KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday 24th September 2026

10:30am

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Thursday 24th September 2026 at 10.30am	Ask for:	Kirsty Driver
Kent Fire and Rescue Service Headquarters, The Godlands, Straw Mill Hill Tovil, Maidstone, ME15 6XB	Telephone:	(01622) 692121

UNRESTRICTED ITEMS

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

A Routine Business

A1. Chair's Announcements

A2. Membership Changes and Apologies for Absence

A3. Declarations of Interest in Items on this Agenda

A4. Minutes of the Audit and Governance Meeting held on 23rd April 2026 *(for approval)*

B For Decision

B1. Corporate and Strategic Risk Update

B2. Revenue and Capital Budget Outturn for 2025/26 – Summary

B3. Annual Governance Statement for 2025/26

B4. Annual Statement of Accounts for 2025/26 and Presentation

B5. External Auditors Audit Findings Report for 2025/26 and Letter of Representation

B6. External Auditors Annual Report for 2025/26

B7. Annual Report of the Chair of Audit and Governance Committee to the Authority

C For Information

C1. Mid-Year Treasury Management and Investment Update for 2026/27

C2. Internal Audit Progress Update for 2026/27

C3. Internal Audit External Quality Assessment Outcome Report

D Urgent Business *(Other Items which the Chair 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)*

Kirsty Driver - Clerk to the Authority - 10/09/2026

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.

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Thursday 23rd April 2026, at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

PRESENT: - Mr V Maple, Mr Mr B Kemp, Mr M Hood, Mr M Munday, Mr A Brady, Mr J Finch, Mrs S Roots, Mr R Ford, Mr J Baker, Mrs M Lawes.

APOLOGIES: Mr S Dixon, Mr R Palmer, Mr Fraser Moat,

OFFICERS:- Director of Finance, Mr B Fullbrook; Director, Response and Resilience, Mr M Deadman; Director Prevention, Protection and Customer Engagement, Mrs L McMahon; Assistant Director Response, Mr N Scott; Assistant Director Resilience, Mr S Burwell; Assistant Director Transformation, Mr S Evans; Head of Finance, Treasury and Pensions, Mrs N Walker; Head of Finance, Mr M Southern; Head of Policy, Dr O Thompson and Clerk to the Authority, Mrs K Driver.

ALSO IN ATTENDANCE: - Mr R Smith and Ms L Taylor Kent County Council (KCC) Internal Audit; Mr Mr G Ellis, External Audit.

UNRESTRICTED ITEMS

1. Chair's Announcements
(Item A1)

(1) The Chair and Chief Executive Officer welcome the new members of the Corporate Management Board. The Assistant Director Resilience, Assistant Director Response and Assistant Director Transformation.

(2) The Chair noted this was the last Audit & Governance meeting for the current Head of Finance and thanked her for all her service to the committee and the Authority. He wished her all the best in her new role and welcomes the new Head of Finance.

2. Membership/Apologies
(Item A2)

(1) There have been a number of membership changes since the last meeting.
Four new members to both A&G and the Authority, Matthew Fraser Moat, Richard Palmer, Mary Lawes and John Baker.
They are replacing Jamie Henderson, Nick Wibberley (former vice-chair), Mark Mulvihill and Diane Morton.
Robert Ford has also returned to the Committee.

(2) Apologies received from Jenny Waterman, Spencer Dixon, Matthew Fraser Moat, Richard Palmer Mary Lawes and John Baker.

3. Declarations of interest in agenda items
(item A3)

(1) None declared prior to meeting. Chair confirmed there were none to be declared.

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4. Election of Vice-Chair 2025/26
(Item A4)

(1) Mr Brady moved, Mr Kemp seconded, that Mr Hood be elected Vice-Chair of the Audit & Governance Committee.

(2) Mrs Roots moved, Mrs Lawes seconded, that Mr Finch be elected Vice-Chair of the Audit & Governance Committee.

(3) A vote was taken to determine the position of Vice-Chair. At the time of the vote there were 10 members in attendance.

(4) The results of the vote were:
Mr Hood 6 votes
Mr Finch 4 votes

Mr M Hood was declared the elected Vice-Chair of the Audit & Governance Committee for the remainder of 2025/26.

5. Minutes of the Audit & Governance Committee – 29th January 2026
(Item A5)

(1) RESOLVED that: -

(a) The minutes of the Authority meeting held on 29th January 2026 be approved and signed as a true record.

6. Review of the Local Code of Good Governance 2026
(Item B1 – Chief Executive Officer and Director of Finance)

(1) The Chair noted that he supportive of the revisions and that it makes sense.

(2) RESOLVED that: -

(a) Subject to any minor amendments by the Monitoring Officer the Authority's revised Local Code of Good Governance be approved.

(b) Subject to any minor amendments by the Monitoring Officer the Decision-Making Policy and Framework be approved.

7. External Auditors Audit Plan for 2025/26
(Item B2 – Report by External Audit)

(1) The Committee considered the report.

(2) The Chair noted that the timeline in the report is very helpful.

(3) RESOLVED that:

(a) Members considered and approved the External Auditors' Audit Plan for the year ending 31st March 2026.

8. External Auditors Audit Risk Assessment, and Accounting Policies and Accounting Estimates to be Applied by Management for 2025/26
(B3 – Report by Head of Finance)

(1) RESOLVED that:

(a) Members considered and approved the External Auditors' Audit Risk Assessment

(b) Members considered and approved the proposed valuations policy for 2025/26 in relation to non-investment asset valuations

9. Treasury Management Indicative Outturn for 2025/26
(Item B4 – Head of Finance)

(1) Mr Brady wanted more information on how the loan to Greater Yarmouth Borough Council was arranged and how they were selected. Head of Finance explained that our Investment Broker indicates which Local Authorities are looking to borrow. We look at which fit our treasury strategy and carry out our due diligence by checking balance sheet, budget monitoring report, audit report. Once we are happy that we have found a good fit, we contact the broker who arranges the loan. It also meant that we picked up the better rates that were mentioned previously to the Committee by Mr Bason.

(2) Mr Brady followed up asking if we look at risk and what stressors there are in that Local Authority. Head of Finance confirmed we do. They do have some large debt related to HRA, but nothing that would concern us. Security was the priority, not yield.

(3) RESOLVED that:

(a) The indicative outturn on Treasury Management activity for 2025/26 be approved.

10. Internal Audit Internal Audit Annual Report for 2025/26
(Item B5 – Internal Audit)

(1) It was noted that most areas for development are related to rosters. The new T&A system is due to go live next year and is currently being user tested. Colleagues are giving their input to changes and Station Leaders are working with us.

(2) Mr Brady asked when the follow up audit will be and if the new process will be in place by then. Miss Taylor confirmed the audit action plan will be followed up. A date has been agreed with Officers who were comfortable with the date and that implementation will be achieved by then.

(3) Mr Brady asked, with regards to FS05 – Cyber Security update, it's dated April 2026, when will this be met. Chief Executive Officer confirmed the new Cyber Manager is working on this and it is almost there.

(4) The Chair noted that given the constantly changing area of cyber security, maybe it would be worth dedicating more training sessions to this topic in the future.

(5) Mr Hood asked if it's possible for members to see the action plans for things like the mental health audit. Chief Executive Officer felt this is best left with the Officers as there are so

many areas and so much work being done across the Service. The Chair agreed but felt that instead, maybe members could be given more detail on the work being done with regards to mental health. Mr Brady agreed this would be good so members can see if the plans in place are working, by doing things like reducing absence for example. Chief Executive Officer confirmed we can present a portfolio on what we are doing overall.

(6) RESOLVED that:

(a) the 2025/26 Internal Audit Annual Report be approved.

12. Internal Audit Annual Plan for 2026/27 and the Audit Charter
(Item B6 – Internal Audit)

(1) Mr Brady asked if once item 13 on the reserve list (13 – Firesetters) has been audited, will we see improvements in how we tackle this problem. The same for item 20 (water provision) which is obviously important and 2 (Black Box Thinking) which is important to embed across the organisation. Chief Executive Officer commented that there is a fine balance between what we can change and what is out of our hands. Water for example is a national debate so actions are mostly out of our hands. We have however got the new bulk water carriers coming in and we're reasonably comfortable at the moment. There is lots going on across the Service with regards to Black Box Thinking. Director Prevention, Protection and Customer Engagement noted that with regards to fire setters, that was audited in its infancy and needs time to bed in before we can realistically see if it's working.

(2) RESOLVED that: -

(a) the Internal Audit Plan for 2026/27 be approved

(b) the Internal Audit Strategy for 2026/27 be approved

(c) the Internal Audit Charter for 2026/27 be approved

(d) the Key Performance Indicators for 2026/27 be approved

(e) Members agreed to delegate any changes to the proposed Internal Audit Plan for 2026/27 to the Chief Executive in consultation with the Director of Finance and Corporate Services, and the Chair of the Audit and Governance Committee should the outcomes from inspection and/or emerging priorities identify a change in assurance needs

13. Information items

None

14. Urgent Business

None

Meeting adjourned 11:25

Item Number: B1

By: Chief Executive

To: Audit and Governance Committee – 24 September 2026

Subject: CORPORATE AND STRATEGIC RISK UPDATE

Classification: Unrestricted

FOR DECISION

SUMMARY

The Audit and Governance Committee last received an update on the Corporate Risk Register at its meeting on the 29 January 2026. Since then, work has been ongoing to enhance our approach to corporate and strategic risks. This report provides an update on the approach, aimed at improving risk mitigation and organisational resilience. Key developments include: a refreshed Risk Appetite Statement, and the embedding of the bow-tie analysis and Potential New Corporate Risk form.

RECOMMENDATIONS

Members are requested to:

1. Agree the Integrated Risk Management Framework at **Appendix 1**.

2. Agree the Corporate Risk Management Policy at **Appendix 2**.

3. Agree the refreshed Risk Appetite Statement at **Appendix 3.**

4. Agree the Risk Tolerance Matrix at **Appendix 4**.

5. Note the Risk Diagnostic Tool to be used in 2026-27 at **Appendix 5**.

LEAD/CONTACT OFFICER: Corporate Risk Manager - Paul Goodwin
CONTACT DETAILS: T: 01622 692121 | E: kmfraclerk@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Members last received an update on the Corporate Risk Register at the Audit and Governance meeting in January 2026. Since then, we have continued to develop our approach to corporate risk, amending the Risk Appetite Statement so that it is further aligned to the Government's Orange Book (HM Treasury's official guidance on risk management in government). We have researched and peer reviewed approaches in other sector organisations, which has enabled us to follow relevant good practice in the private and voluntary sectors as well as the public sector.

Outlining the approach to Corporate Risk Management

2. The Corporate Management Board determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to, and is willing to take, to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. The Audit and Governance Committee provide a scrutiny role in relation to highlighted risks. Effective risk management underpins informed decision making, enhances organisational confidence in risk response, and ensures transparency in identifying and managing principal risks.

3. The Corporate Risk Manager oversees the risk management framework and works with colleagues to analyse risks and implement control measures. This includes the development and embedding of bow-tie analysis, a risk management tool which provides greater focus to identify risks, their causes and consequences, and appropriate control measures to mitigate both the likelihood and impact of these.

4. As we have embedded the approach to corporate risk, we have updated the Integrated Risk Management Framework, at **Appendix 1**, and Corporate Risk Management Policy, at **Appendix 2**. The revised Risk Appetite Statement, at **Appendix 3**, and Risk Tolerance Matrix, at **Appendix 4**, were developed with reference to the Government's Orange book, and Institute of Risk Management guidance.

5. We have also updated the risk diagnostic, at **Appendix 5**, which is used to assess our risk maturity.

IMPACT ASSESSMENT

6. The Corporate Risk Manager regularly reviews each corporate and strategic risk with colleagues, both risk and control owners, to ensure each risk is either mitigated or minimised. These risks are regularly reviewed and overseen by the relevant Steering

Group and the Corporate Management Board. This approach strengthens the Service's risk governance, reaffirming the Authority's commitment to treating corporate risk as a key component of its governance framework.

