong systems and sound controls are in place, but processes will be reviewed periodically to ensure that they remain efficient and effective. However, training on some policy areas will be undertaken as necessary.

Our analysis of the assurance available against the CIPFA principles of good governance is set out on pages 12 to 27 of this statement. This identifies the information used to provide assurance of the effectiveness of the controls in place. Delivery of the agreed improvements will be monitored by senior management.

The effects of the coronavirus pandemic

The coronavirus pandemic had a significant impact across the Authority, but the overall effect on governance arrangements has been limited. Initially this resulted in the cancellation of the April 2020 Authority meeting, albeit regular updates were provided to Members on a number of key issues throughout the pandemic. However, as the scale of the pandemic became evident it meant that the way planned future meetings were held had to be adapted and the holding of virtual meetings was enabled by the Coronavirus Act 2020. Authority meetings between July 2020 and April 2021 were held virtually. However, in May 2021 the High Court ruled that public meetings must return to a physical attendance and so the facility to hold virtual public meetings is now no longer available, and as such they have returned to physical meetings.

To support our partner agencies and the people of Kent and Medway, since the onset of the pandemic in March 2019, the Service undertook a wide range of additional work across Kent and Medway, which involved both frontline and corporate colleagues. There was a temporary suspension of some non-emergency functions and secondary activities, early on in the pandemic. Operational crewing was maintained, and due to the availability of on-call firefighters furloughed from their primary employment, fire engine availability increased. Additional work undertaken included the following activities: supporting SECamb (South East Coast Ambulance Service) with logistics and delivery of PPE to ambulance facilities across Kent, East Sussex, West Sussex and Surrey; making our Fleet Technicians available to assist with ambulance breakdowns; operational crews responding to falls in the home; supporting SECamb with testing equipment and PPE; releasing KFRS staff to undertake more supportive work to SECamb colleagues, and acting as the procurement hub for the provision of covid PPE to all 45 fire and rescue services in England. In addition, the Service assisted Kent County Council with the distribution of food parcels to the vulnerable and elderly, delivered meals for Age UK and provided pharmacies with support for delivery of prescriptions. Fire prevention and fire protection activity continued through the pandemic, initially at a reduced level, however it was specifically targeted on those most at risk, and those at increased risk due to the pandemic. The Service was able to manage the additional work and it did not result in any negative effects upon either the operation of the Authority's governance arrangements or our ability to fulfil our statutory functions – a point that was highlighted and praised by HMICFRS in their covid inspection.

For the Authority's corporate teams, the most significant change was the move to home working from March 2020, ahead of the first lockdown being announced by government. The fact that this was able to take place so effectively and without disruption to the delivery of services by Authority, highlights the strength and resilience of the Authority's IT network and systems and the effective management of these by the Service's Business Change, Information and Technology team. As a result, corporate teams, and flexi-duty operational officers, were able to seamlessly transition to working from home without experiencing any major network issues, restrictions to IT functionality or interruptions to accessing and using the IT

systems. However, towards the end of the 2021 calendar year we moved to a new more flexible working approach, which is enabling colleagues to work flexibly between Fire Service premises and home. The strength of the IT infrastructure has very much supported and enabled this transition.

But these changes to working practices were not just limited to corporate teams or flexi-duty officers. Operational firefighters based at fire stations also experienced a number of changes to their working practices, implemented in order to ensure their safety during the pandemic. These changes across the Authority's operational and corporate teams were made possible by the extensive policy work and amendments to various processes that were undertaken. This work provided the Authority with the appropriate underpinning policy framework. Examples included: developing and publishing a pack of coronavirus related policies; modifying colleagues' terms and conditions to recognise and support regular working from home; relaxing the normal rules on carrying over, rescheduling or delaying annual leave; and developing home study packs to support on-call staff to maintain their operational competencies and skills from home. As well as work to safeguard the physical health of staff, the Authority recognised the additional pressures imposed by the demands of the pandemic – particularly on operational firefighters – and so introduced an enhanced package of support for mental wellbeing across the whole organisation, which has been well received across the organisation.

In summary, the Authority adapted effectively and efficiently to the considerable demands that were imposed upon it by the coronavirus pandemic, from March 2020 to the current day and so it has continued to maintain its day-to-day service and fulfil all of its statutory duties. (This fact was recognised by HMICFRS in their January 2021 report into the Authority's response to the coronavirus pandemic). Consequently, the governance arrangements and systems of control employed by the Authority have been shown to be robust and effective, which have allowed it to adapt to the significant challenges whilst enabling the migration to the new working practices.

Compliance with the principles of the Financial Management Code

Following issues over the past few years with financial management and corporate governance in some local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA, the professional institute for accountants working in the public services and other bodies where public money needs to be managed) reviewed its guidance and issued the 'Financial Management Code'. This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability. The Code came into effect from 1 April 2020, with the initial 12 months operating as a 'shadow year'. This was done in order to give local authorities time to prepare for the full implementation deadline of 31 March 2021. The new Financial Management Code is based on six core principles:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

3. Financial management is undertaken with **transparency** as its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

In February 2021 a report on Financial Governance was presented to the Authority, setting out an overarching summary of the key financial governance changes that affected the Authority from April 2021 onwards (see [KMFRA, February 2021, Item No: B2](#)). It highlights the importance of a number of key documents. Firstly, the creation of the FM Code, to support good practice in financial management and financial sustainability, based on 6 core principles, as set out above. Secondly, the National Audit Office Code of Audit Practice set out the requirements of auditors to fulfil their statutory responsibility, with the biggest area of change being the focus on value for money and the need now to provide a separate opinion on value for money. Key to this is the reporting by auditors under these three key areas; Financial Sustainability; Governance and Improving the 3 Es. The Authority's first assessment against these revised criteria was very positive and complimentary to the organisation. Finally, there is the outcome of the Redmond Review, from which there have been a number of recommendations, some of which are in place and others are yet to be fully enacted by Government. All of these documents have been influential in establishing the future framework for strong financial governance across this Authority.

As a consequence of these documents being issued, the Authority undertook an initial self-assessment of the level of compliance with the Code, with an action plan being developed setting out a number of actions that needed to be progressed. Good progress has been made against the plan and many are now embedded across the organisation. Six Corporate Strategies were established in support of the Customer Safety Plan, and these were agreed by the Authority in July 2021. These set out the medium-term approach and deliverables for the Service and as such are the basis of much of what was presented in the Medium-Term Financial Plan. Established Strategy Boards monitor their progress and delivery on a quarterly basis. An Audit and Governance Committee was established during 2021 and its first meeting was held in November 2021. This will add even more strength to the assurance processes already in place, as good financial governance is a key requisite across this Authority.

Assessment of the Authority's compliance with the CIPFA framework

This statement provides a summarised account, based on a self-assessment, of how our internal controls, systems, processes and management arrangements meet the principles of good governance set out in the CIPFA framework. The seven principles are as follows:

- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle B** Ensuring openness and comprehensive stakeholder engagement.
- Principle C** Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle D** Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Principle E** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle F** Managing risks and performance through robust internal control and strong public financial management.
- Principle G** Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Against each of the principles, examples are provided demonstrating how the Authority complies with each of them.

<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>Employees' and Members' commitment to ethical standards in daily activity.</p> <p>Code of Ethical Conduct - In 2021 the Authority developed a Code of Ethical Conduct which reflected the fact that our behaviour is central to serving our customers effectively. It aims to ensure that the resources, policies and procedures are all in place, so that our organisation acts in accordance with the Code. This Code sets out the requirements for colleagues across the organisation to fulfil their obligation to act in the best interests of our customers, to act appropriately both inside and outside work, and to remain compliant to the policies and frameworks that affect Kent Fire and Rescue Service. Through adhering to this Code, everyone strives to create a positive, responsible, innovative, open and constructively challenging working environment. A place where ability and delivery is valued, encouraged, developed and rewarded.</p> <p>Code of Conduct for Members of the Fire Authority. When undertaking the business of the Authority, it is a requirement for all Members of the Authority to conduct themselves in accordance with our values and ethics. It also sets out the mechanism by which inappropriate or unethical behaviour can be reported and investigated.</p> <p>We publish an annual report on Members' standards, allowances and travel expenses.</p> <p>The Gifts and Hospitality Code of Practice sets out the rules and guidance on receiving and giving gifts, hospitality and sponsorship, and forms part of the Authority's code of ethical conduct.</p>
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Bullying and Harassment Policy. It makes clear the expectations on all of our employees and ensures we understand our responsibilities. Its purpose is to promote and support a working environment and culture free from bullying and harassment.

Supporting Employees Experiencing Domestic Abuse Policy. Sets out our commitment to treat domestic abuse seriously, understand the risks and consequences in the workplace and provide our full support to the colleagues who experience any form of domestic abuse.

Commitment to ethical standards in how we handle and process personal data

[Data Protection and Information Security Policy](#). This sets out our commitment to data protection and processing personal data in line with the requirements of the UK GDPR and the Data Protection Act 2018. It also sets out the process by which data incidents are recorded and investigated and, where appropriate, reported.

Effective arrangements for dealing with any breaches of law, corruption or misuse of power.

Monitoring Officer - All local authorities are required by the Local Government and Housing Act 1989 to appoint a Monitoring Officer whose statutory duty is to report to the Authority on any proposed actions which may contravene the law or constitute maladministration. In February 2021, [the Authority approved the proposal for the appointment of a new Monitoring Officer](#) from Medway Council for a four-year term from the period 01/04/2021 to 31/03/2025. To help fulfil that requirement the Monitoring Officer reviews all reports prior to their submission to an Authority or Audit and Governance committee meeting.

[Code of Corporate Governance](#). This sets out the seven key principles of good governance which the Authority has adopted and the means by which these principles are adhered to and evidenced. The principles set out here represent the core philosophy of the Authority. It was reviewed and updated in 2020 to incorporate the requirements of [new guidance issued by CIPFA](#) regarding financial management in public authorities.

The Authority has an effective and up-to-date suite of policies covering anti-fraud bribery, anti-fraud and corruption and anti-money laundering.

Speak Up Policy. Ensures arrangements are in place to give staff the confidence to challenge and report allegations of inappropriate behaviour and the gives the Authority the means to investigate such reports.

	<p>Formalised process for managing allegations against staff. Previously part of the feedback policy, to ensure it is as effective as possible, this is currently being incorporated into its own dedicated policy.</p> <p>Commitment to ethical standards in relationships with our suppliers, service providers and partners.</p> <p>Modern Slavery Policy. Sets out our commitment to ensure modern slavery is not taking place anywhere in our own business, in any of our supply chains and to be sufficiently trained to identify risks when performing our front-line services.</p> <p>Equality in Procurement at Kent Fire and Rescue Service. In response to the Equality Act 2010 and our own values in promoting equality in everything we do, we want people who work with us to also demonstrate the same commitment to fairness and equality. To this end we have a formalised approach to Equality in Procurement at Kent Fire and Rescue Service. We consider it necessary for organisations who intend to supply goods, works or services to us or on our behalf to demonstrate that reasonably practical steps have been taken to allow equal access and treatment in employment and services for all and can give evidence of their approach to meeting the requirements of the law.</p>
<p>Principle B Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Provide a simple process for engaging with, and seeking information from us about our decisions, services and plans.</p> <p>Safety and Wellbeing Plan. This is the Authority's public consultation document. The purpose of our Safety and Wellbeing Plan is to inform the public about changes we intend to make or would like the public's views on before we make them. Proposals for changes to the Authority are drawn up and consulted upon with colleagues, members of the public, businesses and community groups. We have also provided a summary of what the public receive for the money they pay in council tax, to help run the fire and rescue service across Kent and Medway. Responses to the proposals in the plan are analysed and then presented to the Fire Authority.</p> <p>Provide evidence and justification for our decisions and policies and make this information available publicly.</p> <p>Customer Safety Plan 2021-2031. This sets out our strategies and ideas for what a modern fire and rescue service should do for the public it serves. The outcomes of the Safety and Wellbeing plan, once agreed by Members are then fed into the Customer Safety Plan. The Plan takes into account the Medium-Term Financial Plan and infrastructure programme and also provides details of the Authority's performance over the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these</p>

	<p>targets. As part of this, each Directorate within the Service develops a strategy that sets out how it will meet the objectives in the Customer Safety Plan.</p> <p>Provide a simple process that encourages feedback from services users and consider these in our decision making.</p> <p>Customer Feedback Policy. Ensures that feedback received by the Authority is dealt with fairly and properly. The Authority is committed to transparency and an analysis of feedback received is reported to the Authority annually in a publicly-available report.</p> <p>The Authority also offers several communication channels, including social media, through which the public are able to get in contact, provide feedback and offer their views.</p> <p>Community Right to Challenge Policy. In line with the Localism Act 2011, this enables community and voluntary groups, town and parish councils and mutual organisations formed by the Authority's employees to express an interest in running a service or part of a service on behalf of the Authority, and the Authority's obligations to consider such expressions of interest and undertake a procurement exercise for the service concerned, where an expression is accepted.</p> <p>Openness in the structure and meetings of the Fire Authority</p> <p>Meetings of the Fire Authority and the Audit and Governance committee are open to the public and agenda packs, reports and minutes are made publicly available.</p> <p>In addition, the following documents relating to the governance of the Fire Authority are made publicly available:</p> <p>Standing orders. These are rules for the operation of Authority and Committee meetings.</p> <p>Scheme of Delegation of Powers to the Chief Executive. This sets out those decisions which can only be taken by the Authority or the Audit and Governance committee (i.e. by Members of the Authority), and those which can be taken by the Chief Executive or other officers.</p> <p>Convention on Member and Officer relationships. This deals with the working relationships between Members (both as individuals and collectively within their political groups) and the officers (i.e. the paid staff) of the Authority.</p>
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	<p>Stakeholder engagement</p> <p>Freedom of Information Policy. Ensuring that the public are made aware of their rights and the Authority's responsibilities in relation to the Freedom of Information Act 2000 and access to information held by public authorities.</p> <p>Subject Access Request Policy. This sets out the rights of the public under the UK GDPR over their own data and the responsibilities of the Authority in respect of those rights.</p>
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>Set out our vision for the Service detailing our strategies, plans and objectives for the future and the resources to be employed to deliver these.</p> <p>Customer Safety Plan 2021-2031. This sets out our strategies and ideas for what a modern fire and rescue service should do for the public it serves. The outcomes of the Safety and Wellbeing Plan, once agreed by Members are then fed into the Customer Safety Plan. The Plan takes into account the medium term financial plan and infrastructure programme and also provides details of the Authority's performance over the previous year, targets for the coming years and an improvement action plan explaining how we intend to achieve these targets.</p> <p>Corporate Strategies. As part of the Customer Safety Plan, each Directorate within the Service develops a corporate strategy that sets out how it will meet the objectives in the Customer Safety Plan. We fully refresh our corporate strategies every four years, although we do re-assess them on annual basis to update and amend where necessary to do so. Members are kept updated with regard to progress against the strategies or amendments that are deemed necessary. The strategies set out our aims over that period and what we would like to achieve in specific areas. The current six corporate strategies are as follows:</p> <ol style="list-style-type: none"> 1. Response and Resilience 2. Customer Engagement and Safety 3. People 4. Assets and Environmental Improvement 5. Business Change, Information and Technology 6. Commercial and Procurement <p>Safety and Wellbeing Plan. This is the Authority's public consultation document. The purpose of our Safety and Wellbeing Plan is to inform the public about changes we intend to make, or would like the public's views on, before we make them. Proposals for changes to the Authority are drawn up and consulted upon with</p>

colleagues, members of the public, businesses and community groups. We have also provided a summary of what the public receive for the money they pay in council tax to help run the fire and rescue service across Kent and Medway. Responses to the proposals in the Plan are analysed and then [presented to the Fire Authority](#).

[Medium Term Financial Plan](#). Our approach to budgeting is sustainable and business-led and is detailed in a document called the Medium Term Financial Plan. The latest document covers the four-year period from 2022/23 to 2025/26 and underpins the Customer Safety Plan.