RECOMMENDATIONS

7. Members are requested to:

7.1 Agree the Integrated Risk Management Framework at **Appendix 1**.

7.2 Agree the Corporate Risk Management Policy at **Appendix 2**.

7.3 Agree the refreshed Risk Appetite Statement at **Appendix 3.**

7.4 Agree the Risk Tolerance Matrix at **Appendix 4**.

7.5 Note the Risk Diagnostic Tool to be used in 2026-27 at **Appendix 5**.

Appendix 1 to
Item No: B1

Kent Fire and Rescue Service
Integrated Risk Management Framework

Introduction

This is the integrated approach to risk assessment, management and reporting by Kent Fire and Rescue Service.

The Fire Authority's Audit and Governance Committee is required to review and ratify, on an annual basis, the processes for identification, assessment, prioritisation, escalation, and management of risk, together with internal controls to manage and respond to risks. This paper serves to provide an overview of these key areas.

The Kent and Medway Fire Authority scrutinise and ratify the risks to customers through the Community Risk Management Plan (CRMP) process.

Developing a Good Risk Culture

A good risk culture means:

i. Distinct and consistent tone from the top.

ii. Commitment to ethical principles.

iii. Common acceptance of the importance of continuous management of risk.

iv. Transparent and timely risk information flow.

v. Encouragement of risk event reporting.

vi. Risks understood despite complexity, obscurity or size of process or activity.

vii. Appropriate risk-taking behaviours rewarded and encouraged.

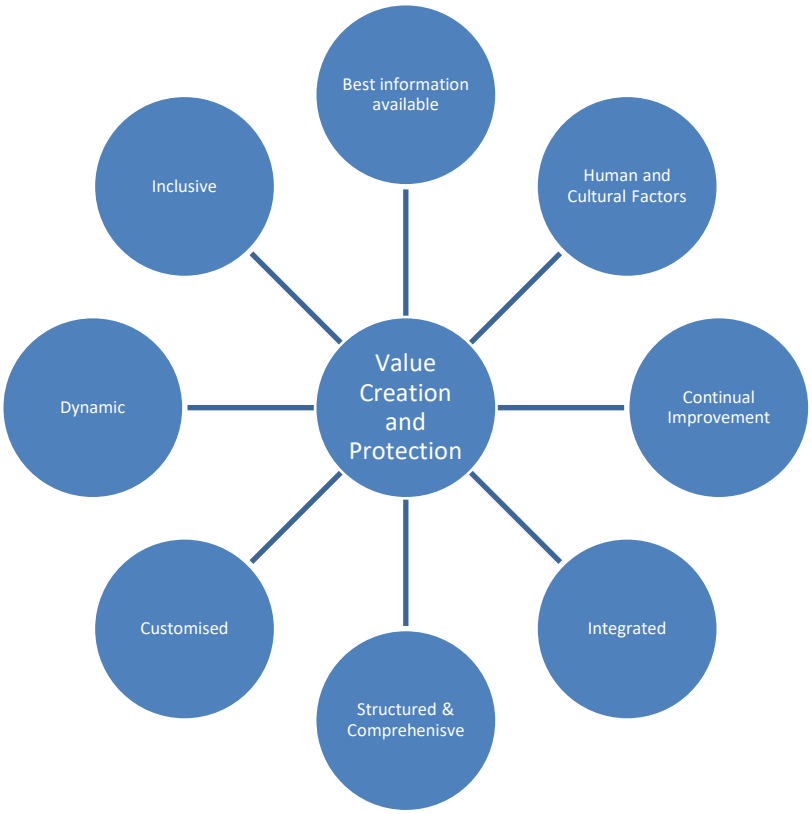
viii. Risk management skills and knowledge valued, encouraged and developed.

ix. Consistent and rigorous challenge of the status quo.

x. Alignment of culture management with employee engagement and people strategy.

We will ensure that all the elements of practice in figure 1 below are included in our thinking, e.g. we will seek to structure reviews of our risk register but also act dynamically when events happen such as Grenfell. At the centre is the concept of protecting our service but also managing risk in a way that can add value, innovate and continuously improve but mitigating risks where we can.

Fig 1. How we are developing our approach to risk assessment and management.



Definitions

- *Risk* – HM Treasury's Orange Book defines risk as ' … uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.' Risk is an uncertain event or set of events, which should it occur, will have an effect upon, i.e. threaten, the achievement of the Service's objectives. Risk consists of a combination of the likelihood of the 'threat' happening and the impact if it does.
- Risk Appetite – BS31100 defines risk appetite as the 'amount and type of risk that an organisation is prepared to seek, accept or tolerate.'

- Risk Assessment - A risk assessment is the process of identifying what hazards exist, or may appear in the workplace, how they may cause harm and to take steps to minimise harm.

- *Risk management* - Risk management is the process of identifying, assessing and controlling threats to an organisation's capital, earnings and operations.

Section 1 - Risk identification and assessment

There are five fundamental types of risk that we manage as a Service.

i. Our external focus on reducing risk to our customers which is managed through the Community Risk Management Plan process. Our main aims are to save lives and reduce harm. That means understanding risks in how people live their lives which could result in death, injury, or harm. The Community Risk Management Plan is our process for assessing, prioritising, and actioning risks.

ii. The Service strategic risks as defined by the Corporate Management Board: the major risks that could prevent us from fulfilling the objectives in the Service's agreed strategy.

iii. Corporate risks, mainly identified by teams across the service. These do not include all the organisation's operational risks – an operational fire and rescue service will often have hundreds of these – just the most significant ones. There are six categories we use to assess strategic and corporate risks (see below).

iv. Risks associated with our programmes and projects. The Strategic Leadership team and the Programme Management Office develop and review these risks regularly.

v. Operational risk management as described in the National Operational Guidance approach.

Six categories of Strategic and Corporate risk

i. Governance risks - Governance, or corporate governance, is the overall system of rules, practices, and standards that guide an organisation.

ii. Financial risks - Those threats to the Service's ability to manage its finances, to generate sufficient revenue and manage expenditure.

iii. Service delivery and business continuity risks - Those threats to the Service's ability to deliver some, or all, of our services to customers. These threats or opportunities that will materially affect the way in which the Service exists and the ability of the Service to survive. This includes reputational harm should the Service fail to meet the expectations of a specific stakeholder group.

iv. Information risks - Those risks to the Service's ability to store information, e.g. information held electronically by the Service, safely, securely and with appropriate levels of consent.

v. Workforce risks - Those risks related to Service colleagues and volunteers.

vi. Premises and property risks - Those risks relating to the Service's main buildings, stations and leased retail properties.

Community Risk Management Plan (CRMP)

Our first responsibility is to identify risks to our customers. This is managed through the Community Risk Management Planning process. This describes how we turn analysis of risks into plans.

We are mindful of the lessons learnt from the history of fires and the risks we all face. We constantly scan the changes which affect our lives to make sure we design new ways to reduce risk and help you in the most effective ways. We provide four main services to our customers:

- **Prevention -** We work with customers in their homes and in places of education to promote safer behaviours and messaging to help prevent fires, road crashes and drownings.

- **Protection -** We are the regulator for fire safety in Kent and Medway. Our specialist teams work with businesses to ensure buildings are designed to be safe and then kept safe for occupants, as well as looking at firefighting facilities for firefighters.

- **Response -** We respond to a wide range of incidents, including fires, road crashes, water rescues and working with other emergency services.

- **Resilience -** We work with partner agencies such as the police, ambulance, and councils to plan for major emergencies and events, such as large fires, flooding, and pandemics to help keep people safe.

How we assess the risks to customers

We constantly gather feedback from customers, from incidents, our colleagues, fire services across the world and other agencies. This means that we have a thorough understanding of our historic demand, local risk profiles, and how well we are performing. We also want to ensure that we look at how the nature of the risks we face may change and what new risks may present themselves. To do this we adopt a seven-stage process which involves:

- Stage 1 – Risk identification.
- Stage 2 – Risk analysis.
- Stage 3 – Risk exclusion.
- Stage 4 – Risk assessment.
- Stage 5 – Risk prioritization.
- Stage 6 – Consultation and engagement.
- Stage 7 – Control measures.

Stage 1 – Risk identification

To ensure we have as complete and accurate a risk picture as possible, we draw data from several different sources:

1. National risks - The Government monitors the most significant emergencies that the UK could face over the next five years through its National Risk Assessment. The National Risk Register (NRR) is the public version of this assessment. It provides advice on how people, businesses and the emergency services can better prepare for emergencies.

2. Kent and Medway area risks - Kent Local Resilience Forum: this forum brings diverse types of organisations together to actively work to prepare for, respond to and recover from any major emergency in Kent and Medway.

The Community Risk Register (CRR) sets out the risks facing our communities and how they are being dealt with and includes, for example flooding, animal disease, adverse weather and pandemic flu.

Census and other data: we use census data to analyse changes in the makeup of our communities. We have also used the Kent Analytics population data used by Kent County Council to plan services. By combining this with information from studies such as those by the National Fire Chiefs Council, we can see where, and for who, we need to target our activities. The equality of access documents provide a range of information about diverse groups of people and ideas, and the actions which services could take to make a positive difference and ensure everyone can access our services.

Growth and infrastructure frameworks: produced by local authorities, these frameworks detail what building and development is likely to take place in the medium to long term. They help us to identify possible future changes in the location of demand and the nature of the risks that we respond to.

We also draw on other theme-specific studies – for example, Kent County Council's evaluation of the risks and impacts of climate change on Kent and Medway and their strategy 'Framing Kent's future 2022-26.'

3. Continuous learning

We learn from many other sources including:

- National Operational Learning.
- Joint Operational Learning.
- Institution of Fire Engineers.
- In-house debriefing and incident assurance.
- Professional debates and conferencing.

4. Historic incident data

We collect data about every incident we attend. This is fed into a national database. We use this to identify what incidents we most frequently attend, which have the greatest impact on our customers, and where they most frequently occur. This allows us to align our resources and services to where the demand and risk is most likely to happen and to spot patterns and trends indicating how these factors may change in the future.

Stage 2 – Risk analysis

In this stage we cross-map the various risk data sources and produce a list of risks that we believe apply to fire and rescue service activities – either directly or indirectly.

In the Community Risk Management Plan we have identified 52 risks which we have assessed our services against - this broad range of risks is not limited to what have traditionally been fire and rescue activities. We consider how we may use the capabilities we have to address these risks and deliver better outcomes for customers.

Stage 3 - Risk exclusion

The next step is to list all the risks we have excluded from our analysis. These are risks that are featured in places such as the National Risk Register, but which we feel neither directly, nor indirectly, affect our activities, e.g. a port blockade. We ask the public in our annual consultation if they think we have missed any risks.

Stage 4 – Risk assessment

We use risk assessment methods to scrutinise the list of risks that we have identified. Using historic incident data, national trends and studies, we assess the likelihood of a risk being realised, compared to another. This likelihood is assessed in relation to Kent and Medway, rather than nationally.

We then assess the impact, should the risk occur. While this is a subjective process, we use the following assessment criteria to improve consistency when looking at the impact on:

- the welfare of our customers,
- firefighters and other emergency responders,
- the environment,
- local, regional, and national economies,
- essential community services.

To make these impact assessment decisions, we also use local data from previous incidents and case studies from other incidents nationally and, where appropriate,

internationally. We also consider their impact against our current plans and capabilities, which helps to give a reflection of our current risk profile.

We then plot the outcome of our risk assessment on a '5 x 5 risk matrix' – a matrix representing likelihood and consequence scores – enabling us to view risk outcomes relative to one another.

Stage 5 – Risk prioritisation

Some risks will always be classified as high risk. However, this does not necessarily mean that we class them as a higher priority over other risks. It may be that the likelihood of a high risk occurring is difficult for us to reduce, or our current plans and capabilities to respond to the impact of a risk are current and robust.

We therefore give our risk assessment score a priority rating from one to five. This is based on our assessment of:

- our current capabilities and whether they need to be improved,
- our ability to influence the likelihood of the risk occurring,
- how we see the risk evolving over time.

Priority	Descriptor
Priority 5	Risks that we don't understand well and have not developed or full capability in
Priority 4	Well understood risks that we know we **need to develop our capability** further to provide the best service but we can evidence the risk likelihood or consequences are **likely to change** over the next 5 years
Priority 3	Well understood risks that we know we **need to develop our capability** further to provide the best service but we can evidence the risk likelihood or consequences are **unlikely to change** over the next 5 years
Priority 2	Well understood risks that we are confident we have the capability to respond to but can evidence the risk likelihood or consequences are **likely to change** over the next 5 years
Priority 1	Well understood risks that we are confident we have the capability to respond to and can evidence the risk likelihood and consequences are **unlikely to change** over the next 5 years

To obtain the final list of risk priorities, we multiply the scores for likelihood, impact and priority.

From this list, we identify themes in the high priority risks and turn them into strategic challenges. These are the areas where we think we can develop our capabilities to have a positive impact.

Stage 6 – Consultation and Engagement

Any changes we make to our services are driven by our risk assessment. Because we provide services for our customers, we want to make sure any changes are done with their understanding and consent wherever possible.

It is therefore important that we engage with our customers, community groups, colleagues, partner agencies and other stakeholders, when building our risk assessment. Accessibility and inclusion lie at the heart of this approach, providing us with the widest possible audience, a greater understanding of the risks, and ensures any proposed changes take their comments and requirements into account. Following this engagement, we take the results of what people have said and adapt our risk assessments accordingly. We present the final version to the Fire Authority for sign off on behalf of the public.

Stage 7 – Control measures

Having a detailed and accurate picture of the risks enables us to put in place plans, or control measures, to improve risk outcomes and our services. In doing so, we identify what change we are trying to deliver and what benefits the change will provide. We take an integrated approach to managing the risk, with our teams working together to achieve our strategic intentions.

The Corporate and Strategic Risk Register

The approach to risk management in Kent Fire and Rescue Service is based on identifying the major strategic risks as defined by the Corporate Management Board: the major risks that could prevent management from fulfilling the objectives in the service's agreed strategy. These are identified and managed using the methods described below.

By contrast, corporate risks comprise key operational risks, mainly identified by teams across the service. Corporate risks do not include all the organisation's operational risks – an operational fire and rescue service will often have hundreds of these – but the most significant ones.

For both strategic and corporate risks we follow this process:

1. Risk identification and assessment.
2. Risk prioritisation.
3. Risk escalation.
4. Risk management.
5. Internal controls to manage risk and assurance of our controls.
6. Communication plan.
7. Good governance and risk management development.

1. Risk identification and assessment

We are vigilant for those risks that will affect how we deliver our services and there is a regular conversation at many levels of the Service focused on understanding risk. We carry our risk assessments against all new projects and current areas of work/new policy. These are agreed in many instances with the unions.

The six categories used to identify both strategic and corporate risks are listed below and are used to assess emerging risks.

- *Service delivery and business continuity risks*
  Defined as: Those threats to the Service's ability to deliver some or all or some of its services to our customers. Those threats or opportunities that will materially affect the way in which the Service exists and the ability of the Service to survive. This includes reputational harm should the Service fail to meet the expectations of a specific stakeholder group.

  Assessing risk: We have a robust approach to assessing risks to business continuity with a lead in place. Regular exercising of these risks highlights emerging risks. We also review risks for other services and collaborate to minimise impact on our Service.

Incidents: Our incident monitoring system is robust, and all incidents are logged on the database. Those logging, reviewing, and closing incidents (only the agreed formal meetings can close an incident for actions) assess them for risk and consequent actions. Any trends relating to incidents are reviewed at the Response and Resilience meetings, Health and Safety Committee meetings and Critical Incident Board which are minuted meetings to identify any new risks for the Service.

At these meetings, discussions are held as to whether any new risks have been identified; whether the likelihood, impact, or speed of onset of any risk has changed or is likely to change; and any additional controls required for specific risks.

The Response and Resilience team, the Prevention and Protection teams and Strategic Leadership team managing the main programme of projects monitor emerging issues and highlight strategic risks and corporate risks which need to be monitored.

- *Financial and Treasury Deposits risks*
  Defined as: those threats to the Service's ability to manage its finances, to generate sufficient revenue and manage expenditure.

  Assessing risk: we constantly monitor emerging legislative financial changes. All decisions are taken through a clear decision-making process which has controls built in at different stages.

- *Governance risks*
  Defined as governance, or corporate governance, is the overall system of rules, practices, and standards that guide our organisation. Risks include threats to the Service because of poor governance, such as a judicial review if we don't examine issues and follow legislation appropriately.

  Assessing risk: we constantly monitor emerging legislative changes across the framework of statutes which affect us. All decisions are taken through a clear decision-making process which has controls built in at different stages.

  Assessing risk: We review all our standards, policies, and procedures on a regular basis. These are managed through a Policy group and at Corporate Management Board or Strategic Leadership Board, where we test the governance of decisions. There is a set decision making process. Our governance is evaluated through. e.g. internal audit.

- *Workforce risks*
  Defined as: Those risks related to Service colleagues and volunteers.
  We carry out people impact assessments to quantify any differential impact and risks for our people.

  Assessing risks: The People Enabling plan is continually updated with emerging issues and assessments of emerging legislation and best practice opportunities. This is monitored through the People Board and the Together Delivery Group.

- *Information risks*
  Defined as: Those threats to the Service's ability to store information (in particular, information held electronically by the Service), safely, securely and with appropriate levels of consent. This includes threats to data and its misuse.

  Assessing risk: Emerging legislative changes, changes in how people might seek to breach our cyber security, and internal data protection are all monitored by the Heads of Service for IT, Data and Policy. Issues are raised through the Corporate Management Board and Strategic Leadership Board, and regular testing is in place. Updates are given to all colleagues on how to protect themselves and KFRS, along with mandatory cyber protection training.

- *Property risks*
  Defined as: Those risks relating to all the Service buildings and leased retail properties.

  Assessing risk: This is managed for compliance between the Head of Property and Head of Procurement. Regular liaison with Finance and other teams ensures emerging risks are continually discussed.

2. Risk prioritisation

A 5x5 assessment is used for all risks and ensures discussions do not just focus on the newly emerging risks. We also consider the speed of onset of a risk – how quickly a risk might be realised (see below). All risks are prioritised and discussed appropriately, e.g. the risk of flooding is discussed in more detail in the run up to autumn/ winter; summer issues such as wildfires are discussed and in preparation in the spring.

Measuring/assessing risk

The Service has a 1-5 rating to measure Likelihood and a 1-5 rating to measure Impact.

Likelihood rating for risk

Score	*Likelihood*	*Description*	*Illustrative*
5	**Almost certain**	Expected to occur; probable this year and highly probable in the longer term.	>90% chance of occurrence
4	**Likely**	Will probably occur; it would be surprising if this did not happen.	65-90% chance of occurrence
3	**Possible**	Unlikely in the near future but reasonably likely in the longer term.	35-65% chance of occurrence
2	**Unlikely**	Do not expect it to happen in the near future but might occur in the longer term.	10-35% chance of occurrence
1	**Remote**	It would be surprising if this happened; may occur in exceptional circumstances.	<10% chance of occurrence

Impact rating for risk

Score	*Impact*	*Description*
5	**Extreme**	May cause key objectives to fail. Very significant impact on organisational goals. Legal or regulatory implications. Significant reputational impact.
4	**Major**	Risk factor may lead to significant delays or non-achievement of objectives.
3	**Moderate**	Risk factor may lead to delays or increase in cost.
2	**Minor**	Some impact of the risk, fairly minor.
1	**Incidental**	Fairly insignificant, may lead to a tolerable delay in the achievement of objectives or minor reduction in quality, quantity and/or an increase in cost.

Risk scale

The risk scale of a 1-5 Likelihood and 1-5 Impact rating can be illustrated in the heat map below. The risk rating ranges from 1 to 25 with four grades of risk rating:

Impact x Likelihood

Extreme	20-25
Major	15-16
Moderate	8-12
Minor	4-6
Incidental	1-3

		Impact				
		Incidental	**Minor**	**Moderate**	**Major**	**Extreme**
Likelihood	**Almost certain**	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5

‘Raw’ and residual risk

We measure both the raw risk (the likelihood and potential impact of the risk before any control measures), and the residual risk (the level of risk after control measures have been put in place). We use this as the basis to assess whether the risk can be tolerated at that level, or whether any additional control measures are required to mitigate the risk’s likelihood and impact further.

There may be instances where the control measures and mitigating actions identified have a minimal impact on the risk score as the factors influencing likelihood and impact are beyond our control. These are identified on the risk register.

Speed of onset

Speed of onset of a risk is highlighted so that the Corporate Management Board can consider how quickly the Service might be impacted by a risk. Speed of onset is defined as below.

5	**Very high**	Very rapid onset, little or no warning, instantaneous
4	**High**	Onset occurs in a matter of days to a few weeks
3	**Medium**	Onset occurs in a matter of a few months
2	**Low**	Onset occurs in a matter of several months
1	**Very low**	Very slow onset, occurs over a year or more

Agreeing the organisational risk appetite

We need to balance risk with opportunity. Risk appetite is the amount and type of risk that the Service is prepared to accept, or pursue, in the pursuit of its strategic objectives. So, while we mitigate threats, we also prevent risk avoidance which would lead to the service missing innovation and opportunity.

The Corporate Management Board and the Audit and Governance Committee determine the nature and extent of the strategic risks and the corporate risks that the organisation is exposed to, and is willing to take, to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment.

Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed.

Our view (in line with Government guidance) is that public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balance of risk and opportunity in delivering public services.

Risk management is an integral part of good governance and corporate management mechanisms. Our risk management framework harnesses the activities that identify and manage uncertainty, allows us to take opportunities and to take managed risks, not simply to avoid them, and systematically anticipate and prepare successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the organisation’s risk appetite.

The service’s risk appetite statement and risk tolerance matrix will change as appetite changes, or as the risk landscape changes after a significant event. Both

the risk appetite statement and risk tolerance matrix are therefore agreed annually by the Corporate Management Board and the Audit and Governance Committee.

Exceptions to the risk appetite levels.

There may be occasions when the risk threshold needs to be exceeded by more than the agreed tolerance figure on an extraordinary basis to achieve a desired outcome. This may be particularly relevant in the event of a business continuity incident. Such incidents are discussed and agreed with the Corporate Management Board and, when appropriate, may need to be escalated to the Fire and Rescue Authority.

3. Risk escalation

All risks are escalated as appropriate. Strategic risks and all risks rated as 'extreme' after control measures are put in place are reported quarterly at Corporate Management Board meetings. Relevant risks are also discussed at the Response and Resilience, and Customer Engagement and Safety Steering Groups. The Corporate Risk Manager and Head of Resilience also ensure strong links between the corporate and strategic risk framework and the business continuity framework, through regular reporting at the Resilience and Exercise Delivery Group.

Reporting risk - responsible person

The level of the risk should determine who will be responsible for overseeing the implementation of any control actions. However, all strategic risks, no matter what their rating, will be managed by the Chief Executive Officer and the Corporate Management Board. In principle, the following will apply:

Risk Level	Accountable	Actions and responsibilities
	CEO/Corporate Management Board	Urgent remedial action required by nominated Board member with progress reporting back into the Board quarterly.
	Director/ Assistant Director	Remedial action required and monitoring by Director or nominated Assistant Director. Periodic reporting back into CMB team.
	Head of Team	Remedial action and Departmental level monitoring required.
	Manager	Low level monitoring required.
	Manager	Low level monitoring required.