[Capital Strategy](#). The CIPFA Prudential Code for Capital Finance requires Authorities to produce a Capital Strategy which sets out the long-term capital investment for the Authority. It sets out the governance and funding options whilst identifying potential risks to ensure an affordable and sustainable programme of capital investment. The Authority maintains an earmarked Infrastructure Reserve that is fully allocated to fund the identified 10-year programme.

[Treasury Management and Investment Strategy](#). The CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code require the Authority to determine and set the Treasury Management and Investment Strategy for the financial year ahead as part of the annual budget papers in February of each year.

[Reserves Strategy](#). Every year the Authority's Reserve Strategy is reviewed and updated to ensure that it remains relevant and appropriate. There are five earmarked reserves, with by far the largest being the Infrastructure Reserve, which is used to help fund the Authority's capital programme and large one-off IT investments. In challenging financial times, it is prudent to maintain an appropriate level of reserves which will help bridge the gap of any shortfall.

Information about the Authority's reserves is also provided in the [external auditor's annual report for 2020-21](#).

Provide annual reports on our progress in delivering our plans.

[Delivering the strategies](#). We monitor the delivery of each corporate strategy and report updates to the meetings of the [Fire Authority](#). Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.

[Mid-year treasury management and investment update](#). A mid-year update is provided on treasury activity undertaken and the extent of compliance with the agreed prudential indicators.

	<p>We also provide updates against the Medium Term Financial Plan and present and end of financial year budget outturn report.</p> <p>Identify and manage as far as practical, the key risks and threats to the achievement of our objectives.</p> <p>The Authority maintains a corporate risk register. Twice yearly updates about the corporate risk register are taken to the Authority's Audit and Governance Committee. The corporate risk register is kept under regular review, updated as required and key stakeholders kept informed.</p> <p>Strategic boards meet quarterly to review and monitor service risk registers and progress against the corporate strategies.</p> <p>In relation to operational (as opposed to corporate) risk, the Authority also publishes a risk profile for Kent and Medway which is an analysis of risk within the county and how this relates to demand for the Authority's services. We have a mature risk assessment process which draws in data from a variety of internal databases and external sources, including the Kent Community Risk Register.</p> <p>Information security remains a key issue for the Authority and an increase in collaborative working with other public authorities, as well as an increase in cyber-attacks such as ransomware and denial of access on public agencies in the UK, has heightened the potential risks. All staff have undertaken compulsory data protection and security training and additional controls have been introduced to limit the risk of unwanted exposure. We operate high levels of protection and security and regularly review and test these.</p> <p>The last internal audit review of information governance within the Authority, recorded the assurance level as 'Substantial', confirming that internal control, governance and management of risk are sound overall and that the arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>In relation to information governance, data protection impact assessments have been completed where required and all privacy notices are current and up to date and available on the website.</p> <p>Ensure that our objectives are deliverable and sustainable with the resources available.</p> <p>Value for money. As part of the annual audit of the financial statements, Grant Thornton, the Authority's External Auditors, are required to give a separate opinion on Value for Money which focusses on ascertaining if the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The first of these was published in November 2021 and reported to the meeting of the February</p>
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	<p>meeting of the Fire Authority. This was strong and complimentary report on their assessment of our performance on value for money.</p> <p>Balance social, economic and environmental impacts in our decision making.</p> <p>In February 2022, the Fire Authority approved the Social Value Policy. This new policy sets out the Authority's commitment to ensuring that the principles of the Public Services (Social Value) Act 2012 are applied in a way that enables the Authority to maximise economic, social and environmental benefits for our communities in Kent and Medway from our work.</p> <p>The Social Value Act requires public bodies to consider opportunities for social value when procuring all goods and services. Social value can be defined as increasing the social, economic and environmental wellbeing of the people we serve. It aims to move beyond making decisions based on financial cost or price alone. Instead, it advocates seeking 'value for money' in its widest sense by considering potential social benefits (involving people, culture and interactions), economic benefits (such as money flow and financial resources) and environmental benefits (involving the place in which people live, the planet and use of resources).</p> <p>The Authority has pledged to make itself service carbon neutral by 2030. To achieve this a Climate Action Plan has been developed and is being progressed. Along with this, the Authority has established a 'Green Forum'. The purpose of this group is to introduce and develop ideas to drive change and achieve our carbon neutral goal.</p>
<p>Principle D Determining the interventions necessary to optimize the achievement of the intended outcomes.</p>	<p>Ensure Members receive accurate and timely information for relevant decisions.</p> <p>The Fire Authority normally meets three times per year as does the Audit and Governance committee. In accordance with the Scheme of Delegation of Powers to the Chief Executive all relevant items for decision are taken to the appropriate and relevant committee for scrutiny and approval.</p> <p>Consider any feedback from customers in assessing options for service change.</p> <p>The Safety and Wellbeing Plan is the Authority's public consultation document. Through this, the Authority will inform the public about changes we intend to make, or would like the public's views on, and then engage in a process of public consultation. Proposals for changes to the Authority are drawn up and consulted upon with colleagues, members of the public, businesses and community groups. Responses to the proposals in the plan are then analysed and then presented to the Fire Authority.</p> <p>Put in place a robust planning process that matches outcomes with needs, resources and capacity.</p>

	<p>Each directorate develops a corporate strategy that sets out how it will meet the objectives in the Customer Safety Plan. We refresh our corporate strategies every four years, using the analysis of what the future holds, our aim and objectives, and our key themes. The publication and progress against these is reported to the Fire Authority on a regular basis.</p> <p>Produce a sustainable budget and financial plan to support our plans and objectives over the medium term.</p> <p>Medium Term Financial Plan. Our approach to budgeting is sustainable and business-led and is detailed in a document called the Medium Term Financial Plan. The latest document covers the four-year period from 2022/23 to 2025/26 and underpins the Customer Safety Plan and provides an update on the work of the service and our future plans. In addition, we publish a ten-year capital strategy which presents an outline of the long-term capital investment planned for the Authority.</p> <p>Establish a set of robust and challenging performance indicators against which to measure our achievements.</p> <p>In relation to operational performance, regular updates are taken to the meetings of the Fire Authority.</p> <p>With the delivery of the corporate strategies that comprise the Customer Safety Plan, we monitor the delivery of each corporate strategy and report updates to the meetings of the Fire Authority. Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.</p> <p>Consider the use of collaborative or partnership working as a means of delivering services where a strong business case exists and services can be improved.</p> <p>Partnership working is a key feature of how the Authority operates and we continue to develop strong and lasting working relationships with Kent Police, SECamb, other fire and rescue services, local authorities, NHS clinical commissioning groups, and many other agencies. The hosting of the Kent Resilience Forum by the Authority and the associated input of our colleagues into the Forum's covid-19 response and recovery groups has been fundamental to the positive impact of the Forum on the Kent response to the pandemic.</p>
<p>Principle E Developing the entity's capacity,</p>	<p>Regularly review the Authority's activities and processes, to ensure they remain effective and fit for purpose.</p>

<p>including the capability of its leadership and the individuals within it.</p>	<p>As set out in our Response and Resilience Strategy 2021 to 2025, we actively seek opportunities to improve what we do against clear standards. We are committed to learning from the experiences of our customers, partners, and colleagues. We will continue to embed a culture of learning that allows us to deal with new situations and problems. This drives innovation and allows us to become more skilled and experienced. We proactively seek out feedback and use our assurance processes to measure the effectiveness of changes we make.</p> <p>Engagement with the Fire Standards Board. Since the introduction of the Fire Standards Board, the Authority has been an active and engaged participant in the development of the new fire standards. Ensuring that we are fully compliant with all of the published professional standards for fire and rescue services.</p> <p>Develop a workforce plan that ensures sufficient staff with the necessary skills and knowledge are in place when needed.</p> <p>Our People Strategy 2021-25 was approved by the Fire Authority in July 2021. This sets out how we aim to improve organisational performance by ensuring that everyone has the right skills, capabilities and involvement to make life safer for the people of Kent. Delivery of this plan will ensure that the highest standards of leadership and management are in place to sustain a motivated and engaged workforce. We believe this will foster an organisational culture which truly embraces the diversity and individuality of people and the need for inclusiveness.</p> <p>Put in place arrangements for managing the relationship between Members and officers, including clear written delegations to officers.</p> <p>Scheme of Delegation of Powers to the Chief Executive. This sets out those decisions which can only be taken by the Authority or one of its committees (i.e. by Members of the Authority), and those which can be taken by the Chief Executive or other officers.</p> <p>Convention on Member and Officer relationships. This deals with the working relationships between Members (both as individuals and collectively within their political groups) and the officers (i.e. the paid staff) of the Authority.</p> <p>Monitor and manage the performance of Members and officers in their roles.</p>
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	<p>Code of Conduct for Members of the Fire Authority. Requirement for all Members of the Authority to conduct themselves, when undertaking the business of the Authority, in accordance with our values and ethics. Also contains the mechanism by which inappropriate or unethical behaviour can be reported and investigated.</p> <p>We publish an annual report on Members' standards, allowances and travel expenses.</p> <p>Code of Ethical Conduct. In 2021 the Authority wrote a code of ethical conduct and all colleagues were asked to sign the document. This sets out the Authority's values and commitment to fairness and equality.</p> <p>Support officers in managing their health and wellbeing.</p> <p>The health and wellbeing of colleagues is taken very seriously by the Authority. To support colleagues' health and wellbeing, we have introduced the following support services:</p> <ul style="list-style-type: none"> • A free, 24/7 employee assistance programme. This is a service that helps colleagues who are otherwise struggling to cope to deal with personal problems that might adversely impact their work performance, health and mental and physical wellbeing. • 24/7 out of hours Wellbeing support through Welfare Support Officers • Wellbeing Champions/Allies network • LGBT Network of models and allies
<p>Principle F Managing risks and performance through robust internal control and strong public financial management.</p>	<p>Ensure risks are identified and managed effectively.</p> <p>The Authority maintains a corporate risk register. Twice yearly updates about the corporate risk register are taken to the Authority's Audit and Governance Committee. The corporate risk register is kept under regular review, updated as required and key stakeholders kept informed.</p> <p>The medium-term financial planning that drives the annual budget process is supported by effective risk management and quality supporting data.</p> <p>The Authority has a suite of policies to assist with the management of corporate risks. These include the Financial Management Policy, which sets out the approach to having in place proper management and accounting arrangements to ensure the efficient use of resources and to maintain sufficient records to comply with current regulations and legislation. There is also the Exchequer Policy, which commits the Authority to make arrangements for the proper administration of its financial affairs and have in place proper management and accounting arrangements to ensure the efficient use of resources and to maintain sufficient records to comply with current regulations and legislation</p>

The Authority has established an Audit and Governance Committee, the purpose of which is to provide independent assurance to the Authority of the adequacy of the risk management framework and the internal control environment. Meeting three times per year, it provides an independent review of the Authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Publish regular reports on performance and progress in delivering our objectives.

Regular performance updates covering all aspects of service activity are taken to the [meetings of the Fire Authority](#).

In relation to finance, regular budget monitor reports are also presented to the meetings of the Fire Authority.

[External audit](#). The Authority is statutorily obliged to have a yearly audit conducted by an external audit firm. Grant Thornton was appointed the authority's auditor in 2018/19 by the Public Sector Audit Appointments and will fulfil this role for the next five years. The annual audit report is made publicly available on our website.

Internal audit. The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and, as such, this is provided by Kent County Council under a service level agreement. Each year the Head of Internal Audit brings an [annual report](#) and a [mid-year progress report](#), to the Audit and Governance committee meetings.

Encourage robust challenge and engagement in developing our plans and objectives.

The Authority publishes a consultation document called the [Safety and Wellbeing Plan](#). The purpose of this is to inform the public about changes we intend to make, or would like the public's views on, before we make them. Proposals for changes are drawn up and consulted upon with colleagues members of the public, businesses and community groups.

The feedback that is received from the public is then analysed and reported to the [Fire Authority](#) and, where relevant, acted upon.

Objectively assess the outcomes of plans and policies and address any deficiencies.

	<p>With the delivery of the corporate strategies that comprise the Customer Safety Plan, we monitor the delivery of each corporate strategy and report updates to the meetings of the Fire Authority. Over and above that, we have a suite of performance indicators which form the basis of a 'balanced scorecard', drawing from all the strategies and other measures we use. This is used to give assurance to all that we are delivering what we promise in this plan.</p> <p>A robust process is in place for the oversight and management of the Authority's suite of corporate policies. This ensures that policies are kept up-to-date and relevant. In addition to this, updates on new or revised policies are taken into the Fire Authority for information or approval.</p> <p>Ensure data, including personal data held, is secured, used and shared in accordance with the law and good practice.</p> <p>Our rigorous approach to data protection and commitment to processing personal data in line with the requirements of the UK GDPR and the Data Protection Act 2018 is set out in the Authority's Data Protection and Information Security Policy. It also sets out the process by which data incidents are recorded and investigated and, where appropriate, reported.</p> <p>All reported data incidents are investigated, logged and recorded as part of performance monitoring.</p> <p>In line with the requirements of the Freedom of Information Act 2000, the Authority publishes a Publication and Retention Scheme. This sets out the classes of information held and the duration (retention period) for which information will be kept.</p> <p>The internal audit of information governance within the Authority recorded the assurance level as 'Substantial', confirming that internal control, governance and management of risk are sound overall and that the arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. This was confirmed in the follow up of this that was undertaken in 2021.</p> <p>Ensure that financial resources are protected and used effectively including arrangements to prevent fraud and corruption.</p> <p>The Authority has safe and efficient arrangements to safeguard public money. It operates robust anti-fraud and anti-money laundering controls allied to a strong anti-fraud culture. These are realised in the following suite of anti-fraud and anti-corruption policies: Anti-Bribery Policy; Anti-Fraud and Corruption Policy; Anti-Money Laundering Policy; Gifts and Hospitality Policy; and the Risk Financing and Insurance Policy.</p>
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<p>Principle G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>Operate an effective audit and review function that provides assurance on the effectiveness of controls and ensure that recommendations are implemented promptly.</p> <p>External audit. The Authority is statutorily obliged to have a yearly audit conducted by an external audit firm. Grant Thornton was appointed the authority's auditor in 2018/19 by the Public Sector Audit Appointments and will fulfil this role for the next five years. The annual audit report is made publicly available on our website.</p> <p>Internal audit. The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and, as such, this is provided by Kent County Council under a service level agreement. Each year the Head of Internal Audit brings an annual report and a mid-year progress report, to the Authority meetings. Based on the outcomes of internal audits, action plans will be developed where appropriate and follow up audits undertaken to review progress against any issues identified. This is reflective of our commitment to a culture of continuous improvement and transparency in our activities.</p> <p>Publish statutory and commonly requested information on our website and put in place arrangements to enable easy access to other information requested.</p> <p>Making information publicly available on our website. In line with the requirements of Local Government Transparency Code 2015 and the Trade Union (Facility Time Publication Requirements) Regulations 2017, we publish a comprehensive and detailed range of information on our website. This covers information including monthly spend reports, register of suppliers, and senior officers' pay.</p> <p>As per the requirements of the Freedom of Information Act 2000, the Authority publishes a Publication and Retention Scheme. This sets out the classes of information held and the duration (retention period) for which information will be kept.</p> <p>Encourage partners to adopt high standards of governance and transparency in their dealings with us.</p> <p>Modern Slavery Policy. This sets out our commitment to ensure modern slavery is not taking place anywhere in our own business, in any of our supply chains and to be sufficiently trained to identify risks when performing our front line services. Part of the requirements of the Modern Slavery Policy is the publication of a Transparency in Supply Chains Statement. The statement demonstrates the work the Authority has, and will, continue to undertake to eradicate modern slavery in its supply arrangements.</p> <p>Transparency in Supply Chains Statement. In accordance with the Modern Slavery Act 2015, we are committed to respecting, protecting, and championing the human rights of all who come into contact with our service, including our employees, supply chain workers, customers and local communities. We have zero</p>
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tolerance of modern slavery, and it is therefore totally unacceptable in our organisation and supply chains. We welcome the increasing momentum towards mandatory human-rights due diligence and are therefore fully committed to supporting the government tackle modern slavery, which is an important element of our approach to delivering our Service. Our Transparency in Supply Chains Statement reflects our commitment to this.