Corporate Management Board oversight

- Corporate and Strategic risk register, including all strategic risks, all residual risks rated outside the agreed tolerance, controls and mitigation.
- Heat maps of residual risks and speed of onset.
- Internal audit for assessment and auditing of all controls on a cyclical basis.

The Corporate and Strategic risk register is reviewed quarterly by the Corporate Management Board. The Board will agree the risk appetite and risk tolerance level annually, and as and when it is agreed that changes are required.

Audit and Governance Committee oversight

The Audit and Governance committee will review and ratify the Corporate and Strategic risk register, and supporting papers such as the risk appetite statement, annually. The Audit and Governance committee will be made aware at any of its meetings of any major new risks added to the register or significant changes to risk ratings across all risk categories.

4. Risk management

Our framework comprises three main elements. These elements – building blocks, routine processes, and periodic activities – are part of our effective risk management arrangements and encompass the three lines of defence. The table below provides examples of activities that make up the three main elements. Whilst this list aims to be reasonably comprehensive, the framework only requires each team to consider which activities it will adopt and prioritise under each heading. The list is provided to help risk practitioners decide what action to take. There is no requirement to use every item below.

Options for controlling risks.

The following options will be considered when dealing with risk:

- **Tolerate:** If a risk is within the relevant appetite, with appropriate control measures in place, we may choose to tolerate the risk and do nothing further to reduce it.

- **Treat**: If the risk is outside of the relevant appetite, we will take action to reduce the likelihood and/ or impact of the risk by identifying and implementing suitable control measures.

- **Transfer:** We may choose to transfer part, or all, of the risk to other organisations, e.g. insurance, third party.

- **Terminate:** We may choose to eliminate the risk by terminating it where it is feasible to do so.

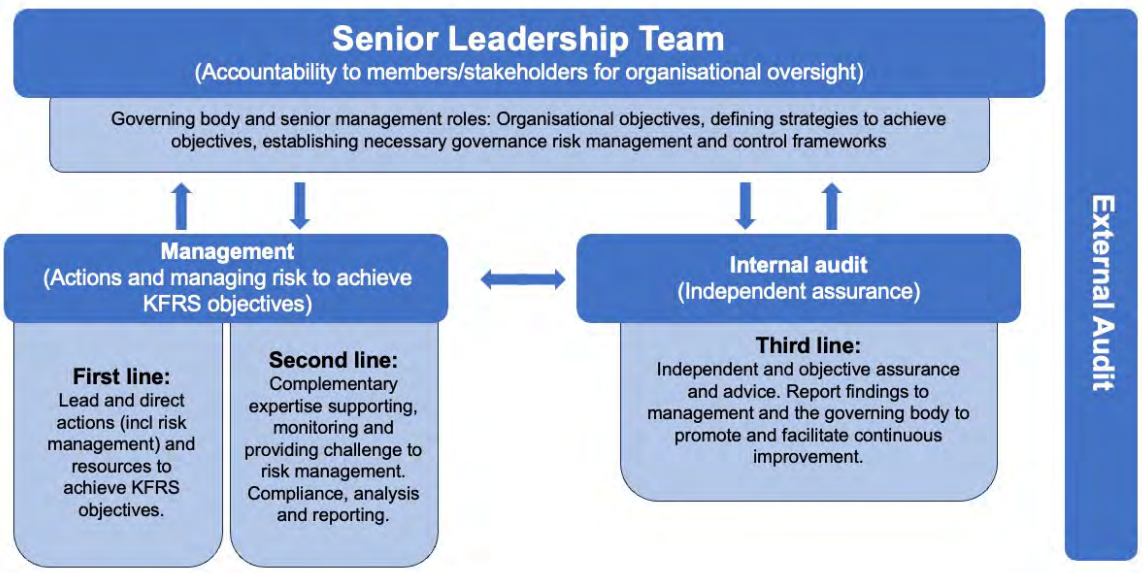
5. Internal controls to manage risks

Three lines model

The Institute of Internal Auditors have updated the Three lines of Defence Model (2013) with the Three Lines Model (2020). This model is designed to help organisations to identify structures and processes that can assist achieving organisational objectives and facilitate strong governance and risk management.

The first and second lines are provided by management and incorporate responsibility to achieve organisational objectives whilst managing risk. Second line roles may be complementary and focus on specific objectives of risk management.

Internal audit provides the third line of defence, and external audit provides further assurance. The three lines model is illustrated below:



Approach to controls.

- The Corporate and Strategic risk register lists the risks, the controls currently in place, and the additional controls required to manage the risks.

- We proactively seek assurance on whether our controls are effective. We use a range of internal and external tools to test gaps in our management of risk. We use Internal audit to assess and audit controls on a cyclical basis.

- We carry out business continuity exercises and other tests of our current capability and management effectiveness. Where these highlight gaps, we consider the actions needed, and where appropriate, list these on the

Corporate and Strategic Risk Register as additional control measures required.

- These actions are then allocated, and monitored by the Corporate Risk Manager, and managed and delivered by the Control Owner.

The following are examples of the core internal controls in place to manage risk.

Risk areas	Possible Controls
Service delivery and business continuity risks	• Incident recording database is used to record all incidents. • Discussions of incidents and accidents at monthly Corporate Management Board meetings, quarterly Health and Safety Committee meetings, Response and Resilience Steering Group meetings and critical incident boards. • Strong internal learning culture with debriefs following serious incidents. • Peer review of key strategies is sought. • Business continuity plans in place
Governance	• All risks in our programme portfolio are actively managed. • Policies and procedures are in place and are reviewed at regular intervals. There is a Policy Steering Group which controls new policies and procedures and application of new legislation or best practices. • We have a Response Assurance Team who assess station performance and compliance to policy and procedures. • Compliance reviewed through a range of internal meetings. • Due diligence with suppliers, contractual and confidentiality agreements in place, references requested for evidence of conduct. • Safeguarding lead in place.

	• Segregation of duties for key areas of compliance, such as finance and human resources.
Finance	• Financial controls are discussed and reviewed quarterly by the Corporate Management Board and annually at Audit and Governance Committee. • Fraud training and monitoring
Workforce	• Recruitment checks for colleagues, volunteers and Members are in place. • A robust out of hours on-call process to ensure issues are escalated to the appropriate person at the right time. This is through the duty system and Control. • Colleague culture engagement, and Speak Up policy, to ensure colleagues know what to do if they have concerns.
Information	• Clear management of internal and external communications. • Statutory and mandatory training, the requirements of which are regularly reviewed and updated. This includes data management, cyber and safeguarding training. • IT recovery plan in place
Premises and Property	• Independent advisors used to review key areas e.g., Health and Safety of our buildings. • Compliance with regulation reviews.

6. Communication Plan

We ensure that in our calendar of campaigns and internal messaging we take opportunities to highlight certain risks. We have previously used internal communications and e-learning to cover such risks as GDPR, Code of Ethical behaviour and use of social media. We will continue to highlight risks in our communications. We will also help everyone understand how risk management works in KFRS.

7. Good governance and risk management development

Every year we seek to improve our approach to good management of risk. This process is managed by our Corporate Risk Manager in liaison with the Finance and Resilience and Business Continuity Teams.

We use the Government Orange Book, and other publications, or tools, produced by e.g. the Institute of Risk Management and Alarm, as a means of benchmarking our risk management maturity.

Annex 1

Terms of Reference for levels of Risk Owner

It is important that everyone understands their role in assessing and managing risk. It is also important to be clear that allocated individuals are not responsible for the risk itself, but the process of managing the controls and process. We do not want anyone to feel any blame or anxiety when risks materialise. It is essential that everyone in managing risk is clear on their terms of reference.

Terms of reference for Audit and Governance Committee

1.Review the strategic and corporate risk register and ratify that key risks are represented.

2.Scrutinise the supporting papers, such as the Risk Appetite Statement, to assess the process of formulating risks and the risk management approach.

3. Highlight any concerns with controls and proposed actions.

Terms of reference for Corporate Management Board

1. Take the risk challenge function role within the organisation so that risk is taken seriously, and that top management see this as an important issue.

2. Identify the risks that will prevent KFRS from delivering its strategy.

3. Check key interdependent risks that cross organisational boundaries.

4. Take responsibility for setting KFRS's risk appetite for specific areas of risk.

5. Regularly consider the range of risks that the organisation is exposing itself to, to ensure that there is a well-judged balance between ambition and achievement (for example by ensuring that not everything we do is high risk).

6. Challenge assessment and management of risk. When appropriate delegate risk.

7. Ensure that the effectiveness of KFRS's risk policy management is evaluated and quality assured on a regular basis.

8. Consider how the organisation's management of risk ensures we learn lessons from past events.

9. Ensure consistency across the Organisation in the ways that risks are evaluated and mitigated.

TORs for the Corporate Risk Manager

Be the organisation's primary risk manager, ensuring that risks which threaten our ability to effectively provide our services are planned for, minimised, and well understood. This will be achieved by:

1. Maintain a comprehensive risk management framework, including risk identification, assessment, mitigation, and monitoring strategies.

2. Conduct regular risk assessments and gap analyses to identify emerging risks and evaluate existing controls.

3. Collaborate with cross-KFRS teams to develop and implement risk mitigation plans and initiatives.

4. Monitor and report on key risk indicators (KRIs) and key performance indicators (KPIs) to senior management and relevant stakeholders.

5. Stay abreast of industry trends, regulatory developments, and emerging risks to ensure the Service's risk management practices remain current and effective.

6. Work with the Resilience Manager in the development and implementation of business continuity plans to minimise the impact of unforeseen events.

7. Lead on the delivery of risk management training programs and workshops to promote a strong risk culture across the organisation.

8. Foster strong relationships with internal and external stakeholders, including finance team, auditors, industry peers, and other Fire and Rescue Services to share best practice and benchmark performance.

TORS for Senior Risk Owners

1. Lead in defining the risk management for the organisation and ensure that all colleagues see risk as a key aspect of delivery management.

2. Identify the risks that will prevent the organisation from reaching its operational level objectives.

3. Work with the Corporate Risk Manager to evaluate the risks and ensure that this is regularly updated as circumstances change. Put in place control measures that move the level of risk to within the Corporate Management Board's tolerance levels.

4. Ensure a suitable monitor is identified for the risk.

TORS for Risk Owners at Team level.

1. Identify the key risks to the achievement of annual plan objectives.

2. Evaluate the impact and probability of the risks, including identifying areas of high and low risk where more (or less) management input will be needed.

3. Set the acceptable levels of risk that the team can tolerate for each high-level risk and clarify areas where risks can be taken and where they cannot.

4. Check the balance of the portfolio of challenge and risk. This will include tracking intervention risks, i.e. checking that all interventions are not high or low risk.

5. Identify and implement suitable responses to risk, including transferring risk management upwards should the risk escalate.

6. Regular checking of key interdependent risks that cross organisational boundaries.

TORS for Risk Owners at programme/ projects level

1. Identify the risks that will prevent, or delay, the project/ intervention from achieving the expected results set out in the business benefits, i.e. the outputs, outcome and impact.

2. Evaluate each of the risks to establish their impact and probability.

3. Use the evidence/ evaluation data to risk score the intervention.

4. Manage the risks when they occur, including passing escalating risks up to Strategic Leadership Board level when appropriate.

5. Regularly review the project/ intervention risk strategy to assess the effectiveness of the management of risk processes and review the risk scoring of the intervention.

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
Date Implemented	25 April 2024
Review by	31 August 2027
Amendments required to	None
Related documents [if any]	Corporate Risk Register Risk Appetite Statement Risk Tolerance Matrix Corporate Risk Management – Tier 2 Policy Risk Culture Diagnostic
Replaced documents	Integrated Risk Management Framework Integrated Risk Management Framework April 2024
Security classification	Not protectively marked
Version No	2
Version change summary	30 June 2026 Amendments to bring document up to date.

Appendix 2 to

Item No: B1

Corporate Risk Management Policy

Policy owned by:	**Finance**
Tier 2:	**Policy**
Version:	**6**
Does policy apply to any groups in addition to colleagues?	**Yes** **Volunteers**
Related Tier 2 Policies:	**Community Risk Management Policy** **Data Breach Policy** **Data Protection Policy** **Emergency Planning and Contingencies Policy** **Equality, Diversity and Inclusion Policy** **Financial Management Policy** **Financial Planning Policy** **Health, Safety and Environment Policy (Property)** **Health and Wellbeing Policy** **Information Technology Policy** **Learning and Competence Policy** **Modern Slavery Policy** **Policy Governance Policy** **Procurement Policy** **Risk Based Inspection Policy** **Risk Financing and Insurance Policy** **Supplier References Policy** **Transparency Policy** **Working Together (Industrial Relations and Joint Consultation) Policy**

Organisational Aim

Risk management is an integral part of good governance and corporate management mechanisms. Our risk management framework harnesses the activities that identify and manage uncertainty, allows us to take opportunities and to take managed risks not simply to avoid them, and systematically anticipate and prepare successful responses.

Introduction

Kent and Medway Fire and Rescue Authority (the Authority) provides services to a diverse range of people and organisations. It operates in a dynamic environment, increasingly under public and government scrutiny and against a background of new legislation and regulation requiring new and innovative ways of achieving its vision and its objectives. In such an environment it is essential that the Authority takes appropriate action to minimise the potential for disruption to services and to maximise the opportunities for innovation through the active management of risk.

This approach confirms the commitment of the Authority to developing a positive risk management culture by ensuring that due regard to the management of risk, both in the policy making process and in the management of the Service, is taken. It recognises that not all risks can be avoided, that some risks will always exist and, in many cases, are necessary to enable innovation and continuous improvement of services.

Service Policy

The Authority will encourage a culture where the managed taking of risk, deemed acceptable to support the achievement of the Authority's stated objectives and targets and innovation in the delivery of services, is accepted. It will, however, put in place processes to ensure that such action as is necessary to mitigate the effect of those risks that materialise will be taken.

The principles of risk management will be incorporated into all key policy development and major project management processes to ensure that the threats to delivery are identified and managed.

There will be active management, monitoring and reporting of both strategic and corporate registered risks and their mitigating controls.

We are going to develop a Good Risk Culture. This means we have adopted and work to the following principles:

1. Distinct and consistent tone from the Authority's senior leadership.
2. Commitment to ethical principles.
3. Common acceptance of the importance of continuous management of risk.
4. Transparent and timely risk information flow.
5. Encouragement of risk reporting.
6. Risks understood despite complexity, obscurity or size of process or activity.
7. Appropriate risk-taking and mitigating behaviours rewarded and encouraged.
8. Risk management skills and knowledge developed, valued and encouraged.
9. Consistent and rigorous challenge.
10. Alignment of culture management with employee engagement and people strategy.

Relevant Legislation and Codes of Practice

- The Accounts and Audit Regulations 2015
- Bribery Act 2010
- Climate Change Act 2008
- Data Protection Act 2018
- Employment Rights Act 1996
- Environment Act 2021
- Environmental Protection Act 1990
- Equality Act 2010
- Finance (No. 2) Act 2023
- Orange Book - GOV.UK
- Health and Safety at Work etc. Act 1974
- ISO - ISO 31000 family — Risk management
- The Management of Health and Safety at Work Regulations 1999
- Management of risk in government: framework
- Modern Slavery Act 2015
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- UK GDPR (General Data Protection Regulation)

Underlying Tier 3 Procedure

Integrated Risk Management Framework.

Data Inputs and Controls

- Corporate Risk Register.
- Risk Matrix.
- Risk Appetite Statement.
- Risk Tolerance Matrix.
- Potential New Risk Identification form.
- Bow Tie Analysis.

Security Marking

Not protectively marked

Policy Audit Information

Policy version	Original approval and revision dates	Author	Changes made (unless new document) Significant or Non-significant amendment
V6	24/09/2026	Paul Goodwin, Corporate Risk Manager	Policy taken to A&G for scheduled annual review and approval.
V5	25/09/2025	Paul Goodwin, Corporate Risk Manager	SIGNIFICANT AMENDMENT. Brought into Tier 2 format. Revised and updated to reflect new approach to managing corporate risk (revised Risk Appetite Statement, Risk Tolerance Matrix).
V4	25/04/2024	Ann Millington Chief Executive	LEGACY FORMAT Refreshed to reflect new risk management process, new Job titles and Audit and Governance Committee approval.
V1-V3	02/04/2020	Alison Kilpatrick, Director Finance	LEGACY FORMAT New policy created and undergoes routine amendments.

Approval Process (latest version)

When new approval process takes place for a significant amendment, the table below will be moved into the 'Procedure Audit Information' table above, by being cut and pasted into the 'Changes made column' in the row that corresponds to the relevant version number.

The table below will then be cleared and completed for the new approval process for the latest version

Key dates and information	
Approved by (including date)	ALL NEW AND SIGNIFICANTLY REVISED T2s MUST GO THROUGH CMB AND AFTER THAT, IF THRESHOLD MET, WILL THEN GO TO KMFRA OR A&G CMB (18/11/2024) Audit and Governance Committee (25/09/2025)
First approval (implementation) date	02/04/2020
Latest approval (implementation) date	24/09/2026 (most recent scheduled annual approval from A&G)
Review by	24/09/2027

Date came to Policy Steering Group	13/11/2024
Reviewers (including date)	Heads of Teams and Corporate Management Board
Changes required to any related Tier 2 Policy resulting from changes to this Tier 2 Policy?	No
Changes required to any underlying Tier 3 Procedure/Guidance resulting from changes to this Tier 2 Policy?	No
Senior responsible manager	Corporate Risk Manager
Direct enquiries to	Corporate Risk Manager
People Impact Assessment (PIA)	See global Finance People Impact Assessment.

Consultation History of Latest Version

T2 policy and its underlying T3 procedure will be consulted on as a package.

Formal consultation as part of development	**Date of consultation**
Joint Secretaries (Fire Brigades Union)	No consultation required with other parties
FRSA (Fire and Rescue Services Association and FOA (Fire Officers' Association) consulted	No consultation required with other parties
Colleagues via feedback in One Team Update as part of policy development	No consultation required with other parties
Internal services meeting as part of policy development	No consultation required with other parties
Informal consultation post-implementation	**Date of consultation**
Colleagues via feedback in One Team Update as part of periodic checks	No consultation required with other parties
Internal services meeting as part of periodic checks	No consultation required with other parties

Appendix 3 to
Item No: B1

Risk Appetite Statement - Kent Fire and Rescue Service

1. This risk appetite statement has been written with reference to: HM Government Finance Function - Risk Appetite Guidance Note, the Institute of Risk Management's: Risk Appetite and Tolerance Guidance Paper, and Alarm's 'Principles of Risk Appetite.' It is derived from Orange Book risk principles.

Definition of Risk Appetite	
ISO 31000/ Guide 73	**BS31100**
The amount and type of risk that an organisation is willing to pursue or retain.	Amount and type of risk that an organisation is prepared to seek, accept or tolerate.

Why we need a risk appetite statement

2. Risk appetite statements outline optimal and tolerable positions. They are key enablers to communicating expectations and ensuring effective decision making. 'The Orange Book – Management of Risk, Principles and Concepts (2020)' advises that the Corporate Management Board determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take, to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. The Audit and Governance Committee provide a scrutiny role in relation to highlighted risks and monitor the delivery of the control measures. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed.

3. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious determination of the organisation's risk appetite. Our view, in line with government guidance, is that public sector organisations cannot be culturally risk averse and be successful. Indeed, Alarm's 'Principles of Risk Appetite' states that risk taking is fundamental to the success of any organisation. Our appetite for risk will, therefore, vary over time, depending on our ambitions and priorities, and the environment we work in.

4. Effective and meaningful risk management remains more important than ever in balancing risk and opportunity in delivering public services; risk appetite is as much about 'enabling' risk as 'constraining' adverse risks. In addition, it is often not possible, nor financially affordable, to fully remove uncertainty from a decision or in the design and application of control activities. It is neither feasible, nor practical to fully prevent or mitigate all risks and some, which are beyond the stated appetite, might at times need to be tolerated and actively monitored.

5. Risk management is an integral part of good governance and corporate management mechanisms. Our risk management framework harnesses the activities that identify and manage uncertainty, allows us to take opportunities and manage risks, not simply to avoid them, and systematically anticipate and prepare successful responses.

Who is responsible for risk appetite?

6. Implementing management of risk within an acceptable level of appetite is everyone's responsibility and needs to be addressed throughout the organisation, from managers through to the Corporate Management Board and Audit and Governance Committee.

7. Our risk appetite statement and risk tolerance matrix are reviewed and agreed annually by the Corporate Management Board. The Audit and Governance committee monitor and approve the effective development and operation of risk management in the Authority. Fig 1 describes the three concepts which we use in assessing risk when making decisions. This is supported by the risk tolerance matrix which guides consistent application of thinking for each decision.

   Fig 1:

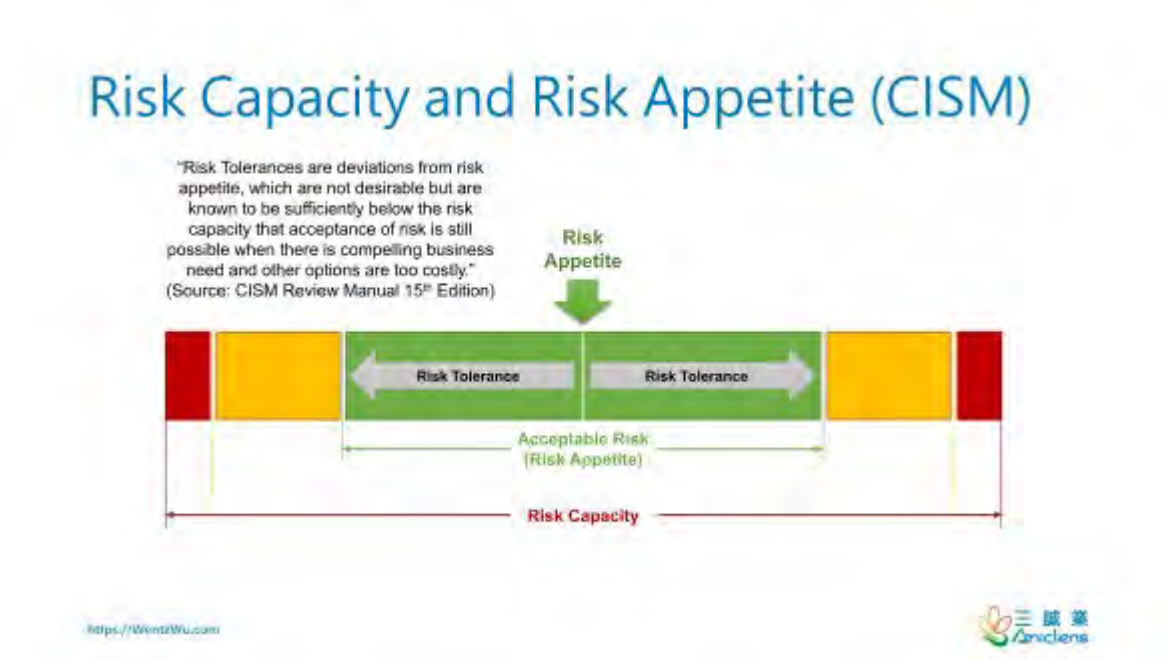
8. The Orange Book framework categorises risk appetite into five levels: Averse, Minimal, Cautious, Open and Eager, providing organisations with a clear structure for assessing and defining their approach to risk. Each of the classifications from the Orange Book serves a distinct purpose in guiding decision making and ensuring risk-taking aligns with governance structures.