[Equality in Procurement at Kent Fire and Rescue Service](#). In response to the Equality Act 2010 and our own values in promoting equality in everything we do, we want people who work with us to also demonstrate the same commitment to fairness and equality. To this end we have a formalised approach to Equality in Procurement at Kent Fire and Rescue Service. We consider it necessary for organisations who intend to supply goods, works or services to us or on our behalf to demonstrate that reasonably practicable steps have been taken to allow equal access and treatment in employment and services for all and can give evidence of their approach to meeting the requirements of the law.

Publish an annual assessment of our governance arrangements and plans to improve it.

In line with the requirements of [Section 6 of the Accounts and Audit Regulations 2015](#), the Authority publishes an [Annual Governance Statement](#) (this document). This is an annual review of the systems of internal control along with an assessment of their effectiveness.

Good governance is key to the Authority and it is committed to applying the principles of good governance as set out in the [‘Delivering Good Governance in Local Government Framework 2016’](#). This ensures that the services provided to the people of Kent and Medway are delivered efficiently, effectively and fairly, that public money is used wisely, is properly accounted for and achieves optimum value for money.

Transparency in the operations of the Authority

[Meetings of the Fire Authority and Audit and Governance committee are open to the public](#) and agenda packs, reports and minutes are made publicly available. This ensures that we are fully transparent in our decision making and operations.

In line with the requirements of Local Government Transparency Code 2015 and the Trade Union (Facility Time Publication Requirements) Regulations 2017, we publish a comprehensive and detailed range of [information on our website](#). This covers information including monthly spend reports, register of suppliers, and senior officers’ pay.

To ensure that we remain compliant with the requirements of these two pieces of legislation, an annual review is undertaken and, based on this, amendments made as required.

	<p>As per the requirements of the Freedom of Information Act 2000, the Authority publishes and Publication and Retention Scheme. This sets out the classes of information held and the duration (retention period) for which information will be kept.</p> <p>Pay Policy Statement. The Localism Act 2011 requires the Authority to publish a Pay Policy Statement for each financial year. The Pay Policy Statement describes the arrangements in place for setting and amending the pay of its employees and reports on the ratio between higher and lower earning staff.</p>
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Joint Statement by the Chair of the Audit and Governance Committee and the Chief Executive

We acknowledge our responsibility for ensuring the proper governance of the Authority's affairs and will ensure that sufficient resources are dedicated to ensuring that key controls and processes are implemented, maintained, and monitored for effectiveness. We confirm that this Statement represents an honest and full assessment of the levels of assurance we have obtained following the assessment process as described above.

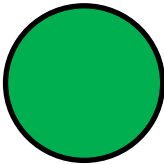
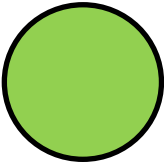
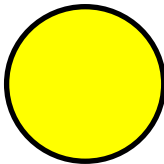
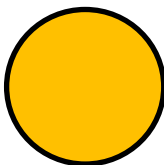
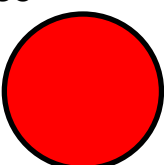
Vince Maple

Chair, Audit and Governance Committee

Date: XXXX 2022

Ann Millington

Chief Executive, Kent and Medway Fire and Rescue Authority

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

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee - 22 September 2022
Subject: TREASURY MANAGEMENT ANNUAL REPORT 2021/22
Classification: Unrestricted

FOR DECISION

SUMMARY

The Authority is required by the Local Government Act 2003 to produce an annual review of treasury management activities and the estimated and actual prudential and treasury indicators for the year. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Authority continued to prioritise security and liquidity over potential yield in line with CIPFA guidance. Interest rates remained low for most of the year but there were increases in Q1 2022, in line with the Bank of England's base rate hikes, with the Authority receiving total investment income of £75k for the year on an average cash balance of £50.6m.

RECOMMENDATION

Members are requested to:

1. Approve this year-end report on Treasury Management activity for 2021/22.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker
TELEPHONE NUMBER: 01622 692121 ext. 6122
EMAIL: Nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS:

COMMENTS

Introduction

1. The Authority approved the Annual Treasury Management and Investment Strategy for 2021/22 at its meeting on 23 February 2021 (Minute 38). In light of the introduction of the new Audit and Governance Committee during 2021/22, the inaugural meeting of this new committee held on the 25 November 2021, received a mid-year Treasury update for Members consideration and agreement. The report reviewed the main aspects of the Authority's Treasury Management up to the end of October 2021 (mid-year), as required by the Local Government Act 2003 and the CIPFA Code on Treasury Management and Capital Finance.
2. The regulatory environment places a responsibility on Members for the review and scrutiny of the Treasury Management Policy and related activities. This report, is therefore, important in providing details of the 2021/22 outturn position for treasury activities during the year and highlights compliance with the Authority's policies previously approved by Members.

Annual Treasury Management Review 2021/22

3. **Economy and Interest rates** - The tight monetary conditions following the pandemic continued through most of 2021/22, which meant opportunities for investment returns were very limited with little material movement in the shorter-term deposit rates. However, on 15 December 2021, The Bank of England's Monetary Policy Committee (MPC) voted to increase the bank rate from 0.10% to 0.25%, judging that pressure on households from surging living costs outweighed the risks to the economy from the new variant. This was followed by a second increase in February 2022 to 0.50%, and on 16 March 2022, the MPC voted to raise the bank rate to 0.75% - the third consecutive rise in borrowing costs, taking interest rates back to pre-Covid levels.
4. **Inflation** - The Bank of England has for some time had an inflation target of 2%. However, the recent 'perfect storm' of supply and labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions are all collectively resulting in an inflationary spiral, with elevated levels forecast until well into 2023.
5. **Treasury Position as at 31 March 2022** - The Capital Financing Requirement (CFR) at 31 March 2022 is the net amount of capital expenditure not yet fully funded. The difference between the CFR and the amount of outstanding loans is the element of capital expenditure being temporarily funded from internal cash balances (under-borrowing). **Table 1** shows this comparison to the previous year.

Table 1 – Treasury Position Compared to Previous Year

	31-Mar-21	31-Mar-22
	£'000	£'000
Capital Financing Requirement (CFR)	2,798	1,829
External PWLB Borrowing	-1,425	-1,001
Internal Borrowing (Under-borrowing)	1,373	828
Total Deposits	48,071	49,621
Less PWLB Borrowing	-1,425	-1,001
Net Deposits	46,646	48,620

6. **Strategy for 2021/22** - The Investment Strategy for 2021/22, agreed at the February 2021 Authority meeting, saw no changes from the 2020/21 Strategy. However, at the April 2021 Authority meeting Members agreed to increase the deposit limits in Money Market funds from £15m to £25m.
7. The Authority deposits cash balances in a number of different bank deposit and call accounts, money market funds and also makes use of the Debt Management Office Treasury Bills. This provides a spread of risk across the accounts and enables the Authority to make the best use of the available rates whilst still prioritising Security and Liquidity over Yield. Treasury Bills started off the year in negative territory and later returned an average interest rate of 0.68% at the end of the year. During the year, a new account was opened with the Leeds Building Society. The Authority also gained access to a new Money Market Fund, Goldman Sachs Sterling Liquid Reserves. The Treasury team continue to meet with our Bank Relationship Managers to identify new products and available rates.
8. **Borrowing in 2021/22** - The 2021/22 Treasury Management Strategy stated that “no new borrowing is planned”, and that was indeed the case for 2021/22. During 2021/22, the Authority maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority’s reserves, balances and cashflow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.
9. **Borrowing outturn for 2021/22** - During 2021/22 the Authority repaid two loans totalling £424k, which had an interest rate of 4.75%. The balance of outstanding loans at 31 March 2022 was £1,001k. **Table 2** below details the maturity structure of the remaining loans held by the Authority as at 31 March 2022, all of which are provided by the PWLB at a fixed rate interest.

Table 2 – Maturity Structure of Remaining Loan Portfolio

	31-Mar-22
	£'000
Less than one year	300
Between one and two years	301
Between two and five years	400
Total	1,001

10. **Ratio of Financing Costs to Net Revenue Stream** - This indicator shows the impact of the capital plans on the Authority's overall finances (borrowing costs net of investment income), as shown in **Table 3**. **Table 4** details how the net borrowing figure is calculated.

Table 3 – Borrowing Costs net of Investment Income

	2021/22
	Outturn
	£'000
Net Revenue	69,866
Net Borrowing *see Table 4 below for calculation	950
Ratio	1.36%

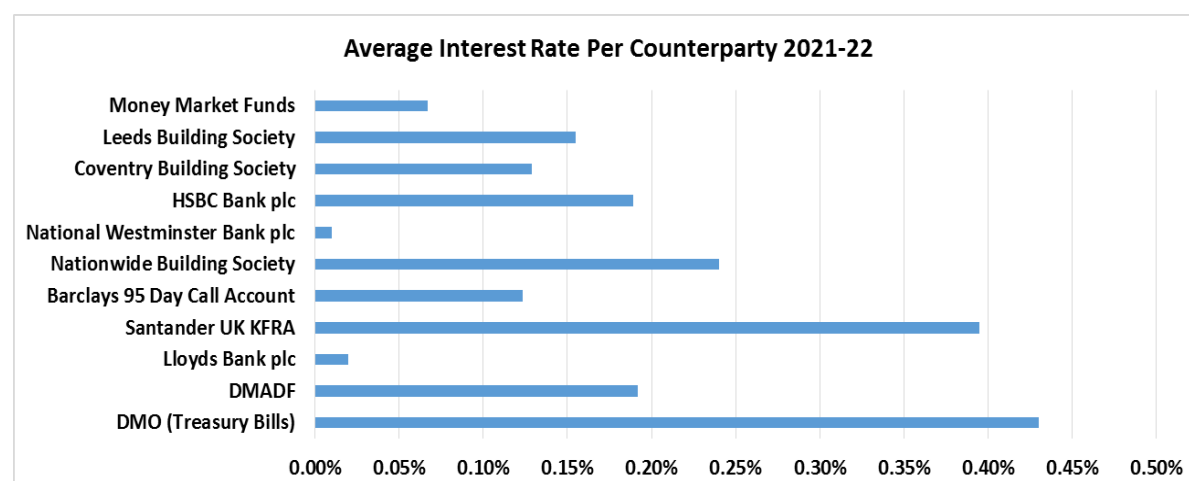
Table 4 – Calculation of Net Borrowing Figure

	2021/22
	Outturn
	£'000
Minimum Revenue Provision and Voluntary Revenue Provision*	969
Interest paid for borrowing	56
Interest and Investment Income	-75
Net Borrowing	950

* The provision made by the Authority to finance its CFR.

11. **Investment Rates in 2021/22** - The Authority maintained an average cash balance of £50.6m which when deposited earned an average annual rate of return of 0.15%. **Graph 1** below shows the average annual rate of interest earned per counterparty on deposits placed over the year. However, up to the end of December 2021 the average return was as low as 0.10%, but this gradually increased in the final 3 months of the year, to result in an average return for the last few weeks in March of 0.53%.

Graph 1



12. **Prudential and Treasury Indicators** - The Table in **Appendix 1** shows the original Prudential and Treasury indicators for 2021/22 together with the actuals for 2020/21 and 2021/22. There were no breaches of limits in 2021/22.
13. **MIFID II Regulations** - These regulations govern the relationship that financial institutions conducting lending and borrowing transactions have with local authorities from 2018. Members will recall that the Authority 'opted up' to become a professional client in order to ensure that it continued to receive the same level of advice on investments and borrowing, and access to the same instruments. There have been no changes with regard to the management and administration of the Authority's Treasury Function that require notification to the financial institutions during this financial year.
14. **Treasury Management Training** - The Treasury Code of Practice states that authorities should ensure that the appropriate level of training is delivered to both Members and staff who are involved in the delivery and scrutiny of the treasury management function. Audit and Governance members received a presentation from Link Asset Group, the Authority's Treasury Advisor before the November 2021 Audit and Governance meeting with a subsequent training session on the latest economic forecast and changes to the Prudential Code and Treasury Management practices scheduled prior to the September 2022 meeting, again provided by Link Asset Group. Officers within the Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to date and a number of them have also completed their CIPFA Treasury e-learning modules. As mentioned at previous meetings, the management of the Treasury function will move back in-house with effect from October 2022.

IMPACT ASSESSMENT

15. All financial implications associated with servicing the Treasury Management functions are able to be contained within the overall budget.

RECOMMENDATION

16. Members are requested to:
 - 16.1 Approve the year-end report on Treasury Management activity for 2021/22.

Prudential and Treasury Management Indicators

	2020/21 Outturn	2021/22 Original Forecast	2021/22 Outturn
Prudential Indicators for affordability, prudence and capital expenditure			
	£'000	£'000	£'000
Revenue Expenditure	71,421	71,573	69,866
Revenue Provision for debt repayment	969	969	969
Capital expenditure	3,517	10,406	1,989
CFR as at 31 March	2,798	1,829	1,829
Total loans outstanding as at 31 March	1,425	1,001	1,001
Ratio of Financing Costs to Net Revenue Stream	1.32%	1.37%	1.36%
Treasury Indicators			
Assumed Operational Boundary for external debt	18,000	18,000	18,000
Assumed Authorised Limit for external debt	22,000	22,000	22,000
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	100%	100%	100%

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee - 22 September 2022
Subject: ANNUAL STATEMENT OF ACCOUNTS 2021/22
Classification: Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval to the 2021/22 draft Statement of Accounts, which are due to be reviewed by the External Auditors in October.

RECOMMENDATIONS

Members are requested to:

1. Approve the 2020/21 Draft Statement of Accounts (paragraph 22 to 28 and **Appendix 1** refer).
2. Consider and note the remaining contents of the report.

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services- Alison Kilpatrick
TELEPHONE NUMBER: 01622 698262 Ext 8262
EMAIL: alison.kilpatrick@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Members will recall that last year that it was reported that due to the pressures Local Public Authorities were facing in relation to Covid-19, changes were made to extend the statutory audit deadlines for 2020/21 and 2021/22 for all Local Public Authorities, apart from Health Service bodies. The Accounts and Audit (Amendment) Regulation 2021 amends the 2015 regulations for English Authorities and puts back the dates for completion of the draft accounts, public inspection and final publication.
2. Part 3, Regulation 10 (2) of the Accounts and Audits Regulations 2015 required that the Statement of Accounts (the Accounts) of the Authority for 2020/21 must be approved by Members no later than 31 July. This was amended to 30 September. Since then, only 9% of audits were signed off by 30 September 2021, of which this Authority was one. Nationally there is a shortage of Auditors and firms are reporting that they are seeing a number of qualified staff leaving the audit sector entirely, leaving a limited market to fill vacancies. This has impacted on the available resources to undertake local audits within the applicable timescales.
3. On 16 December 2021 Government announced further guidance to “improve local audit delays” this included extending the deadline for publishing audited local authority accounts from the 30 September to 30 November 2022 for the 2021/22 accounts, then the 30 September for 6 years, beginning with the 22/23 accounts.
4. Following approval of the Statement of Accounts, it is a further requirement that the person presiding at the meeting shall sign and date the Accounts to formally evidence the Authority’s approval.
5. Prior to this approval, the Director, Finance and Corporate Services, has published the draft Accounts on the Authority’s website together with the information required by regulation to inform the public of their rights in relation to the Accounts. The Director, Finance and Corporate Services, will have first signed and dated the Accounts, and certified, at the end of the year to which they relate, that they present a true and fair view of the financial position of the Authority and that the income and expenditure for that year is correct. This statement is now reaffirmed by the Director, Finance and Corporate Services, as they present the Accounts to the Audit and Governance Committee for approval.
6. In total, the public have 30 working days in which they may object, inspect and question the local auditor on the Accounts. Previously it was a requirement to hold the public inspection of accounts to include the first two weeks of June. This was removed and instead authorities must open the accounts for public inspection on or before the first working day of August 2021. This Authority advertised that the accounts were

open for review between 29 June and 9 August 2022. Members may wish to note that the neither the Director, Finance and Corporate Services nor the External Auditors received any enquiries into the 2021/22 accounts during this period.

7. The Audit and Governance Committee has delegated responsibility from the Authority for the approval of the Accounts. This report details the final transfers into Reserves for which Members' approval has been sought in the Budget Outturn report for 2021/22 presented to the July Authority meeting, a summary of which appeared earlier on this agenda.
8. The purpose of this report is to now present the 2021/22 Annual Statement of Accounts for Members of the Audit and Governance Committee to consider and approve, having reviewed the earlier financial reports on this agenda.

External Auditors

9. The External Auditors are required to carry out the audit of the Accounts in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Controller and Auditor General in April 2020. The External Auditors are required to report annually to Members of the Authority on the results of the audit activity undertaken during the year, in line with their responsibilities under International Auditing Standard (UK and Ireland) 260 (IAS (UK&I) 260) "*Communication of audit matters to those charged with governance*".
10. The Authority's External Auditors, Grant Thornton, have experienced delays in undertaking the Audit of the Authority's Financial Statements due to the resourcing of the backlog of 2020/21 financial statements still to be signed off and as mentioned previously the National shortage within the audit profession to undertake the 2021/22 audits. This has meant that the Authority's Audit that was due to take place in June/July as per the Audit Plan reported to members at the April Audit and Governance Committee meeting has now been re-scheduled to October 2022. It is intended once the Audit is complete to report the Audit Findings Report to the November Audit and Governance Committee and the Auditors Annual Audit Letter to the February Authority meeting.

Comments by the Director, Finance and Corporate Services

11. Local Authority Accounts are complex documents, and they include entries that are not included in normal company accounts. The contents of the Accounts are set out in the CIPFA Code of Practice (the "Code") but action is taken to exclude any information deemed unnecessary or immaterial to the understanding of the Accounts.
12. The timetable for closing and producing the 2020/21 accounts was shared with the External Auditors in January 2022. Working papers to support the information included

in the Accounts including various analytical reviews, schedules and explanations of any significant variances between the previous and current year are provided to the Auditors. This information together with budget monitoring reports and other information provided to Members is examined for consistency to ensure that Members have been kept adequately informed and are well briefed in order to effectively scrutinise the Accounts.

13. When producing the annual Accounts all accounting policies are reviewed to ensure their compliance with the latest Financial Reporting Standards, whilst at the same time consideration is also given as to whether any new accounting standards should be applied. Members of this committee have already seen and agreed the response of Management to the Audit enquiries as part of the audit risk assessment of procedures this included an oversight of the following areas:-

- General enquiries of management
- Fraud
- Laws and regulations
- Related Parties
- Going Concern and
- Accounting estimates

14. This year has been quite challenging with regard to the preparation of the accounts, in particular, the information the District Council's provide with regard to the collection, outstanding debt and provisions required in relation to the Authority's share of Business Rates they collect on our behalf. The extension to the financial reporting timescales resulted in the Department for Levelling Up, Housing and Communities (DLUHC) not issuing the Business Rates end of year return to Districts on the 1 April as initially reported in their publication timetable for return submission on 30 April, but instead issued the form at the end of April for submission on 30 June. This meant that Districts had to provide the Authority with estimated figures for our share of the accounting entries and has meant that the Finance Team has undertaken a reconciliation between the estimated figures provided and the final return signed off by the Districts s151 Officer, to ascertain if there is a material difference that may need adjusting within the published Financial Statements. Having received final versions of the Business Rates returns from Districts, the Authority's share of the Districts figures amounts to only 1%, so any difference is below the materiality level and will not require adjustment.

Reserves

15. **General Reserves** - Members had previously agreed that General Reserves (referred to in the Accounts as General Fund balances) should be maintained at a level which is

equivalent to approximately 5% of the annual net revenue budget. Consequently, the General Reserve balance at 31 March 2022 was £3.760m.

16. **Earmarked Reserves** - The Authority has money set aside in Earmarked Reserves. These Reserves are held for specific purposes, to meet irregular or known future commitments or liabilities. In the Budget Outturn report for 2021/22 which appears earlier on this agenda, Members were asked to agree at the July Authority meeting that of the underspend, £1m would be transferred to the Service Transformation and Productivity Reserve and the balance (now confirmed at £0.707m) would be transferred to the Insurance and Resource Reserve to help fund any unbudgeted pressures that arise in-year, such as higher than budgeted inflationary uplifts.
17. After final transfers were made, Earmarked Reserves were £37.561m at 31 March 2022 with 74% held in the Infrastructure Reserve. Details of the balances and movements on earmarked reserves are shown in Note 15 (page 50) in the Statement of Accounts, which is attached at **Appendix 1**.
18. **Capital Reserves** - In addition, Capital Reserves of £9.470m, comprised entirely of Unapplied Capital Receipts, were included in the Balance Sheet at 31 March 2022 for use in funding the capital programme in later years.

Statement of Accounts

19. **International Financial Reporting Standards and CIPFA Guidance** - Whilst the Accounts are prepared on an International Financial Reporting Standards (IFRS) basis with the content and format of the Accounts being on similar lines to other private and public sector organisations, there are still adjustments that are made by regulation to local authority accounts. In local authority accounts, charges made for depreciation, leave accrual and current service pension costs are only notional and are reversed out of the Accounts so as to not impact on the funding required from Council Tax.
20. The Accounts for 2021/22 have been prepared in accordance with The Accounts and Audits Regulations (England) 2015 and Code of Practice (Code) provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The content and format of local authority accounts is set out in the Code which is updated regularly to reflect changes in accounting standards. The document also has statutory backing as it is the definitive statement for 'proper accounting practices' for local authority accounts.
21. **Annual Governance Assurance Statement** - Elsewhere on the agenda is a report on the Annual Governance Assurance Statement for which Members' formal approval is required. This is published alongside the Accounts on the Authority's website.
22. **The Main Financial Statements** - These comprise of the Comprehensive Income and Expenditure Statement (CIES), which represents the expenditure and income

associated with the 2021/22 financial year; the Movement in Reserves Statement, which shows the changes to the resources available to the Authority over the year; the Balance Sheet, which reports the assets and liabilities of the Authority as at 31 March 2022; and the Cash Flow Statement showing the cash payments and receipts during the year.

23. The Comprehensive Income and Expenditure Statement and Balance Sheet both include entries relating to employee leave, depreciation, impairment and the entitlement to future pension payments earned during the year by employees, and current pension liabilities. These charges, which are included in the Cost of Services line of the CIES, are notional entries in the accounts and they are included so as to show the full cost of operating the Service by recognising the fact that its activities today will result in costs in the future. To ensure that there is no impact on the funding requirement of the Authority these entries are later reversed out and the real costs added back in through a number of adjusting entries.
24. The presentation of pension assets and liabilities within the Accounts is a requirement of legislation governing the preparation of accounts. The overall impact of recognising the Authority's net pension liability of £1,012m on the Balance Sheet has been to create an overall negative balance of £847m.
25. It should be noted that, due to the inclusion of capital grants, the adjustments for current pension liabilities and gains and losses on pension assets and liabilities, and on the disposal of assets, the figures in the CIES can fluctuate significantly from one year to another. The Statement of Accounts differ from the budget monitoring reports submitted regularly to Members in that it does not compare expenditure with budget. By the end of the year transfers from reserves were £2.317m so, allowing for the £1.707m final revenue underspend this left a balance of £610k to be transferred from reserves. Accounting adjustments totalling £19.325m are then made so these, together with the final transfer to reserves, shows as a final Deficit on Provision of Services of £19.935m. This is set out on page 36 (**Appendix 1**) in the Expenditure and Funding Analysis Note, with supporting details of all the adjustments made in Note 6a on page 37 in the Accounts.
26. **Public Access** - The 2015 Regulations and subsequent 2021 amendment set out the requirements for the Authority to allow public access to, and copying of, all accounting records, and for public access to the External Auditors to allow for questions about, or objection to, the draft accounts. In accordance with this requirement the statutory 30 working days required for public access was from 29 June to 9 August 2022 and this was advertised beforehand on the Authority's website. Members may wish to note that there were no enquiries made in relation to the draft accounts.

27. Having now reviewed all the relevant reports in relation to the year end for 2021/22 earlier on this agenda, Members are asked to consider and agree the Statement of Accounts for the year as set out in **Appendix 1**.
28. **Publication of Accounts** - As soon as possible after the conclusion of the audit, the Authority will publish the Statement of Accounts and provide copies to any person on request. In order to comply with this requirement of publication, a notice will be placed on the Authority's website advising that the audit is complete and that the final Accounts are available to view and download from the website. Paper copies of the Accounts will also be made available on request at a charge of £8 per copy, which is approximately the cost of production, and is in line with the legislation which states that a reasonable charge may be made if appropriate.
29. **Summary of Accounts** - The Accounts have over the years become increasingly long and complicated. As a result, those with a non-public sector financial background may find them difficult to understand and interpret. Consequently, a set of summary accounts has been put together and these are attached at **Appendix 2**. The summary accounts only extend to 10 pages but they do provide a short explanation of the key issues. However, to also help Members with their interpretation a short presentation will be provided at the meeting of the salient points within the Accounts.

IMPACT ASSESSMENT

30. Budgetary provision has been made for the external audit fee.

RECOMMENDATIONS

31. Members are requested to:
- 31.1 Approve the 2021/22 Draft Statement of Accounts (paragraph 22 to 28 and **Appendix 1** refer).
- 31.2 Consider and note the remaining contents of the report.

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Statement of Accounts

2021/22

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

Alison Kilpatrick

Director of Finance and Corporate Services

Date:

27 June 2022

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Narrative Report

Introduction

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

- An understanding of the Statement of Accounts.
- A review of the Authority's revenue and capital budget outturn for 2021/22.
- An explanation of the Authority's financial position at the end of the financial year.
- An overview of developments which may have an impact on the Authority both now and in the future.
- A commentary on the Authority's financial performance and economy, efficiency and effectiveness in its use of resources in the year which includes:
 - An analysis of the development and the performance of the Authority in the year and its position at the end of the year.
 - Details of the most relevant financial and non-financial performance indicators.

Accounting Statements

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

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

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

The main statements in these accounts comprise:

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

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

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

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

Narrative Report

and those attributable to financing decisions.

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

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

Revenue Budget and Expenditure

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

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

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

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

Revenue Budget Outturn 2021/22

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

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Funded From:

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

Revenue Budget Outturn 2021/22

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

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

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

Grant Income

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

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

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

Provisions

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

Revenue Reserves

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

In addition to the General Reserve, the Authority also holds a number of other reserves, earmarked for specific purposes, details of which can be found in Note 15 in the Statement of Accounts. At 31 March 2022, earmarked reserves had reduced by £660k from the position reported at the end of the previous financial year. The majority of funds held in earmarked reserves are within the Infrastructure Reserve, a significant part of which is planned to be used to fund investment in station and premises improvements and the purchase of light and heavy fleet vehicles in future years. It is therefore expected that the funds held within this reserve will diminish over the medium term, as and when capital spend is incurred.

Capital Budget and Expenditure

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

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

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Capital Budget Outturn 2021/22

All figures shown are in £'000

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

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

Borrowing and Capital Reserves

The Authority did not plan to fund any capital expenditure from borrowing in 2021/22. In line with previous years, the Authority continues to use temporarily surplus cash balances instead of borrowing from external sources to fund unfinanced capital expenditure from earlier years. A loan of £154.6k and £269.4k matured during 2021/22 so was repaid, reducing the level of outstanding debt as at 31 March 2022 to £1.001m.

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

Treasury Activity

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

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

Pension Assets and Liabilities

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

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

Narrative Report

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

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

Financial Climate and Impact on Services

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

The 2022/23 Local Government Finance Settlement confirmed that Government funding would be 'rolled over' from 2021/22 with a CPI uplift applied to the Revenue Support grant. The Business Rates multiplier was frozen for 2022/23 and the Government agreed to compensate local authorities for the under-indexation through a Section 31 grant. Alongside the regular finance settlement, the Government announced a new one-off Services Grant for 2022/23 (£1.027m for this Authority), and although not ring-fenced, a proportion of the allocation is intended to fund the increase in employer national insurance contributions (1.25%). The Authority also agreed to increase Council Tax by 1.89% in 2022/23, which was within the capped 2% referendum limit.

As no new capital grants from Government have been announced, the Authority is currently planning to fund the 2022/23 and later years' capital plan through a combination of revenue funding, reserves, capital receipts and borrowing.

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

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

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

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

Narrative Report

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

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

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

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

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

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

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

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

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

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

Narrative Report

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

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

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

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

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

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

Budget Strategy

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

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

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

Reserves

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

The amount set aside in the Authority's General Reserve is subject to an annual assessment to ensure that the balance should cover the costs of a significant emergency or unforeseen event. The Authority has £3.760m in General Reserves as at the 31 March 2022, which equates to approximately 5% of the base revenue budget.

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

Cashflows

The Cash Flow Statement in the Accounts details the cashflows for the year and shows that the Authority's cash balances have decreased by £5.141m over the year. The Authority uses its

Narrative Report

temporary surplus cash balances to fund its capital financing requirement (in lieu of borrowing) with the remainder placed in interest bearing deposit accounts or Money Market Funds. At 31 March 2022 cash, deposits and investments totalled £49.680m. This comprises of £41.321m which represents the money set aside in general and earmarked reserves, £9.47m of unused capital receipts less £1.111m being the net of other assets and liabilities at the end of the financial year.

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

The Authority's Financial and Non- Financial Performance Indicators

Financial Performance

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

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

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

Governance Assurance Statement

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

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

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Transparency

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

Inspection

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

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

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

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

Non-Financial Performance

Environmental Improvement and Asset and Fleet Strategy

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

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

Narrative Report

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

In our commitment to reducing our 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 34 hybrid vehicles into our diverse fleet. All of these vehicles are pool cars and their hybrid system combines the use of a petrol engine and an electric motor, improving fuel efficiency and reducing exhaust emissions. Being conscious of the environmental impact caused by cars, these hybrid pool vehicles allow us to make our journeys more sustainably.

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

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

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

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

Service Performance

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

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

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

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

A large number of on-call stations and some officers respond to immediately life-threatening medical emergency calls, such as suspected heart attacks, in support of the ambulance service. Under this arrangement, the Authority's staff are sent to a medical incident as the quickest resource and are always backed up by the ambulance service. During 2021/22 the Authority attended 3,412 of these incidents which is higher than the amount attended in the previous year (2,266).

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

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

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

Customer Service

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

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

Narrative Report

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

Use of Resources Summary

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

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

The Authority remains in a strong financial position and plans to invest in its infrastructure will continue, by utilising its earmarked reserves and capital receipts. As always longer term sustainable planning continues to be a prerequisite going forward.

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director, Finance and Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director, Finance and Corporate Services' Responsibilities

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

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

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

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

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

In my view, the accounts which follow give a true and fair view of the financial position of the Kent and Medway Towns Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2022.