Position in 2026

9. The nature of our core services has a high degree of risk from lone workers to operational response in hazardous circumstances. We therefore approach risk in a controlled manner, being conscious of impact at all levels. The diagram below (Fig 2) describes the balance we must strike each day with operational response. Each key decision is assessed for risk and what we can do to mitigate it. In some cases, such as finances, we are cautious in approach, in other areas we are more tolerant of the risks. The risk tolerance matrix has five levels – Incidental, Minor, Moderate, Major, and

Extreme, and these are used to judge where we can set the tolerance to new work and in managing risks.

Fig 2:



10. We do this through fostering a strong culture and understanding of risk, so we can choose where to take, or tolerate, risks throughout the organisation. This is based on good information or data. While our focus remains on protecting our customers, colleagues and volunteers, we make sure that the benefits of taking risks help us to innovate as efficiently as possible, reach our goals and achieve our strategies.

Detailed appetite

11. We recognise that the operational activities a fire and rescue service provide carry with them a level of risk that cannot be eliminated. We ensure that we have an organisational culture which empowers colleagues to carry out well-managed risk taking within the framework of sound policies and procedures. We use the risk tolerance matrix to judge appetite for risk and when we cannot go over that tolerance.

Using the Risk Tolerance Matrix

12. We use the factors of Business Continuity and Service Delivery, Environment, Finance and Treasury Deposits, Governance and Workforce, Information, and Property and the subsequent legal, reputational and safety impacts to judge our appetite for risk. The risk tolerance matrix sets out the tolerance levels.

13. **Service Delivery** – We have a **cautious** approach, accepting **moderate** risks for our response and **business continuity**, acknowledging that certain risks, such as major incidents, cannot always be prevented.

14. The Corporate Management Board will, in the main, avoid the risk of potential disruption of services, and will plan for these risks. Our business continuity plans are exercised, tested and reviewed, so that we can be confident that the services critical to our customers are maintained as far as is reasonably practicable. We recognise, however, that on some occasions we may need to tolerate a risk, e.g. industrial action as we need to make changes to our services which are not popular, so we manage change with as much involvement as we can to avoid the risk, and we have a clear plan should it happen.

15. Kent Fire and Rescue Service seeks to respect the **environment** through our work, and we attempt to bring Environmental, Social and Governance factors into our decision-making process to mitigate the risk of environmental and social damage.

16. When it comes to non-incident related activities, we will work to eliminate accident and injuries by ensuring that our processes are risk assessed and fully comply with Health and Safety legislation.

17. **Finance and Treasury Deposits** – We have a **cautious** approach, accepting **minor to moderate** risks as recognition of when, not if, issues such as vehicle accidents etc. arise.

18. We take very seriously the importance of using public money in the right way and controlling these funds. Kent Fire and Rescue Service takes a cautious approach to investment decisions and aims to undertake a low level of risk whilst ensuring the security of the deposit, resulting in the best return possible.

19. We are averse to fraud and corruption and ensure that we have robust controls and sanctions in place to detect and deter this type of behaviour. We have an Anti-Fraud and Corruption Framework. This brings together the policies and procedures designed to manage and mitigate the risk of fraud into a single document, setting out a cohesive approach to fraud risk reduction. The most recent version of this was approved by the Audit and Governance Committee in November 2025 and covers the period 2025-27. Updates on progress on the Anti-Fraud and Corruption Action Plan are brought to the Audit and Governance Committee, most recently the January 2026 meeting.

20. The Annual Governance Statement provides assurance that policies and procedures are in place to ensure robust internal control and strong public financial management.

21. **Governance and Workforce** – We have a **cautious** approach, accepting **moderate** risks, acknowledging that certain risks, such as leadership changes, colleague availability, regulatory and guidance requirements and compliance challenges can affect the management and delivery of our services. We have robust governance and policy frameworks, including the Corporate Management Board, Strategic Leadership Board, Customer Engagement and Safety Steering Group, People and Culture Steering Group, Policy Steering Group, continuous dialogue, and our corporate risk management process to mitigate these risks. We are committed to maintaining high standards of accountability, transparency and capability through continuous improvement, leadership development and strategic planning.

22. **Information** – We have a cautious approach, accepting **moderate** risks to reflect the sensitivity of information and the increasing risk of a cyber-attack.

23. We recognise that our customers place a high degree of trust in our colleagues, who may have access to sensitive information or may be looked on by our customers to guide and support them when they are at their most vulnerable. It is therefore vital that we ensure our colleagues meet the highest standards of ethical conduct, which also includes the handling of personal and sensitive data. Everyone in KFRS has a responsibility to ensure data is kept safe, secure, and only processed in accordance with our individual and organisational responsibilities. All colleagues must follow the seven data protection principles set out in our Data Protection Policy. Our risk controls are underpinned by the Data Breach Policy and clear reporting and response mechanisms and processes. All colleagues are required to undertake mandatory annual data protection training. This was updated and re-released in May 2026 as part of a lifecycle update and to incorporate the Data (Use and Access) Act 2025.

24. We take an approach to recruitment that seeks to find diverse talent, whilst ensuring we have safeguards in place to screen potential colleagues so we do not take on those that may breach that trust and confidence. When it comes to misconduct among our colleagues, we tackle this robustly and hold individuals accountable against the Code of Ethics that we expect them to demonstrate.

25. We recognise that the risk of a cyber-attack is increasing and that Kent Fire and Rescue Service may be the target of such an attack, seeking to disrupt our services or exploit our data and resources. We take an adverse approach to information and data security risks and will ensure that we have the right training, culture, technical infrastructure and processes in place to mitigate this.

26. **Property** – we have a **minimalist** approach, accepting **minor** risks to our estate recognising that certain property risks such as flooding, or theft from our premises, cannot be completely eliminated.

27. We ensure that our estate is maintained in accordance with the Estate Development and Refurbishment Guidance and that all statutory and mandated testing and inspections are completed and compliant. In terms of repairs to our buildings, monthly reporting is in place to update on, and escalate, any issues of concern. Insurance cover is in place, along with retained Health and Safety Advisors. Our Resilience Team also carries out security audits of our premises.

28. **Legally**, we do not knowingly operate outside of the law, and we take a risk adverse approach to behaving in a way that would give rise to a successful judicial review. Where legal boundaries are less clear, the Corporate Management Board is willing to accept the potential of minor legal action, although this must be resolvable within existing budgets. Where alternative options prevent us from delivering an effective response, a moderate financial loss of up to £100,000 would be tolerated to pursue our objectives, as would minor concerns regarding confidentiality of information or use of data.

29. As the fire safety regulator for Kent and Medway, we take a proportionate and **cautious** approach to enforcing fire safety legislation. We follow guidance outlined in the regulators' code, working with businesses to achieve compliance, taking enforcement action where the risk requires the Authority to act to ensure the safety of occupants.

30. We have created a register of legislation, standards and guidance which affect us. This includes a brief description of what the legislation is about, along with our assessment of compliance.

31. We recognise that the Service's **reputation** is crucial to its development. The Corporate Management Board will take a cautious approach to risks which would impact on this. We are willing to accept a low level of reputational impact with colleagues and customers, e.g. when making changes to services that are required to enable the service to function, but which may not be universally popular.

32. The Corporate Management Board has formally accepted the above risks and tolerance levels. These will continue to be monitored, along with the control measures to ensure that they remain effective and aligned with our organisational objectives.

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
Date Implemented	25 April 2024
Review by	31 August 2027
Amendments required to	None
Related documents [if any]	Corporate Risk Register Risk Tolerance Matrix Risk Diagnostic Integrated Risk Management Framework Tier Two Corporate Risk Management Policy
Replaced documents	Risk Appetite Statement August 2025 Risk Tolerance Matrix March 2025
Security classification	Not protectively marked
Version No	3
Version change summary	30 June 2026

RISK TOLERANCE MATRIX – Kent Fire and Rescue Service

Risk Impact	Incidental	Minor	Moderate	Major	Extreme
Business Continuity and Service Delivery	Interruption which does not impact on our ability to continue to provide services to our customers, colleagues and volunteers, including minor IT disruptions with no effect on emergency response; delays in community engagement events, or training sessions.	Short-term disruption with minor impact on service delivery. These risks may include staff shortages in non-operational roles, minor delays in training, or temporary closure of non-essential property. These risks will not significantly impair our ability to fulfil our statutory duties or respond to emergencies.	While these will not immediately endanger customer, colleague or volunteer safety, or cause us to breach statutory duties, they can impact key services or operational delivery. These may include temporary unavailability of a fire appliance due to equipment failure, delayed response times due to system outage, or temporary loss of a key site. Business continuity plans may need to be invoked.	Significant disruption to ability to deliver emergency services, fulfilment of statutory duties, or operational resilience. These might include large-scale IT failure, sustained unavailability of fire stations or key appliances, prolonged industrial action, or loss of essential property. Managing these risks requires the activation of comprehensive business continuity plans.	Affect the ability to provide an operational response, the ability to fulfil statutory duties and protect life and property. These might include total IT failure, e.g. through a co-ordinated cyber attack; the loss of 999 call handling and mobilization; widespread and sustained industrial action with minimal operational cover, or the loss of multiple fire stations. Comprehensive business continuity plans will need to be activated with immediate involvement of senior leadership, along with the co-ordination of partner agencies and national/ government bodies to restore critical services.
Environment	Small environmental incident resulting in no environmental damage.	Minor environmental damage. Rectified from existing budgets.	Some environmental damage requiring the allocation of some resources to rectify.	Extensive environmental damage requiring significant resources to rectify.	Irreparable harm to the environment despite the use of significant resources to rectify, leading to legal, financial (in the form of fines) and reputational impacts.
Finance and Treasury Deposits	Negligible financial loss <£1k. To be contained within existing budget.	Minor financial loss £1k - £10k. Requires internal management action by Budget Manager to report to Corporate Management Board and progress any mitigating action.	Moderate financial loss £10k - £100k. Budget Manager to report to Corporate Management Board and progress mitigating action. Members to be informed if virement exceeds £50k.	Major financial loss £100k - £500k. Budget Manager to report to Corporate Management Board. Internal management action to be agreed for potential short-term reduction of reserves or major amendment of existing spending plans. Members to be informed.	Severe financial loss £500k+. Budget Manager to report to Corporate Management Board, with Members to agree proposed action for rectification. May result in amendment of existing spend plans which will require Member approval. Likely to result in a longer-term reduction to reserves.

Governance and Workforce	Occasional staffing shortfalls; short delays in reporting, which do not result in statutory breaches, safety compromises, or reputational harm.	Minor delays in reporting; administrative errors in governance records; minor inconsistencies in policies and procedures. These risks will not pose a significant threat to our customers, colleagues, volunteers and our objectives.	Recurring delays in governance reporting; temporary gaps in leadership roles; challenges recruiting and retaining staff; some employee relations issues requiring formal intervention.	Systemic failures in governance oversight; breaches of statutory duties; widespread industrial action; leadership misconduct; breakdown in workforce relations.	Sustained and deliberate breaches of statutory obligations; gross misconduct or corruption; systemic discrimination or harassment; complete breakdown of governance structures; large-scale workforce disengagement or resignation.
Information	Low-level data protection incident with unlikely risk to individuals. Rectified internally within day-to-day operations. Non-reportable.	Minor personal data breach resulting in unlikely risk to the rights and freedoms of individuals. Unlikely to require notification to the Information Commissioner's Office.	Personal data breach resulting in a risk to the rights and freedoms of individuals. Likely reportable to the Information Commissioner's Office within 72 hours.	Serious personal data breach, likely involving special category data, resulting in a high risk to the rights and freedoms of individuals. Requires Information Commissioner's Office notification and communication to affected data subjects.	Severe, systemic personal data breach resulting in a high risk of significant harm (e.g., identity theft, financial loss, discrimination) to individuals. Triggers mandatory Information Commissioner's Office notification, communication to data subjects, and highly likely to result in regulatory enforcement action or media scrutiny.
Property	Reparable damage to property resulting in minor disruption to service delivery.	Short term interruption to delivery of services.	Disruption of services for up to one week.	Major concerns with security and safety of main Service buildings leading to significant disruption.	The security and safety of the main Service buildings are compromised.
Legal	Threat of minor legal action, resolvable within existing budgets. Minor internal breach.	Single minor case of legal action, requiring small additional budget. Reportable incident to regulator, no follow up.	Single moderate case of legal action or numerous minor cases. Report of breach to regulator with immediate correction to be implemented and threats of action if not resolved.	Single case of major legal action or numerous moderate cases, requiring significant resource. Breach of regulations leading to prosecution or fine.	Major case of legal action requiring extensive resource. Major breach, reportable to regulator, leading to prosecution/ fines and requiring major corrective action.
Reputation	Rumours - external reputation not affected, no media coverage. No impact on colleague turnover.	Minimal impact on external reputation. Little effort or expense required to recover. Minimal impact on colleague turnover.	External reputation damaged. Some effort and expense required to recover. Marked impact on colleague turnover.	Severe damage to external reputation. Adverse media coverage locally. Major impact on colleague turnover. Impact on Inspection rating.	Major reputational damage and adverse media coverage. Major stakeholder issues/ longer lasting community concerns. Severe impact on colleague turnover.

Safety	Adverse event leading to minor injury not requiring first aid. On-site exposure immediately contained. No long-term effects.	Minor injury or illness, requiring first aid treatment on site. On-site exposure contained after prolonged effect.	Significant injury requiring medical treatment. On-site exposure contained with outside assistance.	Major injury requiring medical treatment, and long-term incapacity and/ or counselling. Prolonged /major incident with serious casualties.	Death or a life changing injury/ major incident with fatalities.

Risk Tolerance Threshold

Risk Impact	Level of risk the Authority are willing to take in pursuit of our objectives. Kent Fire and Rescue Service is willing to accept a risk where…	Will never accept a risk where…
Business Continuity and Service Delivery	Operational delivery and resilience are supported, strategic objectives can be achieved, and customer outcomes can be enhanced. There would be short-term disruption to service with minor impact on our customers, colleagues and volunteers.	The health and safety of our customers, colleagues or volunteers are seriously compromised; critical services could not be delivered; the Service's ability to sustain business continuity is seriously compromised, and core functions could not be recovered.
Environment	Minor environmental damage could result, which could be rectified from existing budgets.	The Service's activities cause irreparable harm to the environment
Finance and Treasury Deposits	There may be a moderate financial loss between £10k - £100k.	The Service's financial sustainability is seriously compromised. Expenditure significantly exceeds limits agreed by the Board
Governance and Workforce	It supports innovation, improves service delivery, or enables decision making in delivery of our objectives. This includes new ways of working and improving or streamlining governance processes.	The health and safety of our customers, colleagues or volunteers are seriously compromised. We will never accept a risk that undermines fairness, inclusion or wellbeing; or where the integrity of the service and its governance processes is compromised.
Information	Minor concerns regarding confidentiality or use of data, resolvable within day-to-day operations.	The Service is unable to guarantee the confidentiality of information.
Property	There would be potential disruption of services for up to one week.	The security and safety of the main Service buildings are compromised
Legal	There may be a threat of minor legal action, resolvable within existing budgets; or a minor internal breach of regulations.	The Service breaches its statutory responsibilities. Service activities are deemed to be unlawful.

Reputation	There will be a low level of reputational impact with some stakeholders where the Service's external reputation is not affected.	The Service's standing in the community or with partners is significantly compromised in the long-term.
Safety	There may be an adverse event leading to minor injury not requiring first aid. On-site exposure would be immediately contained. No individual would suffer long-term effects.	The health and safety of our customers, colleagues or volunteers are seriously compromised.

Appendix 5
to Item No: B1

	A	B	C	D	E	F	G	H
2		**Kent Fire and Rescue Service - Risk Culture Diagnostic**			**Alignment Scoring**	Fully Aligned		
3		**Extracts from the IRM risk culture aspects model scorecard**				Partially Aligned		
4						Not Aligned		
5								
6		**Tone at the Top**	**Auditor Questions**	**Expectations and Evaluations**	**Evidence**	**Alignment**	**Further Work**	**Completed**
7		**Risk Leadership**	Is there a distinct 'tone at the top' from senior management as to the importance of risk management? If so, what does it feel like?	Senior management set clear expectations and strategic direction for risk management.	New corporate risk process was developed by Chief Exec/ Chief Fire Officer, with input from Institute of Risk Management. This was linked to the Community Risk Management Plan, which sets out the objectives of the Service. The new corporate risk process was presented to the Audit and Governance Committe by the Chief Exec/ Chief Fire Officer in April 2024, right at the start of the process. The Risk Register is summarised annually for the Audit and Governance Committee (normally in January); supporting papers are also provided to the Audit and Governance Committee annually (normally in September). Potential new corporate risks resulting from corporate projects or action plans are discussed with the Corporate Risk Manager before potentially being escalated to the Corporate Risk Register. The Corporate Risk Manager provides regualr updates to the Corporate Management Board, Response and Resilience Steering Group, Customer Enagement and Safety Steering Group, and			
8			Is direction provided as to how risk management can contribute to the business objectives?	Managers throughout the organisation are clear on what is expected of them in terms of managing risks.	A risk based approach is being taken for our Community Risk Management Plan, which will then feed into Annual Plans. And as line 7.			
9			Is senior commitment consistent, visible and sustained over time?	Leaders role model risk management thinking and actively discuss tolerance to risk issues.	The Corporate Risk Manager meets individually with all members of the Corporate Management Board at least every quarter. Risk appetite statement and risk tolerance matrix to be updated annually. And as line 7.			
10			Who is the executive sponsor of risk management?	Leaders demonstrate personal conviction.	The Chief Exec/ Chief Fire Officer and the Corporate Management Board. The Director of Response and Resilience is the line manager of the Corporate Risk Manager.			
11			What tangible actions are visible from the executive sponsor?	Leaders ensure the focus of risk management efforts is focused on supporting the organisation in delivering its corporate	As lines 7 and 9.			
12				The messages are consistently delivered and senior management are visible on the issue of managing risk.	As lines 7 and 9.			

	A	B	C	D	E	F	G	H
13				There is a clear message and sense of direction which is actively reinforced.	Corporate Risk Manager is proactive discussing risks with Risk Owners, who are all members of CMB, and Control Owners. Meetings with Control Owners tend to be quarterly but are more frequent when required, e.g. with Head of Resilience. However, more could be done to explain the corporate risk process service-wide.		More could be done to explain the corporate risk process service-wide. This could potentially be done through Fire Futures or in a short online training video.	
14		**Responding to Bad News**	Do leaders encourage risk information and 'bad news' to be proactive and rapidly communicated up the organisation?	Senior management actively encourages management information related to risks to travel quickly across the organisation.	Quarterly meetings between (i) Risk Owners and (ii) Control Owners, with the Corporate Risk Manager ensure that existing and new risks are discussed and updated at regular intervals. And see lines 7 and 9.			
15			Are whistleblowers and those raising concerns supported and celebrated?	Transparency on risk information (positive or negative) is rewarded and role modelled.	Kent Fire and Rescue Srvice incorporates 'black box' thinking and a 'no blame' culture, ensuring that concerns can be discussed openly and transparently. The emphasis in the Corporate Risk process is on mitigating the risks rather than aportioning blame.			
16			How are those transmitting the message treated afterwards?	Leaders refer to company values when responding to challenges.	Siginificant work has been put in by the Corporate Management Board, led by the Chief Exec/ Chief Fire Officer to embed the Code of Ethical Conduct. This is captured within the Code of Ethics Fire Standard, which has also been subject to an external peer review by Essex FRS. Colleagues have signed the Code, and senior managers have signed the Senior Code of Conduct. See line 15 about 'black box' thinking and no blame culture.			
17				Openness and honesty are recognised as key to effective risk communication.	See lines 14, 15 and 16.			
18				Those providing timely risk insights are rewarded and encouraged.	Corporate Risk Manager is pro-active in arraging meetings with Risk Owners and Control Owners as discussed above. All discussions are conducted in a positive manner, in line with 'black box' thinking and no blame culture discussed above. Corporate Risk Manager is supported in pursuing CPD. And see lines 14, 15, 16 and 17.			
19		**Governance**	**Auditor Questions**	**Expectations and Evaluations**	**Evidence**	**Compliance**	**Further Work**	**Completed**
20		**Risk Governance**	Accountability and ownership for managing specific [corporate] risks is clear.	Accountability for the management of key [corporate] business risks is absolutely clearly defined.	Both Risk Owners and Control Owners are listed on the Corporate Risk Register and Potential New Corporate Risk form - for every risk. All Risk Owners are members of the Corporate Management Board. As discussed above, individual meetings are held with Risk Owners and Control Owners, usually quarterly. Risks are also reported to Corporate Management Board quarterly, and Audit and Governance Board twice per year. The Corporate Risk Manager's role is clearly defined in the relevant job description, which is saved on the Corporate Risk area of			

	A	B	C	D	E	F	G	H
21			Accountability and ownership for risk management as a process is clear.	Accountabilities for managing risks are aligned to the accountabilities for key business processes and corporate objectives.	This is detailed in the relevant supporting Corporate Risk Papers, e.g. the Tier 2 and Tier 3 policy papers. A risk based approach is being taken for our Community Risk Management Plan, which will then feed into Annual Plans. As lines 7, 9 and 20.			
22			How are these accountabilities documented and communicated?	The risk function has an active role in ensuring risk information is communicated and challenged.	Corporate Risk Register includes Risk Owners, Control Owners, the risk, raw score, current control measures, residual score, and whether further work is needed. Target dates for the further work are also included and are monitored by the Corporate Risk Manager. Target dates are discussed with both Risk Owners and Control Owners. All new risks require the completion of a Bow-tie analysis and a Potential New Corporate Risk form, which include who is accountable. All new risks are included in the next update to Corporate Management Board. And see lines 13,14, 15 ,16.			
23			What communication and review structures are in place to ensure risk decisions are effectively reviewed? How does the risk function support the governance of risk within the organisation?	Risk accountabilities are captured within managers' role descriptions and performance targets.	As lines 20 and 22. In addition, the new risk process was subject to internal audit in February 2025, ten months after the process had been introduced. No areas of concern were recorded. A risk based approach is being taken for our Community Risk Management Plan, which will then feed into Annual Plans.			
24		**Risk transparency**	Is risk information transparent and communicated appropriately up the organisation?	Risk information is communicated in a timely manner to those across the organisation needing access.	See line 20.			
25			Is strategic direction provided clearly by senior management on appropriate levels of risk taking?	Risk information is provided in a meaningful format that can be absorbed and acted upon by leaders.	See lines 13, 14, 20 and 22.			
26			Is appropriate and successful risk taking celebrated and role modelled across the organisation?	Where appropriate risk taking is successful, success is widely shared and learnt from.	This relates to operational and project risk rather than Corporate Risk. KFRS conducts debriefs when appropriate following operational incidents. Strategic Leadership Board discusses projects.	N/A		N/A
27			Does the organisation actively learn from adverse events and situations where risks were not appropriately managed?	Where risk taking is less successful, learning is extracted from these events and shared in an appropriate manner.	As line 26. And see line 15 for Black Box thinking. KFRS also has an Organisational Learning Register, which can be used following debriefs, incidents or where colleagues have suggestions for improvement.	N/A		N/A