Vince Maple
Chair, Audit and Governance Committee
Kent and Medway Towns Fire Authority

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

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

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

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

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Comprehensive Income and Expenditure Statement

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

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

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

Movement in Reserves Statement

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

General Fund Balance

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

Earmarked Reserves

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

Capital Receipts Reserve

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

Unapplied Capital Grants Reserve

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

Movement in Reserves Statement

The Net Increase/Decrease before the Transfers to Earmarked Reserves line in the table below shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves are undertaken by the Authority. The 2021/22 Movement in Reserves Statement follows on from the 2020/21 Statement below:

2020/21		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
All figures are in £'000		Notes					
Balance at 31 March 2020 brought forward			-3,510	-29,899	-9,234	-42,643	717,084
Movement in reserves during 2020/21:							
Deficit on the provision of services		6	12,214	-	-	12,214	-
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability		25	-	-	-	185,795	185,795
Changes to injury scheme			-	-	-	5,087	5,087
Revaluation gains		16	-	-	-	-3,123	-3,123
Revaluation losses charged to revaluation reserve			-	-	-	220	220
Total Comprehensive Income and Expenditure			12,214	-	-	12,214	187,979
							200,193

Adjustments between accounting basis and funding basis under regulations

Adjustments to revenue resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

Pension costs transferred to or from the Pensions Reserve:

Net retirement benefits as per IAS19	25	-37,491	-	-	-37,491	37,491	-
Gain in relation to Government grant payable to the pension fund	25	10,936	-	-	10,936	-10,936	-
Employer's contribution to pension schemes	16	12,166	-	-	12,166	-12,166	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	-4,763	-	-	-4,763	4,763	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	-122	-	-	-122	122	-

Movement in Reserves Statement

2020/21 continued

All figures are in £'000

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

Movement in Reserves Statement

2021/22		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
All figures are in £'000	Notes						
Balance at 31 March 2021 brought forward		-3,710	-38,221	-7,875	-49,806	924,440	874,634
Movement in reserves during 2021/22:							
Deficit on the provision of services	6	19,935	-	-	19,935	-	19,935
<i>Other Comprehensive Income and Expenditure</i>							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-37,350	-37,350
Changes to injury scheme		-	-	-	-	-612	-612
Revaluation gains	16	-	-	-	-	-8,752	-8,752
Revaluation losses charged to revaluation reserve		-	-	-	-	21	21
Total Comprehensive Income and Expenditure		19,935	-	-	19,935	-46,693	-26,758
Adjustments between accounting basis and funding basis under regulations							
Adjustments to revenue resources							
<i>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:</i>							
Pension costs transferred to or from the Pensions Reserve:							
Net retirement benefits as per IAS19	25	-49,427	-	-	-49,427	49,427	-
Gain in relation to Government grant payable to the pension fund	25	14,025	-	-	14,025	-14,025	-
Employer's contribution to pension schemes	16	12,833	-	-	12,833	-12,833	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	4,279	-	-	4,279	-4,279	-
Accrued annual leave (trf'd to the accumulated absences reserve)	16	104	-	-	104	-104	-

Movement in Reserves Statement

2021/22 continued

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Notes to the Statement of Accounts

1. Accounting policies

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

General Principles

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

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

1.1 Accounting convention

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

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

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

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

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

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

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

Notes to the Statement of Accounts

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

1.2 Critical accounting, judgements and key sources of estimation uncertainty

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

1.2.1 Critical judgements in applying accounting policies

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

1.3 Other expenses

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

1.4 Income

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

1.5 Government Grants and Contributions

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

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

Notes to the Statement of Accounts

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

1.6 Revenue expenditure funded from capital under statute

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

1.7 Treatment of Value Added Tax

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

1.8 Redemption of Debt

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

1.9 Prior Period Adjustments

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

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

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

3. Critical Judgements in Applying Accounting Policies

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

- There is a certain amount of uncertainty about future levels of Government funding. However,

Notes to the Statement of Accounts

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

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

The carrying value of depreciating assets at 31 March 2022 is £76m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property plant and equipment assets would increase by £339k for every year that useful lives had to be reduced.

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

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The carrying amount of the defined benefit obligation on all Pension Schemes at 31 March 2022 is £1.094bn.

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

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

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

Last year the Kent Pension Fund disclosed a 'material valuation uncertainty' in relation to the directly held property and pooled property funds within the assets of the pension fund, due to the level of

Notes to the Statement of Accounts

uncertainty since the outbreak of Covid-19. We have not been advised that this is the case for this financial year.

Impairment of Debtors

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

5. Events after the reporting Period

There are no events to report.

Notes to the Statement of Accounts

6. Expenditure and Funding Analysis

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

All figures are in £'000

2020/21 *Restated

	Outturn as reported to Authority	Adjustments	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
				See note 6a	
Operational Response and Resilience	39,162	-167	38,995	7,526	46,521
Customer Safety, Business Safety and Engagement	5,464	-496	4,968	912	5,880
Corporate Teams	22,851	-923	21,928	2,236	24,164
Pensions, Financing and Other Costs	3,944	-1,689	2,255	190	2,445
Net Cost of Services	71,421	-3,275	68,146	10,864	79,010
Other Income and Expenditure			-76,668	9,872	-66,796
Surplus (-) or Deficit (+)			-8,522	20,736	12,214
Opening General and Earmarked Reserves Balance			33,409		
Plus Surplus on General Fund in the year			8,522		
Closing General and Earmarked Reserves Balance			41,931		

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

Notes to the Statement of Accounts

All figures are in £'000

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

Notes to the Statement of Accounts

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

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

2020/21 *Restated					2021/22				
Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments	
All figures are in £'000									
4,034	3,454	38	7,526	Operational Response and Resilience	3,673	10,457	-24	14,106	
91	795	26	912	Customer Safety, Business Safety and Engagement	210	1,586	-18	1,778	
383	1,795	58	2,236	Corporate Teams	388	3,401	-62	3,727	
-	190	-	190	Pensions, Financing and Other Costs	-	810	-	810	
4,508	6,234	122	10,864	Net Cost of Services	4,271	16,254	-104	20,421	
-3,046	8,155	4,763	9,872	Other Income and Expenditure from the Funding Analysis	-3,132	6,315	-4,279	-1,096	
1,462	14,389	4,885	20,736	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Deficit	1,139	22,569	-4,383	19,325	

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

Notes to the Statement of Accounts

7. Expenditure and Income Analysed By Nature

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

All figures are in £'000	2020/21	2021/22
Employee expenses	62,895	65,790
Other operating expenses	14,411	13,773
Depreciation	4,687	4,964
Revaluation gains (-) on property, plant and equipment	-179	-693
IAS19 adjustment	6,234	16,254
Employee leave accrual adjustment	122	-104
Expenditure charged to Cost of Services	88,170	99,984
Government grants and contributions	-6,385	-5,936
Fees, charges and other service income	-2,775	-2,822
Income credited to Cost of Services	-9,160	-8,758
Net expenditure charged to Cost of Services	79,010	91,226
Interest payments	80	56
Pensions interest cost	20,479	21,797
Expected return on pensions assets	-1,438	-1,505
LGPS administration expenses	50	48
Gain (-) / Loss on disposal of assets	69	-175
Expenditure charged to Provision of Services	19,240	20,221
Pension fund top-up grant	-10,936	-14,025
Interest and investment income	-103	-75
Gain (-) / Loss on financial instruments carried at fair value through profit or loss	43	-6
Income from Council Tax	-49,959	-53,201
Income from Business Rates and top-up grant	-11,873	-13,947
Non-ring fenced Government grants	-13,208	-10,258
Income credited to Provision of Services	-86,036	-91,512
Expenditure and Income charged to Provision of Services	-66,796	-71,291
Deficit on Provision of Services	12,214	19,935

Notes to the Statement of Accounts

7a. Revenue from Contracts with Service Recipients

Policy:

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

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

All figures are in £'000s	2020/21	2021/22
Revenue from contracts with service recipients:		
Operational Policy and Resilience – provision of fire cover	2,101	2,186
Total included in Comprehensive Income and Expenditure Statement	2,101	2,186

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

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

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

All figures are in £'000s	2020/21	2021/22
Not later than one year	2,119	2,206
Later than one year and not later than eight years	11,553	9,702
Amounts of transaction price fully unsatisfied	13,672	11,908

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

Notes to the Statement of Accounts

8. Property, Plant and Equipment

Policy:

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

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

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

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

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

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

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

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

Notes to the Statement of Accounts

Property, plant, vehicles and equipment under construction are not depreciated.

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

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

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

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

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

	Operational	Surplus	Held for sale
Fire Stations	56	-	1
Headquarters	1	-	-
Residential houses	20	4	-
Technical Rescue Centre	1	-	-
Training Centre	1	-	-
Other	1	-	-

Revaluations

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

Notes to the Statement of Accounts

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

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

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

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

Notes to the Statement of Accounts

2020/21

	Land and Buildings	Vehicles, Plant and Equipment	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment
All figures are in £'000					
Cost or Valuation at 1 April 2020	92,960	31,600	1,422	1,365	127,347
Additions	205	920	2,392	-	3,517
Revaluation increases recognised in the revaluation reserve	2,795	57	-	51	2,903
Revaluation increases recognised in the deficit on the provision of services	96	-1	-	-	95
De-recognition – disposals	-35	-405	-	-	-440
Assets reclassified	-750	-	-	-1,395	-2,145
Assets under construction completed in year	158	-	-158	-	-
Other movements in cost or valuation	-2,960	-130	-	-21	-3,111
Cost or Valuation at 31 March 2021	92,469	32,041	3,656	-	128,166
Accumulated Depreciation and Impairment at 1 April 2020	-	-19,661	-	-	-19,661
Depreciation/impairment charge	-2,967	-1,703	-	-17	-4,687
De-recognition – disposals	3	357	-	-	360
Other movements in depreciation and impairment	2,964	130	-	17	3,111
Accumulated Depreciation and Impairment at 31 March 2021	-	-20,877	-	-	-20,877
Net Book Value at 31 March 2021	92,469	11,164	3,656	-	107,289
Net Book Value at 31 March 2020	92,960	11,939	1,422	1,365	107,686

Notes to the Statement of Accounts

2021/22

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

Notes to the Statement of Accounts

9. Financial Instruments

Policy:

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

Notes to the Statement of Accounts

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

Fair Value Hierarchy

Valuation techniques used to measure fair value are categorised into Levels 1, 2 and 3 where

- Level 1 has an active market with quoted prices for similar instruments;
- Level 2 has some directly observable market information other than Level 1 inputs;
- Level 3 has no market information and valuation requires significant judgement by management.

Categories of Financial Instruments

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

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

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

² carried at amortised cost

The fair value of loans borrowed from the Public Works Loan Board (PWLb) is £1.055m compared to their book value of £1.001m (£1.550m: £1.425m in 2020/21). The fair value of the loans is higher than the carrying amount because the Authority's portfolio of loans comprises fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the market. However, a supplementary measure of the additional debt that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates from the PWLB as at 31 March 2022. If a value was calculated on this basis the carrying amount of £1.001m would be valued at £1.042m. However, if the Authority were to seek to make early repayment of the loans to the PWLB, the PWLB would charge a penalty which is calculated by comparing the interest rate being paid on the loans to current borrowing rates. The penalty charge at 31 March 2022 if the loans were repaid on that date would be £43k.

Notes to the Statement of Accounts

10. Debtors

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

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

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

11. Cash and Cash Equivalents

Policy:

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

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

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

12. Assets Held for Sale

Policy:

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

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

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

Notes to the Statement of Accounts

Assets Held for Sale (continued)

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

13. Creditors

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

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

² Includes part of capital creditors totalling £131k (£38k at 31 March 2021).

³ Includes Collection Fund long term creditors of £507k

14. Provisions

Policy:

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

Insurance and General Provision

The Authority has external cover for insurance claims. At 31 March 2022 an estimate is made of the excess that could be payable for claims notified but not yet settled. A provision therefore needs to be maintained to fund these and any other potential claims. Whilst many claims are settled within a year some do take a number of years to be resolved.

Non-Domestic Rate Appeals

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

Notes to the Statement of Accounts

Provisions (Continued)

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

15. Usable Reserves

Policy:

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

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

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

Government Grants

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

Infrastructure

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

Insurance and Resource

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

Notes to the Statement of Accounts

Rolling Budgets

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

Service Transformation and Productivity

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

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

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

Additional breakdown of Government Grant Reserve balance:

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

Notes to the Statement of Accounts

16. Unusable Reserves

Policy:

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

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

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

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

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

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

All figures are in £'000	2021/22	2020/21
Balance at 1 April	-42,408	-41,171
Upward revaluation of assets	-8,752	-3,123
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	21	220
Difference between fair value depreciation and historical cost depreciation	1,823	1,636
Accumulated gains on assets sold or scrapped	608	30
Balance at 31 March	-48,708	-42,408

Notes to the Statement of Accounts

Accumulated Absences Account

Policy:

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

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

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

All figures are in £'000	2021/22	2020/21
Balance at 1 April	537	415
Settlement or cancellation of accrual made at the end of the preceding year	-537	-415
Amounts accrued at the end of the current year	<u>433</u>	<u>537</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-104	122
Balance at 31 March	433	537

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

Notes to the Statement of Accounts

(Pensions Reserve continued)

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

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

All figures are in £'000	2021/22	2020/21
Balance at 1 April	4,190	-573
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income for the year in accordance with statutory requirements	-2,042	1,310
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income for the year in accordance with statutory requirements	-2,237	3,453
Balance at 31 March	-89	4,190

Notes to the Statement of Accounts

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

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

All figures are in £'000	2021/22	2020/21
Balance at 1 April	-64,735	-63,172
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	4,964	4,687
Revaluation (gains) / losses on property, plant and equipment	-690	-95
Revaluation (gains) / on assets held for sale	-3	-84
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	812	51
Adjusting amounts written out of the Revaluation Reserve	-1,823	-1,636
<i>Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</i>		
Use of Capital Receipts Reserve to finance new capital expenditure	-	-1,371
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
Statutory provision for the financing of capital investment charged against the General Fund	-969	-969
Capital expenditure charged against the General Fund Balance	-1,989	-2,146
Balance at 31 March	-64,433	-64,735

Notes to the Statement of Accounts

17. Officers' Remuneration

This table provides details of actual remuneration for 2021/22 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2020/21 is also shown below. Details of the Senior Officer structure and related salary is published on the Authority's website at <http://www.kent.fire-uk.org>

Post Holder Information	Salary and Allowances	Pension Contributions	Total Remuneration inc Pension Contributions
All figures shown are in £'000			
2021/22			
Chief Executive – A Millington	162.1	23.5	185.6
Director, Operations (left 31/7/2021)	42.7	15.9	58.6
Director, Operations (from 10/05/2021) post later renamed to Director, Response and Resilience	123.8	35.7	159.5
Director, Prevention, Protection, Customer Engagement & Safety	131.6	19.1	150.7
Director, Finance and Corporate Services (reduced to 0.81 FTE from 25/10/2021)	120.7	10.7	131.4
Assistant Director, Response (promoted to Director, Operations 10/05/2021)	10.9	3.1	14.0
Assistant Director, Response (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Resilience (left 30/09/2021)	48.3	14.0	62.3
Assistant Director, Resilience (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, Customer & Building Safety (left 11/11/2021)	52.3	15.0	67.3
Assistant Director, Customer & Building Safety (from 04/06/2021)	81.6	23.5	105.1
Assistant Director, People & Learning* (reduced to 0.61 FTE from 01/12/2021)	86.0	9.5	95.5
Assistant Director, Corporate Services	99.1	14.4	113.5
	1,122.3	231.4	1,353.7

*Change in role title during 2021/22

Notes to the Statement of Accounts

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

*Change in role title during 2020/21

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

Notes to the Statement of Accounts

Officers' Remuneration (continued)

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

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

Notes to the Statement of Accounts

18. Members' Allowances

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

All figures are in £'000	2021/22	2020/21
Allowances	75	79
Expenses	1	-
Total	76	79

19. External Audit Costs

The following external audit costs were incurred in the year.

All figures are in £'000	2021/22	2020/21
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year	30	27
Additional Audit Fee 2019/20	10	
Additional Audit Fee 2020/21	15	-
Total	55	27

20. Grant Income

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

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

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

Notes to the Statement of Accounts

21. Related Parties

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

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

Senior Officers and Members - The total remuneration paid to senior officers is shown in Note 17 and details of Members' allowances paid in 2021/22 are shown in Note 18.

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

Kent County Council - The Authority contracts with the County Council for the provision of various services and the amount paid for 2021/22 was £339k (£165k in 2020/21). The services purchased include pension and treasury administration, IT network services and internal audit. The Monitoring Officer for the Authority is no longer provided by KCC as in previous years, but is now provided by the Monitoring Officer at Medway Council.

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

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

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

Notes to the Statement of Accounts

22. Capital Expenditure and Capital Financing

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

All figures are in £'000	2021/22	2020/21
Opening Capital Financing Requirement	2,798	3,767
Capital Investment		
Property, Plant and Equipment	1,989	3,517
Sources of Finance:		
Capital Receipt	-	-1,371
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-1,989	-2,146
Minimum Revenue Provision	-112	-151
Voluntary Revenue Provision	-857	-818
Closing Capital Financing Requirement	1,829	2,798
<i>Explanation of movements in year:</i>		
Decrease in underlying need to borrow	-969	-969
Change in Capital Financing Requirement	-969	-969

23. Leases

Policy:

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

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

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

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

Notes to the Statement of Accounts

24. Termination Benefits

Exit Packages by Cost Band

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

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

25. Defined Benefit Pension Schemes

Participation in Pension Schemes

Policy:

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

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

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

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

The Authority participates in four employment schemes:

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

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

Notes to the Statement of Accounts

the accounting policy note.

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

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

Firefighters' Pension Schemes

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

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

2. **The 1992 Firefighters' Pension Scheme** - is a final salary pension scheme governed by the Firefighters' Pension Scheme Order 1992 and related regulations. This scheme was closed to new entrants from April 2006.
3. **The 2006 New Firefighters' Pension Scheme** - is a final salary pension scheme governed by the Firefighters' Pension Scheme (England) Order 2006. This scheme was closed to new entrants from April 2015. A new modified section was introduced within this scheme as a result of the Retained Firefighters' Pension Settlement and offered to retained firefighters employed between 1 July 2000 and 5 April 2006.
4. **The 2015 Firefighters' Pension Scheme** – is a Career Average Revalued Earnings (CARE) scheme introduced on 1 April 2015 and is governed by the Firefighters' Pension Scheme (England) Regulations 2014.

The Authority is responsible for the costs of any additional benefits awarded including lump

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sums paid on retirement due to injury and related annual pension payments.

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

Transactions Relating to Post-employment Benefits

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

McCloud / Sargeant Case

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

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

Matthews / O'Brien Case

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

Notes to the Statement of Accounts

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

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

Notes to the Statement of Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

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

All figures are in £'000	2021/22	2020/21
Present value of the defined benefit obligation:		
Local Government Pension Scheme	-126,815	-125,902
Fire Pension Schemes	-967,519	-981,088
Fair value of assets in the Local Government Pension Scheme	82,871	80,134
Net liability arising from defined benefit obligation	-1,011,463	-1,026,856

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

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

Discretionary benefits arrangements have no assets to cover their liabilities.

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

All figures are in £'000	2021/22	2020/21
Opening fair value of scheme assets	80,134	60,608
Interest income	1,505	1,438
<i>Re-measurement gain/(loss):</i>		
The return on plan assets, excluding the amount in the net interest expense	188	16,928
Other actuarial gains	-	-
Administration expenses	-48	-50
Contributions from employer	2,439	1,769
Contributions from employees into the scheme	978	921
Benefits paid	-2,325	-1,480
Closing fair value of scheme assets	82,871	80,134

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

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

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

Notes to the Statement of Accounts

Local Government Pension Scheme assets comprised:

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

The table below details percentages of the total Fund held at 31 March 2022 in each class of asset (split by those that have a quoted market price in an active market and those that do not).

		31 March 2022	
		%	%
		Quoted	Unquoted
Fixed Interest Government Securities	Overseas	1.0	
Corporate Bonds	UK	4.0	
	Overseas	10.0	
Equities	UK	16.0	
	Overseas	42.0	
Property	All		12.0
Others	Absolute return portfolio	7.0	
	Private equity		4.0
	Infrastructure		2.0
	Derivatives		-
	Cash/temporary investments		2.0
Net Current Assets	Debtors		-
	Creditors		-
Total		80.0	20.0

Notes to the Statement of Accounts

Significant Actuarial Assumptions

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

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

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

Impact on the Defined Benefit Obligation in the Schemes

Change in assumption:	Local Government Pension Scheme		Firefighter Pension Schemes		Injury and Ill-Health	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
All figures are in £'000						
<i>Increase or decrease:</i>						
Life expectancy by 1 year	4,986	-4,792	32,870	-31,476	1,346	-1,276
Rate of increase in salaries by 0.1%	361	-358	1,677	-1,664	-	-
Rate of increase in pensions by 0.1%	2,515	-2,457	12,866	-12,622	469	-460
Rate for discounting scheme liabilities by 0.1%	-2,828	2,896	-14,210	14,493	-458	-1,743

Notes to the Statement of Accounts

Impact on the Authority's Cash Flows

Employer contributions for the LGPS scheme are now set to cover 100% of current service costs. The last triennial valuation was carried out as at 31 March 2019, to determine contribution rates for the period from April 2020 to March 2023. The Authority's contribution rates were increased from 14.5% in 2021/22 to 15.5% from 1 April 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period 1 April 2023 to 31 March 2026. The LGPS scheme became a career-average revalued earnings (CARE) scheme from April 2014.

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

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

26. Contingent Liabilities and Assets

Policy:

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

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

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

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

Notes to the Statement of Accounts

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

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

27. Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

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

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

Notes to the Statement of Accounts

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

Market Risk

Interest Rate Risk

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

As at 31 March 2022 all borrowing was at fixed interest rates and is carried at amortised cost, therefore movements in interest rates do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Long term borrowing decisions are based on interest rates prevailing at the time and there is a risk that the rate on a loan may be higher than the market rate available in the future.

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

Interest earned on deposits and investments in 2021/22 was £75k which equates to an average rate of 0.15%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £50k.

Liquidity Risk

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

All figures are in £'000	31 March 2022
Less than one year	300
Between one and two years	301
Between two and five years	400
More than five years	-
Total	1,001

Credit Risk

Notes to the Statement of Accounts

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

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

The Authority's maximum exposure to credit risk in relation to its deposits in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. At the 31 March 2022 the Authority had £2.66m deposited with the Debt Management Office and £4.98m in Treasury Bills, both secure Government backed assets. There was also £3.53m deposited in instant access accounts, £8.10m deposited in Money Markets, £16.35m in notice accounts and £14m in fixed term.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks, building societies and Money Markets is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority's investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values based on historic default. The expected losses calculations as at 31 March 2022 resulted in a total immaterial figure. The CIPFA Code states that "accounting policies need not be applied if the effect of applying them would be immaterial" the effect of the expected losses have therefore not been shown in the accounts.

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

All figures are in £'000	31 March 2022
Less than three months	471
Three to six months	-
Six months to one year	8
More than one year	-
Total	479

Firefighters' Pension Fund Account

28. Firefighters' Pension Fund Account

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

All figures are in £'000	2021/22 Pension Fund	2020/21 Pension Fund
Contributions receivable from:		
Fire Authority:		
Contributions in relation to pensionable pay	-8,462	-8,327
Early retirements (ill health)	-350	-351
Other	-153	-278
Firefighters' contributions	-3,866	-3,703
	-12,831	-12,659
Transfers in from other authorities	-55	-146
Benefits payable:		
Pensions	21,272	20,511
Commutation and lump sum retirement benefits	5,626	3,137
Lump sum death benefits	-	-
	26,898	23,648
Transfers out to other authorities	13	93
Net amount payable for the year	14,025	10,936
Top-up grant payable by the Government	-14,025	-10,936
	-	-

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2022. Details of the Authority's long-term pension obligations are shown in Note 25 to the Statement of Accounts.

Firefighters' Pension Fund Net Assets Statement

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

All figures are in £'000	2021/22	2020/21
Current assets:		
Contributions due from Fire Authority	89	106
Top-up receivable from the Government	5,871	2,003
Current liabilities:		
Unpaid pension benefits	-285	-142
Other current liabilities ¹	-5,675	-1967
Total	-	-

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

Glossary of Terms

Budget

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

Billing Authority

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (the Code)

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

Collection Fund

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

Component Valuation

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

Current Value

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

Depreciation

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

Glossary of Terms

Employee Expenditure

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

ESMCP (Emergency Services Mobile Communications Programme)

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

Fair Value

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

General Fund Balance

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

Government Grants

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

Impairment Charge

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

Infrastructure Plan

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

Intangible Assets

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

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

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

Glossary of Terms

DLUHC

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates

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

Net Cost of Services

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

Past Service Pension Costs

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

Precept

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

Public Works Loans Board

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

Related Party Transaction

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

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute

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

Glossary of Terms

SECAmb

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

Voluntary Revenue Provision

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

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Summary Financial Statements 2021/22

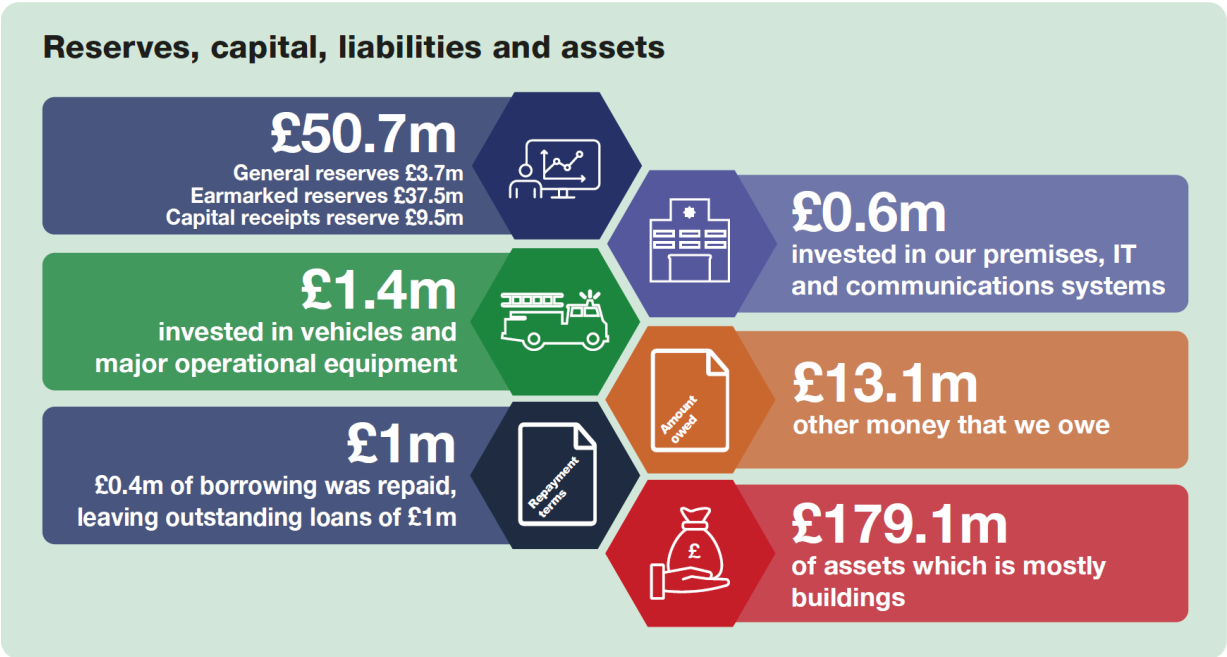
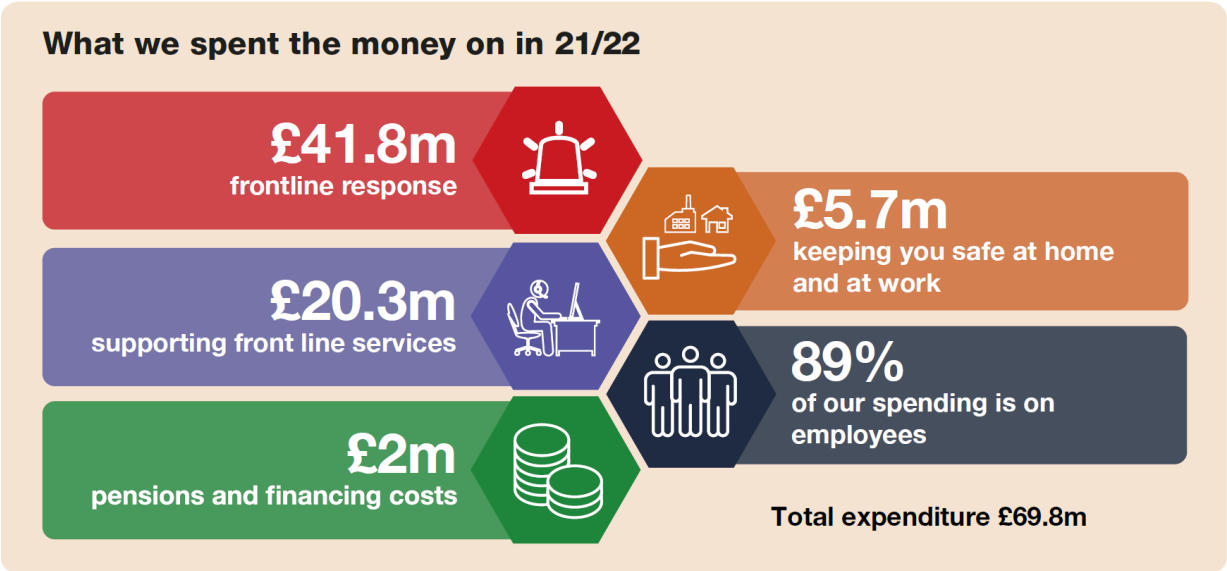
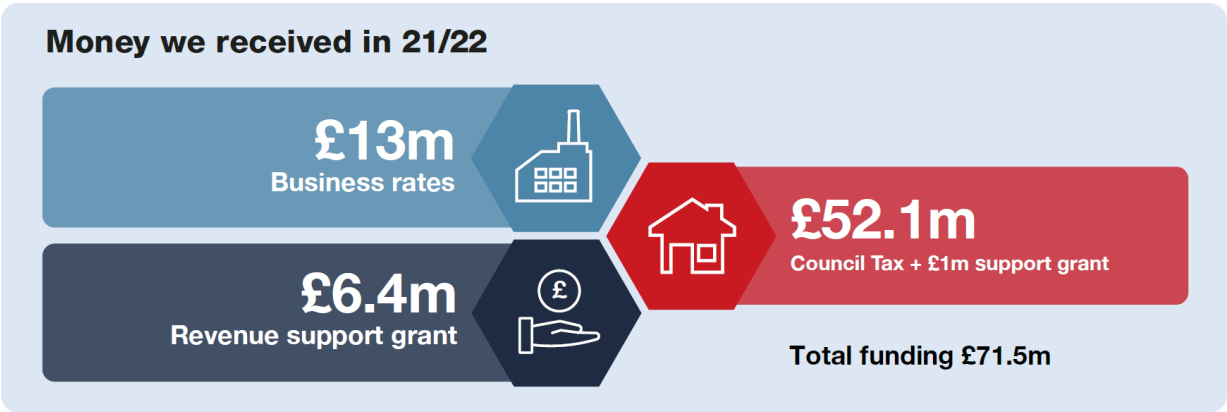
This Summary of Accounts shows where the Authority spent its money in the financial year 1 April 2021 to 31 March 2022 and gives an overview of its financial position at the end of March 2022.

The figures are taken from the full statement of accounts available on the Authority's website www.kent.fire-uk.org

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Summary Accounts 2020/21



202006-009

Summary of Accounts 2021/22

This summary statement compares a breakdown of the money we planned to spend at the start of the year (budget) with what we actually spent and explains the changes. If we have over or underspend in certain areas, we have explained why.

As well as our annual expenditure, this statement also includes information about our longer-term financial sustainability. This is important so that you know the resources we have available to provide services into the future. This summary shows you what we own and what we owe to others, and what we have put aside to make sure we can deliver services beyond this year.

This information is consistent with the draft published accounts, which are still to be audited by our external auditors. A full set of this Authority's Statement of Accounts is available on our website www.kent.fire-uk.org

About Kent Fire and Rescue Authority

The Authority not only fights fires but deals with a range of emergencies from road traffic collisions, floods, explosions and chemical spillages, but we also support the Ambulance service at some Emergency Medical incidents, if we can get there sooner than our ambulance colleagues. Preventative work is also undertaken to ensure the public stay safe in their environment and this can be a range of activities such as safe and well visits, road safety advice to schools and colleges, as well as advice and support to local businesses.

Where did we get our money from?

The fire authority gets money from three main sources: council tax, business rates and grants from government.

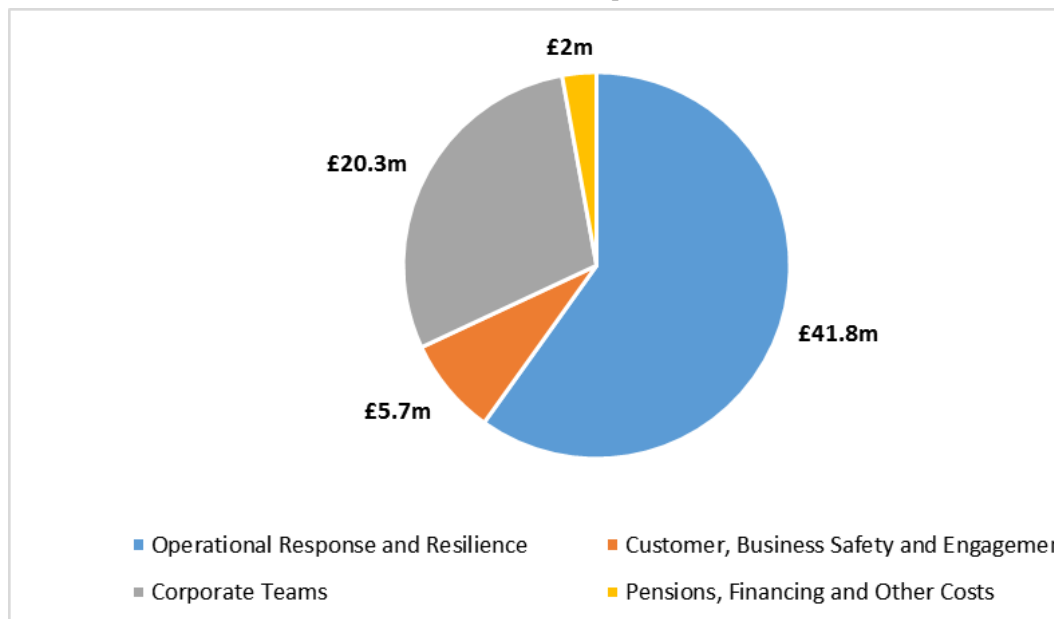
We have to make sure that when we set the budget for the year, we can afford to pay for the services we offer and provide. This includes any plans we make where we need to include longer-term commitments. A fire authority needs to balance its budget and setting council tax is an important part of this process.

Our total funding for 2021/22 was £71.5m and we spent this on providing support and services to our local population, estimated at 1,581,600.

Summary Income	Amount £'000
Revenue Support Grant (central government funding)	6,457
Non-domestic Rates*	13,001
Council Tax	51,159
Council Tax Support Grant	956
Total Income	71,573

*Non-Domestic Rates is the Authority's share of Business Rates collected by Medway and Kent District Councils plus Top-up grants from central Government.

Where the money we received for the period 1 April 2021 to 31 March 2022 was spent



Summary Revenue Expenditure (Day to Day)

Expenditure	
Operational Response and Resilience (frontline response)	41,758
Customer and Business Safety (Keeping you safe at home and at work)	5,744
Corporate Teams (Supporting frontline services)	20,303
Pensions, Financing and Other Costs	2,061
Total Revenue Expenditure	69,866
Budget available for the year	71,573
Net Underspend for 2021/22	-1,707

Of the £69.8m nearly 89% of expenditure related to employee expenses with the remainder spent on operating costs.

A Summary of each of the headings is provided below:

- **Operational Response and Resilience:** Firefighting and Rescue Services, Control Room, operational pre-planning, emergency planning, technical rescue, new dimension activity, Eurotunnel and other Channel Tunnel related activity, Engineering and Transport.
- **Customer and Business Safety:** Building Safety, Business Safety and Community Safety, Communications and Marketing
- **Corporate Teams:** Corporate Management and Business Support, Human Resources and training, Policy and Performance, Member Allowances and

Member support, Property and Procurement, Information Systems, Finance and Insurance

- **Pensions, Financing and other costs:** Pension costs, cost of capital charges, borrowing costs and Infrastructure funding

What were the differences

Explanations for the differences between what we budgeted for and what we spent

Explanation	Difference £'000
Less on pay, pensions and other employee costs	-1,272
Lower Utility costs (including £1m backdated Business Rates Rebate)	-965
Less spent on Information Communication Technology	-219
Increase in additional Covid-19 grant funding	-115
Increase in professional and legal fees	136
Cost of 2021/22 pay award, paid in 21/22	744
Other net underspends	-16
Total difference between budget and spend	-1,707

Summary Financial Position

Kent Fire and Rescue uses your money to provide necessary local services. The summary financial position below represents a summary of our financial position at a single point in time which for our accounts is 31 March 2022. Each year it sets out what the Authority owns and how much it is owed, and owes to others, and the resources it has left to support the provision of future services.

Below we show the Authority's financial position at the financial year end, which is a summary of the balance sheet in the audited accounts. This information helps to assess if the Authority has a sustainable financial position and is able to support and maintain services on an on-going basis. The balance sheet shows the value of the Authority's assets and liabilities at the year end.

Summary Financial Positions	31-Mar-21 £'000	31-Mar-22 £'000
What we own (held as 'assets')	169,592	179,137
What we owe (held as 'liabilities')	-1,044,226	-1,027,012
Net Financial Positions	-874,634	-847,875

The net financial position is held in reserves as follows:

	31-Mar-21 £'000	31-Mar-21 £'000
General reserves	-3,710	-3,760
Earmarked (usable) reserves	-38,221	-37,561
Capital receipts reserves	-7,875	-9,470
Unusable reserves	924,440	898,666
Total Reserves	874,634	847,875

General Reserves - need to be maintained to enable the Authority to meet any urgent and unforeseen costs that arise and cannot otherwise be accommodated.

Earmarked Usable Reserves - this is money held by the Authority for specific purposes. This includes money for future station improvements, the replacement of large items of equipment, the purchase of vehicles and improvements in I.T.

Capital Receipts Reserve - this is money raised from the sale of assets.

Unusable reserves - this reserve reflects accounting adjustments that the Authority undertakes in relation to assets and liabilities so as not to impact on the Council Taxpayer.

Financial Sustainability – The ability to plan for the future

We have to plan for the long term to ensure that we can continue to deliver our services in future years, so it is important that our financial sustainability is robust.

Kent Fire and Rescue has a fully developed four-year Medium Term Financial Plan and a 10 year Capital spend plan which looks at risks and potential future demands of the service.

The biggest risks identified are likely to be:

- **Maintaining existing Government Funding** – the Government are due in the future to review how funding is allocated across the fire sector and have recently released a white paper on fire services reform. The Authority continues to respond to all funding consultations and supports the National Fire Chiefs Council (NFCC) submissions to the Home Office on behalf of the sector.
- **Council Tax base does not increase** – the Authority's costs increase year on year and in order to fund those increases the Authority assumes an increase in the number of properties that will be available in Kent from which Council Tax can be collected. Recent events with regard to Covid-19 have seen for the first time a reduction in the Council Tax base of those properties that pay full council tax during 2021/22, this is due to an increase in the number of homeowners claiming Council Tax support. The Authority continues to monitor this with the Districts across Kent to help us plan for future years.

Raising Debt to Finance Investment

Fire authorities can borrow to invest in property or other infrastructure that supports the delivery of services, but they must ensure that they can pay this amount back. This Authority has an underlying need to borrow to finance our assets of £1.829m and must set aside sufficient resources each year so it can pay back its borrowing, and this must be affordable when compared to its annual income.

The Authority did not plan to fund any capital expenditure from borrowing in 2021/22. In line with previous years, the Authority continues to use temporary surplus cash balances instead of borrowing from external sources to fund unfinanced capital expenditure from earlier years. Loans totalling £424k matured during 2021/22 so were repaid, reducing the level of outstanding loans as at 31 March 2021 to £1.001m.

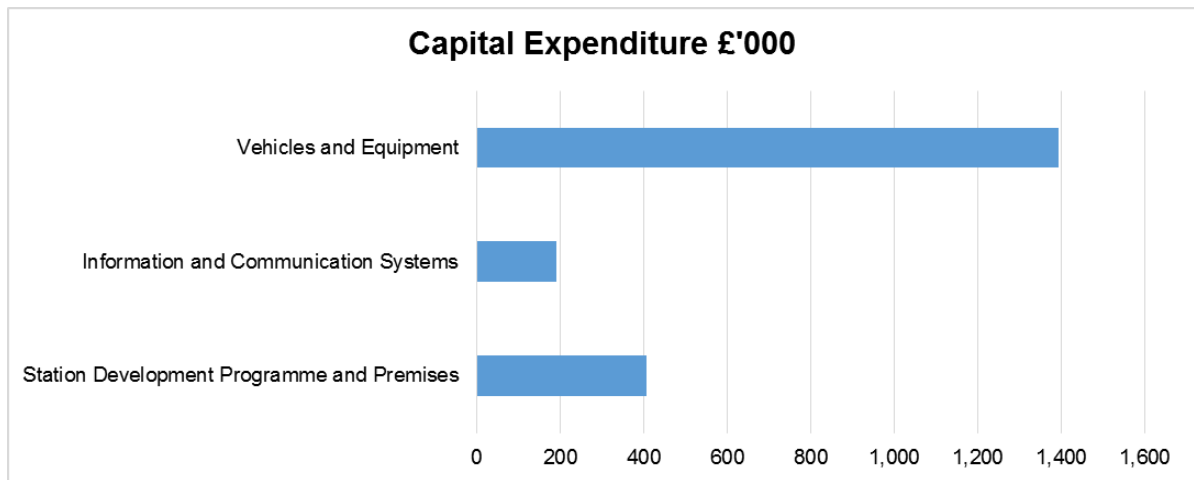
Capital Investment

During 2021/22 the Authority spent £1.989m on capital projects, most of which was spent on premises, IT Systems, vehicles and equipment. Capital expenditure generally represents money spent by the Authority on buying, upgrading and improving its long-term assets, such as its vehicles, buildings and IT infrastructure.



Capital Expenditure

Expenditure	Amount £'000
Station Development Programme and Premises	407
Information and Communication Systems	190
Vehicles and Equipment	1,392
Total Capital Spend	1,989



By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 22 September 2022
Subject: TREASURY MANAGEMENT PRACTICES UPDATE
Classification: Unrestricted

FOR DECISION

SUMMARY

At the April 2022 meeting, the Audit and Governance Committee reviewed and agreed in principle, the Treasury Management Policy Statement and revised Treasury Management Practices following the publication of the revised CIPFA Treasury Management Code and Prudential Code in preparation for full implementation of the new codes in 2023/24.

This report presents an overview of the revised documentation that resides under the Code and highlights some changes for Members to review, particularly around Senior Officer and Committee Delegations and reporting requirements now that the Treasury Management function is to be undertaken within Kent Fire and Rescue from October 2022 rather than provided by Kent County Council (KCC).

RECOMMENDATIONS

Members are requested to:

1. Review the Senior Officer Delegations and Committee responsibilities in relation to Treasury Management, and agree their recommendation to the full Authority for adoption (paragraph 7 and **Appendix 1** refer);
2. Review the reporting requirements for Treasury Management and agree their recommendation to the full Authority for adoption (paragraph 8 and **Appendix 2** refer).

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker
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EMAIL: nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS: None

Background

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice as:
"the management of the Authority's borrowings, investments and cashflows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risk"
2. **Treasury Management Practices (TMPs)** - Local Authorities are required to operate in line with the CIPFA Prudential Code and CIPFA Code of Practice on Treasury Management, and as such this Authority has done so since their implementation in 2017. However, over the past year CIPFA has been consulting on a revision to the 2017 Codes, specifically to enhance the risk management and reporting requirements of Local Authorities given the more recent headlines with regard to commercial activities undertaken by some Council's. CIPFA are keen to ensure that those charged with governance are fully versed on the activities and exposure of potential risk. The new Prudential Code 2021 and Treasury Management Practices 2021 have now been published in preparation for full implementation of the new Codes in 2023/24.
3. The adoption of the revised CIPFA Treasury Management Practices 2021 were reviewed by the Audit and Governance Committee during the April meeting and since then a review of the operational TMPs documentation has taken place over the summer. A consideration within the review was not only the changes within the Code but also changes in practices and authorisations, required as a result of bringing the full Treasury Management function back in-house, within the KFRS Finance Team.
6. **Day to day management** - Currently the Authority sets and agrees the Treasury Management Strategy under which the Director of Finance and Corporate Services has delegated authority to operate. Under their delegated authority, resides the Treasury Management Practices which sets out operationally how the Treasury Management function operates. The principle being that for business continuity purposes, anyone within the Finance team should be able access the document and understand the parameters within which the Treasury Management function operates.
7. As part of the review, the allocation of responsibilities has been updated to reflect the roles and responsibilities of Senior Officers, Full Authority and the Audit and Governance Committee. The main changes within the updated version reflects the responsibility of the Audit and Governance Committee as this is a newly formed committee since the previous version was drafted. Details of the relevant responsibilities are provided at **Appendix 1** for member consideration and subsequent recommendation to the Authority.
8. Another area of review is the change in the frequency of the reporting against Prudential Indicators as detailed in the revised Prudential Code 2021. Currently there is only a requirement to report every 6 months to members through the annual and mid-year

report. The proposed changes require the Prudential Indicators to be monitored and reported on quarterly from 2023/24 although it does not specify where the Prudential Indicators are to be reported quarterly. We have sought clarification from CIPFA on the quarterly reporting requirement as our current meeting timetable does not allow for quarterly reporting. As such, we have been advised that it is sufficient for an Authority of our size to report the Prudential Indicators to Corporate Management Board as part of the quarterly revenue and capital budget monitoring, alongside reporting a mid-year and final outturn report to the Audit and Governance committee. However, the Code now requires that the full Authority also receives the mid-year and final outturn too, alongside the Prudential Indicators, so the revised reporting requirements are now set out in the TMP 6 - Reporting Requirements, attached at **Appendix 2** for members consideration.

IMPACT ASSESSMENT

9. This Treasury update provides further assurance for Members that the Authority has robust internal control processes in place and complies with the latest Treasury Management legislation and guidance.

RECOMMENDATIONS

10. Members are requested to:
 - 10.1 Review the Senior Officer Delegations and Committee responsibilities in relation to Treasury Management, and agree their recommendation to the full Authority for adoption (paragraph 7 and **Appendix 1** refer);
 - 10.2 Review the reporting requirements for Treasury Management and agree their recommendation to the full Authority for adoption (paragraph 8 and **Appendix 2** refer).

TMP 5 - Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

5.1 Allocation of responsibilities

Chief Executive

- *Opening and closing of bank accounts (with one other authorised Director)*

Director of Finance and Corporate Services (DFCS)

- *Opening and closing of bank accounts (with CE or one other authorised Director)*
- *Responsibility for day-to-day treasury management activities and the delegation of finance officers to undertake the function*
- *Ensuring the adequacy of treasury management resources, skills and the division of responsibilities within the treasury management function*
- *Arrangement of loans or overdraft facilities*
- *Agreeing equipment or vehicle leases for 5 years or less*
- *Negotiating and managing and signing Treasury Management Contracts*
- *Ensuring the adequacy of internal audit and liaising with external audit*

Director of Prevention, Protection and Customer Engagement and Safety / Director Response and Resilience

- *Opening and closing of bank accounts (with CE or one other authorised Director)*

Head of Finance, Treasury and Pensions (in the absence of the DFCS)

- *Responsibility for day-to-day treasury management activities in accordance with the agreed Treasury Management Strategy*
- *Arrangement of loans or overdraft facilities in accordance with the agreed Treasury Management Strategy*
- *In the absence of the DFCS, agreeing Equipment or vehicle leases for 5 years duration or less*
- *Negotiating and managing and signing Treasury Management Contracts*

(i) Full Authority

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy
- approval of leases over 5 years

(ii) Audit and Governance Committee

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.
- reviewing the treasury management policy and procedures and making recommendations to the Full Authority.

TMP 6 -Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - review of the organisation's approved clauses, treasury management policy statement and practices
 - **Treasury Management Strategy** on proposed treasury management activities for the year comprising of the Treasury management strategy, Annual Investment Strategy and Minimum Revenue Provision Policy
 - **Capital Strategy** to cover the following: -
 - i. give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.
 - ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
 - iii. The authority's risk appetite
- b) Mid-year review (*or more frequent*)
- c) Quarterly monitoring or review (*paragraphs 43 and 44 of the Prudential Code*)
- d) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy is presented to the Audit and Governance for their review and consideration, and once agreed is then recommended to the full Authority for approval and adoption, before the start of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy

- i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP strategy
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy

As part of the above process the Authority also receives the Annual Investment Strategy (having previously been considered by the Audit and Governance committee) which will set out the following: -

- a) The Authority's risk appetite in respect of security, liquidity, and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c) Which specified and non-specified instruments the Authority will use
- d) Whether they will be used by the in-house team, external managers, or both (if applicable)
- e) The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Authority will use
- g) How the Authority will deal with changes in ratings, rating watches and rating outlooks
- h) Limits of value and time for individual counterparties and groups
 - i) Country limits
 - j) Maximum value and maximum periods for which funds may be prudently invested
- k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
- l) Interest rate outlook
- m) Budget for investment earnings
- n) A review of the holding of longer-term investments
- o) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted through the same process as the Annual Treasury Management Strategy.

6.5 Policy on Prudential and Treasury Indicators

1. The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the Full Authority.

6.6 Quarterly and Mid-year reviews

The Authority will review its treasury management activities and strategy on a six monthly basis. The mid-year review will go to Audit and Governance for review and then on to Full Authority. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management and prudential indicators

The quarterly review by Corporate Management Board (CMB) will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring reporting.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Audit and Governance Committee at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. Subsequent to that report being reviewed, it will then be presented to the next Full Authority meeting after the Audit and Governance committee. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
- f) monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared quarterly and will be presented to the Corporate Management Board.

These reports will contain the following information: -

- a) a summary of transactions executed and their revenue (current effects)
- b) measurements of performance including effect on loan charges/investment income
- c) degree of compliance with original strategy and explanation of variances.
- d) any non-compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

The Authority's Treasury Management Reports will be available to view on the Intranet within the relevant meeting papers.

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By: Chair of Audit and Governance Committee

To: Audit and Governance Committee – 22 September 2022

Subject: CHAIR OF AUDIT AND GOVERNANCE COMMITTEE'S
REPORT TO THE AUTHORITY

Classification: Unrestricted

FOR DECISION

SUMMARY

The first meeting of the newly formed Audit and Governance Committee took place on the 25 November 2021. Since that time Members of the Audit and Governance Committee have received specialist training and presentations to not only enhance their understanding and knowledge but to also support them in gaining assurance in the breadth of issues within the remit of this Committee. A number of reports have been reviewed and recommendations made. This report provides a summary of the activities undertaken and demonstrates to the Authority the effectiveness of the Committee in assessing and maintaining the organisation's internal control environment and governance arrangements.

RECOMMENDATION

Members are requested to:

1. Agree the content of the report which is to be presented to the next Authority meeting in October 2022.

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services – Alison Kilpatrick
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BACKGROUND PAPERS:

COMMENTS

Background

1. Members will recall that at the February 2021 meeting of the Authority, it was agreed that an Audit and Governance Committee would be established to help support and enhance all the key aspects of good governance. The Chartered Institute of Public Finance and Accountancy (CIPFA) provides clear guidance and a Position Statement on the function and operation of Audit Committees alongside recommended best practice.
2. Audit Committees are a key component of any authority's governance framework and are there to provide an independent and high-level resource to support good governance and strong public financial management. It also provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
3. This annual report of the Committee covers the period from November 2021 to September 2022, during which there have been three meetings held. The meetings are essentially timed around key aspects of work that are to be reviewed in a financial year, hence the meetings have been held in November, April and September and as such cover these main areas of activity: Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting.

Audit and Governance Committee

4. The Committee consists of eleven members and are independent from the Full Authority, meeting three times a year. Mr Vince Maple is the presiding Chair with Mr Stuart Tranter Vice Chair. The Chief Executive, Director of Finance and Corporate Services, Director of Prevention, Protection Customer Safety and Engagement, Assistant Director of Response, External and Internal Auditors are invited to all Committee meetings.
5. Training is an essential element for an Audit Committee. This year the Committee has received two presentations from Link Asset Group, the Authority's Treasury advisors, which covered the latest economic update, provided an overview and benchmarking of the Treasury functions of the Authority and an update on new regulations. Further training has also been provided by ALARM Risk Management on the role of Audit Committees in risk management and how this could be undertaken.
6. The Chair of the Committee has attended a CIPFA briefing for Audit and Governance Chairs which provided training on key and emerging issues within the Public Sector.

7. The Committee has developed a structured work programme which maps out its activities on an annual basis.

Governance, Risk and Control

8. Members of the Audit and Governance Committee have received and reviewed two reports on the Corporate Risk Register. A review of the information provided enabled consideration of all the identified Corporate Risks, which lead to the request for additional information to be provided in relation to the likelihood and impact of the risks identified. Consequently, Members now receive an enhanced report which incorporates this information, which Members have found helpful.
9. Members continue to monitor and review the progress made against the identified risk actions and are pleased to report that progress has been such that, at the last November meeting a number of Corporate Risks now have mitigating measures in place and have therefore been removed from the Corporate Risk Register, reducing the number of corporate risks down from 22 to 14. However, it has also considered new emerging risks, such as "Cyber Security".
10. The Committee review the Treasury Reports of the Authority and have received a benchmarking presentation from Richard Bason at Link Asset Group which gave assurance that the investments of the Authority were within acceptable risk profiles in comparison with other Fire Authorities and the debt profile of the Authority was in a better position than most comparators'.
11. A full review of the Authority's Anti-Fraud and Corruption framework, Fraud and Corruption Plan and Fraud response plan has been undertaken by the Committee. This year officers completed the "Fighting Fraud Corruption Locally" checklist in line with best practice to give further clarity of the controls and measures in place within the Authority. This has been a new addition to the previous documentation provided to give assurance of the control measures in place and has been reviewed by the Counter Fraud Specialists at Kent County Council (KCC).
12. The Authority is required to formally review its governance arrangements annually and the Audit and Governance Committee carries out this work on its behalf. This is achieved by the production of an Annual Governance Statement (AGS).

Internal Audit

13. The Internal Audit Service is provided by Kent County Council and the Committee oversees the work undertaken. At the beginning of the year the Committee approved

the Internal Audit Plan for 2022/23 which set out the individual audits to be carried out during the financial year.

14. Performance against the plan is monitored through progress reports provided to each meeting, with a verbal update provided by the Internal Audit Manager, who attends the committee meetings. The Annual Report for 2021/22 was presented to the November Audit and Governance Committee for review and consideration.

External Audit

15. The Audit Committee receives and approves the external auditor's Annual Audit Plan, which includes the proposed fee and work programme by Grant Thornton, based on the initial fees set by Public Sector Audit Appointments Ltd (the independent company set up by Government to oversee the procurement process). This was presented and reviewed at the April 2022 meeting of this Committee.
16. In order to assist with the External Audit Risk Assessment, it is now a requirement for Officers to provide details of processes around, Fraud, compliance with Laws and Regulations, related parties, an assessment of the Authority as a "Going Concern" and the Authority's accounting estimates. This document was reviewed at the April meeting of this Committee.
17. During the course of the year after the Audit has been completed sometime in October, it is expected that the November meeting of this Committee will also receive the Audit Findings Report from Grant Thornton.

Financial Reporting

18. The Committee has received and considered the draft Financial Statements for 2021/22 as approved by the Director, Finance and Corporate Services. A shorter Summary version of the Statements was also provided alongside a presentation of the key areas by officers of the Authority.

Effectiveness of the Audit and Governance Committee

19. This is the first year of the newly formed Audit and Governance Committee during which specialist knowledge has continued to grow and develop supported by the training that has been provided. This has enabled the Committee to focus in more detail on areas of activity within the remit of this committee and enables the Authority to demonstrate that it applies relevant guidance to aid best practice.

20. This report has provided a summary of the work completed over the last twelve months, indicating that it is functioning in accordance with best practice and providing independent assurance of the Authority's governance arrangements.

IMPACT ASSESSMENT

21. This update provides further assurance for Members that the Authority has robust governance arrangements in place.

RECOMMENDATION

22. Members are requested to:

- 22.1 Agree the content of the report, which is to be presented to the next Authority meeting in October 2022.

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By: Director, Finance and Corporate Services

To: Audit and Governance Committee - 22 September 2022

Subject: MID - YEAR TREASURY MANAGEMENT AND INVESTMENT
UPDATE 2022/23

Classification: Unrestricted

FOR INFORMATION

SUMMARY

The CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code require the Authority to determine and set the Treasury Management Strategy for the financial year ahead. This was agreed at the Authority meeting on 21 February 2022 and a requirement of the Strategy is to provide a Mid-year update on treasury activity undertaken and the extent of compliance with the agreed prudential indicators.

The Authority continues to prioritise security and liquidity over potential yield, in line with CIPFA guidance. Over the last few months interest rates have been gradually increasing, when compared with the 2021/22 financial year. Currently average cash balances have been approximately £48m, which has resulted in an interest yield of £82k to date.

CONCLUSION

Members are requested to:

1. Consider and note the contents of this report.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker
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BACKGROUND PAPERS:

COMMENTS

Introduction

1. The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, so as to ensure sufficient funds are available to meet anticipated expenditure before any other consideration is given to optimising investment returns.
2. The second main function of the treasury management service is to ensure that the necessary funding is available, when needed, to meet the agreed commitments set out in the Authority's Capital Plan, whether that's by using the Authority's own cash balances or undertaking any new borrowing. Hence, good treasury management and cashflow planning is key to enable the Authority to meet its capital spending programme.
3. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

Economic Outlook

4. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate for a sixth consecutive time, at their meeting in August, taking it to 1.75%. Alongside this there was a warning that the UK economy will likely enter recession starting in Q4 this year and this is expected to continue until the end of 2023, with the MPC suggesting a 2.2% decline in GDP.
5. The MPC also appeared to be sending signals that if interest rates rise to 3%, as the markets expect, inflation will be below the 2% target in three years' time. It is worth noting, however, that the Bank's assumptions make no reference to the tax-cutting policies of whichever leadership candidate is chosen by the Conservatives to be Prime Minister.
6. **Inflation** – The Consumer Price Inflation (CPI) rose from 9.1% in May to a new 40-year high of 9.4% in June, with the Bank of England anticipating it will hit 13% in October, its highest since 1980, largely due to the rise in the energy price cap.
7. **Interest Rate Forecast** – Rates available on deposits from counterparties are significantly higher than those of a year ago. The Authority is currently forecasting

investment income of £522k for the year against, compared to a budget set in February this year of £192k.

The Authority's treasury advisor, Link Asset Services, has provided the following interest rate forecasts:

Link Group Interest Rate View	09.08.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80

(PWLB – Public Works Loan Board is a statutory body of the UK Government that provides loans to public bodies)

Treasury Management Strategy and Annual Investment Update

8. The Treasury Management Strategy (TMS) for 2022/23 was approved by the Authority on 21 February 2022. This report reflects the current position of the Authority's deposits, which are in line with the Treasury Management Strategy. The appropriate Prudential Indicators can be found at paragraph 14 within this report.
9. Where projects are reprofiled from time to time or completed under budget, this impacts on reserve balances and hence often results in a higher level of funding being available for depositing with the agreed counter parties. The table below shows the revised forecast of funds available for such purposes. Please note that the budget monitoring is being worked through at the time of preparing this report, and therefore an updated position on the revised figures will be provided to members at the Authority meeting in October.

Table 1 Reserves and Balances	2021/22 Forecast £'000	2021/22 Outturn £'000	2022/23 Revised £'000
General reserve	3,760	3,760	3,970
Earmarked reserves	23,423	37,561	29,858
Insurance Provision	395	129	129
Capital Receipts	5,805	9,470	4,206
Total Core Funds	33,383	50,920	38,163
Working Capital surplus/(deficit)	1,404	-2,273	-2,273
Under-borrowing	-829	-829	-300
Expected Deposits	33,958	47,818	35,590

10. The Authority's working reduced at financial year end 2021/22, as the difference between what we received compared to what we paid out was less than previously forecast, which was generally due to an increase in debtors, notably the pension and collection funds.

Investment Portfolio

11. The Authority's key priority is to ensure security of capital and liquidity and to obtain an appropriate level of return consistent with the Authority's risk appetite. Over the last year, returns on deposits have been gradually increasing, in line with the Bank of England's base rate.
12. The Authority held £63.8m of deposits as at July 2022 (£49.6m at 31 March 2022). A breakdown of the Authority's deposits and the average interest rates that were included in the 2022/23 Annual Treasury Strategy are compared to actual deposits and actual interest rates as at 29 July 2022 in the table below: -

Table 2 Investments and Average Interest Rates

	As At 31.03.22		As At 29.07.22	
	Total Deposits (£000's)	Average Interest Rate	Total Deposits (£000's)	Average Interest Rate
Debt Management Office (Including Treasury Bills)	7,643	0.59%	20,204	1.20%
RBS Group: Royal Bank of Scotland & NatWest	877	0.01%	622	0.10%
Lloyds Bank: Lloyds TSB & HBOS	2,000	0.02%	-	-
Barclays Bank plc	5,000	0.80%	5,000	1.30%
Nationwide Building Society	5,000	0.41%	5,000	0.92%
Santander UK plc	7,000	0.54%	7,000	0.88%
HSBC	7,000	0.75%	7,000	1.25%
Coventry Building Society	5,000	0.19%	2,000	1.15%
Leeds Building Society	2,000	0.79%	2,000	1.25%
Aberdeen Liq. Fund	3,245	0.50%	5,000	1.18%
Aviva Investors Liq. Fund	4,856	0.53%	5,000	1.26%
Goldman Sachs Liq. Reserves	-	-	5,000	1.19%
Totals	49,621	0.53%	63,826	1.15%

The Director of Finance and Corporate Services confirms that the approved limits were within the Annual Investment Strategy and that there is no expectation that these will be breached.

Borrowing

13. The Authority's capital financing requirement (CFR) for 2022/23 is £1,001k. The CFR denotes the Authority's underlying need to borrow for capital purposes. Of the Authority's underlying borrowing need, £701k has been borrowed from the Public Works Loans Board (PWLb) and £300k has been utilised from the internal cash flow of the authority in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate. The Authority continues to pay off outstanding external loans as they become due for repayment and has identified no need to borrow externally to fund the existing Capital Strategy, at this stage.

Prudential Indicators

14. A Summary of the Prudential Indicators agreed at the Authority meeting in February are detailed below and shown against the 2021/22 outturn figures and revised projections for 2022/23.

Table 3 Prudential Indicators for affordability, prudence and capital expenditure			
	2021/22	2022/23	2022/23
	Outturn	Budget	Revised
	£'000	£'000	£'000
Revenue Expenditure	69,866	77,428	77,428
Revenue Provision for debt repayment	969	828	828
Capital expenditure	1,989	13,191	8,752
CFR as at 31 March	1,829	1,001	1,001
Total loans outstanding as at 31 March	1,001	701	701
Ratio of Financing Costs to Net Revenue Stream	1.36%	0.88%	0.45%
Treasury Indicators			
Assumed Operational Boundary for external debt	18,000	18,000	18,000
Assumed Authorised Limit for external debt	22,000	22,000	22,000
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	100%	75%	75%

IMPACT ASSESSMENT

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

CONCLUSION

16. Members are requested to:
 - 16.1 Consider and note the contents of this report.