	A	B	C	D	E	F	G	H
28		Competency	Auditor Questions	Expectations and Evaluations	Evidence	Compliance	Further Work	Completed
29		Risk Resources	Does the risk function have the access to senior management to deliver its remit?	The risk function:	See below.	N/A		N/A
30			Does the risk function have the credibility across the organisation to deliver its remit?	- Has defined remit and scope of operations	This is clearly defined in the Corporate Risk Manager job description, but also in the supporting risk papers, e.g. the Tier 2 Policy paper.			
31			Does the risk function have the resources required to deliver its remit?	- Is clear on its strategic objectives and purpose.	As line 30.			
32			Is the risk function encouraged to facilitate discussions on key risks?	- Builds and sustains relationships across all parts of the organisations with business leaders.	As lines 9, 13, 14 and 20.			
33			Is the risk function supporting in challenging decisions related to key risks?	- Has the support of leaders in meeting its remit and objectives.	Corporate Risk Manager has continuous dialogue conversations with Director of Response and Resilience and Chief Exec/ Chief Fire Officer. And as lines 9, 13, 14 and 20.			
34				- Is seen as a valuable facilitator of decision making and source of expertise.	As lines 9, 13, 14 and 20.			
35				- Has evaluated its resource and skills needs to meet these objectives.	Corporate Risk Manager has continuous dialogue conversations with Director of Response and Resilience and Chief Exec/ Chief Fire Officer. Corporate Risk Manager is pro-active with CPD, completing IRM and Alarm courses, online and in person, attending conferences and webinars.			
36				- Effectively administers and owns an effective risk management framework.	See line 7 re: reporting to Audit and Governance Committee. See line 23 re: internal audit of Corporate Risk process in February 2025.			
37				- Is able to challenge how risks are being managed when appropriate.	As lines 7, 9, 13, 14 and 20.			
38		Risk Competence	Is it recognised that risk competence and capability are key assets within the organisation?	A structure of risk champions has been developed across the organisation to support managers in better managing risks	See line 13. There are no risk champions across the organisation. A risk based approach is being taken for our Community Risk Management Plan, which will then feed into Annual Plans.		More could be done to explain the corporate risk process service-wide. This could potentially be done through Fire Futures or in a short online training video.	
39			Are internal controls seen to rely on a high degree of risk awareness within the organisation?	Leaders support those who invest time in building skills in managing risk.	See line 35.			

	A	B	C	D	E	F	G	H
40			Is a specific competency 'concern for risk'/'risk awareness' defined and tracked through the performance management process?	Structured programmes are in place to support those seeking awareness, training and competency building in risk management.	See line 13 and line 38.		More could be done to explain the corporate risk process service-wide. This could potentially be done through Fire Futures or in a short online training video.	
41			How are risk skills encouraged and developed?		See line 35.			
42		**Decision Making**	**Auditor Questions**	**Expectations and Evaluations**	**Evidence**	**Compliance**	**Further Work**	**Completed**
43		**Risk Decisions**	Is risk information transparent to decision makers in a timely manner?	Leaders seek out and demand quality risk information as part of decision-making processes.	As lines 7, 9, 13, 14 and 20.			
44			Is it possible to determine what boundaries and risk appetite criteria decisions	The business' willingness to take on risks is understood and communicated.	As line 7, 9, 21 and 22. There is a suite of supporting corporate risk documents; however, it is good practice to update these after the new process has been adopted for one year. These documents are refreshed annually.	**BAU**		**BAU**
45			Is it possible to see how risk has been integrated into key decision-making?	Risks are evaluated in the context of the nature of business opportunities being considered.	This is part of the Community Risk Management Plan process rather than Corporate Risk Management. The CRMP is supported by data, where appropriate and consulted on internally and externally. However, all potential new corporate risks are assessed using a bow-tie analysis and Potential New Corporate Risk form. These are saved in the Corporate Risk area of Sharepoint.			
46				It is possible to see a 'watermark' of risk awareness in key decision-making.	All potential new corporate risks are assessed using a bow-tie analysis and Potential New Corporate Risk form. These are saved in the Corporate Risk area of Sharepoint. A risk based approach is being taken to our CRMP, with an associated register.			
47		**Appropriate Risk Taking**	Are appropriate risk taking behaviours rewarded and encouraged?	Leaders are supportive of those actively seeking to understand and manage major risk challenges.	As lines 9, 13, 14 and 33.			
48			Are inappropriate or unbalanced risk behaviours (overly risk aversion, overly risk seeking) challenged and sanctioned?	The performance management process is actively used to reward appropriate risk taking and to challenge inappropriate risk behaviours.	There are four lines of defence to check inappropriate risk taking for the Corporate Risk management process: regular, separate, discussions are held between the Corporate Risk Manager and (i) risk owners, and (ii) control owners. The Corporate Risk Manager also (iii) reports regularly to various boards, inlcuding CMB, and twice per year to the (iv) Audit and Governance Committee.			
49			How are appropriate behaviours valued and nurtured?	Risk awareness is recognised as a key risk management competency and is incorporated within leadership selection and development criteria.	For the Corporate Risk Management process, as opposed to programme and project risks, and opoerational risks, this is only relevant to the Corporate Risk Manager, who is responsible for his CPD, which he discusses as part of continuous dialogue with his line manager. However, the organisation's approach to risk awareness and behavious is set out in the supporting Corporate Risk papers.			
50			Is risk management competency specificly included in role descriptors and performance targets through the performance management process?		For the Corporate Risk Management process, as opposed to programme and project risks, and opoerational risks, this is only relevant to the Corporate Risk Manager, who is responsible for his CPD, which he discusses as part of continuous dialogue with his line manager. See line 35 for training etc.			

Item Number: B2

By:	Director of Finance and Corporate Services
To:	Audit and Governance Committee – 24 September 2026
Subject:	REVENUE AND CAPITAL BUDGET OUTTURN FOR 2025/26 - SUMMARY
Classification:	Unrestricted

FOR DECISION

SUMMARY

Members received a detailed report on the provisional 2025/26 revenue and capital outturn position at the Authority meeting on 25 June 2026. Although a small number of audit procedures remain outstanding, no amendments to the reported outturn position have been identified and none are expected to arise from completion of the audit. Accordingly, this report summarises the key matters previously reported to Members and provides assurance in support of approval of the 2025/26 Statement of Accounts.

Key points to note are:

- The final outturn for the 2025/26 revenue budget (£96.494m) is an underspend of £1.738m against the budget of £98.232m.
- The final outturn for the 2025/26 capital budget (£10.730m) is a variance of £2.744m against a revised budget of £13.474m.
- At the 25 June 2026 Authority meeting Members approved the transfer of the final 2025/26 revenue budget underspend to the Insurance and Resource Reserve. As planned, this one-off funding resource will support the 2026/27 revenue budget.

RECOMMENDATIONS

Members are requested to:-

1. Agree that the final 2025/26 revenue and capital outturn position set out in this report is consistent with the provisional outturn position presented to Members of the Authority on 25 June 2026.

LEAD/CONTACT OFFICER: Head of Finance – Matt Southern
CONTACT DETAILS: T: 01622 692121 | E: kmfraclerk@kent.fire-uk.org
BACKGROUND PAPERS:

Provisional Revenue and Capital Budget Outturn for 2025-26 – 25 June 2026
Financial Update for 2025/26 – 18 February 2026 and 16 October 2025

Financial Summary Update for 2025/26 – 7 July 2025
Draft Revenue and Capital Budgets 2025/26 and MTFP 2025-29 – 18 February 2025

COMMENTS

Final outturn for 2025/26

1. The Authority has delegated responsibility for approving the Statement of Accounts to the Audit and Governance Committee. However, the Authority retains responsibility for regularly reviewing detailed budget monitoring reports covering both revenue and capital expenditure. A comprehensive report on the 2025/26 provisional outturn position, including detailed explanations for budget variances, reserve balances, and the final outturn on the Firefighters' Pension Fund Account, was presented to Members at the Authority meeting on 25 June 2026. Whilst the audit of the financial statements has not yet been formally concluded, no amendments to the reported outturn position have been identified and none are expected to arise from the remaining audit procedures. Accordingly, this report summarises the key points from the 25 June report to provide Members with the assurance necessary to approve the 2025/26 Statement of Accounts.

2. **Revenue outturn** – The final revenue budget outturn for 2025/26 is an underspend of £1.738m against a net budget of £98.232m. The two most significant contributors to the underspend are £1.037m of additional investment income, arising in part from the temporary investment of Government pension grant funding relating to the Matthews pension case; and a £537k reduction in the Airwave (dedicated radio network for the Emergency Services) costs following implementation of the charge control mechanism imposed by the Competition and Market Authority. A comprehensive explanation of all material budget variances was provided to Members in Appendices 1 and 2 of the provisional outturn report considered by the Authority on 25 June.

3. **Allocation of revenue budget underspend** – At its June 2026 meeting, the Authority approved the transfer of the final 2025/26 revenue underspend of £1.738m to the Insurance and Resource Reserve. Of this amount, £1.547m has been earmarked to support the 2026/27 revenue budget, in accordance with the decision approved by the Authority at its February 2026 budget meeting.

4. **Capital outturn** – The final capital outturn for 2025/26 is £10.730m, representing a variance of £2.744m against a revised capital budget of £13.474m. This variance is primarily attributable to the rephasing of major projects into future years, most notably the Ashford Live Fire Training Facility (£1.910m), Mobile Data Terminal upgrades (£269k), and the purchase of replacement Specialist Vehicles (£199k). The capital outturn position therefore primarily reflects the timing of expenditure rather than any reduction in the scope or delivery of the approved capital programme. A more detailed

breakdown of capital budget variances was provided to Members in Appendices 3 and 4 of the provisional outturn report considered by the Authority on 25 June 2026.

5. **Closing reserves balances** – As of 31 March 2026, £4.890m was held in the General Reserve; £36.626m was held in Earmarked Reserves (including the transfer explained in paragraph 3) and £9.090m was held in the Capital Receipts Reserve. Collectively, these balances totalled £50.606m at the year end. A more detailed breakdown of reserve balances was provided to Members in Appendix 5 of the provisional outturn report considered by the Authority on 25 June 2026.

6. **Firefighters' Pension Fund account 2025/26** – Eligible expenditure charged to the Firefighters' Pension Fund, including ongoing firefighter pensions, pension commencement lump sums and transfer values out, totalled £34.571m in 2025/26. Income to the Fund, comprising employee contributions, employer contributions, charges in respect of ill-health retirements and pensions not abated, together with transfer values in, totalled £18.002m. In addition, the Authority received £15.752m of Government grant funding in July 2025 in respect of the McCloud and Matthews pension remedy cases. As a result, a final Government top-up grant of £817k was required to balance the Pension Fund to nil at the end of 2025/26.

7. **External Audit** – The Authority's 2025/26 Statement of Accounts remains subject to completion of the external audit by Grant Thornton UK LLP. No amendments affecting the reported outturn position have been identified during the audit and none are currently anticipated from the remaining review procedures. However, until the audit is formally concluded, the possibility remains that adjustments to the financial statements may be required. The External Auditors will attend the meeting to present their reports and provide a verbal update on the status of the audit.

IMPACT ASSESSMENT

8. The 2025/26 revenue budget underspend of £1.738m has been transferred to the Insurance and Resource Reserve. This provides a one-off funding source to address the £1.547m budget gap incorporated within the approved 2026/27 revenue budget. This approach aligns available resources with known future funding pressures while maintaining the Authority's overall financial resilience.

9. Resources have been carried forward, where appropriate, to fund outstanding revenue commitments and capital expenditure that has been re-phased into future financial years. This will support the delivery of approved projects and commitments without creating additional budget pressures in subsequent years.

RECOMMENDATIONS

10. Members are requested to:-

10.1 Agree that the final 2025/26 revenue and capital outturn position set out in this report is consistent with the provisional outturn position presented to Members of the Authority on 25 June 2026.

Item Number: B3

By:	Director of Finance and Corporate Services
To:	Audit and Governance Committee – 24 September 2026
Subject:	ANNUAL GOVERNANCE STATEMENT 2025/26
Classification:	Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval of the Authority's 2025/26 Annual Governance Statement (AGS). The preparation of an Annual Governance Statement is a statutory requirement under the Accounts and Audit Regulations 2015 and forms part of the Authority's annual review of the effectiveness of its governance framework and system of internal control. The AGS is published alongside the Statement of Accounts and provides transparency regarding the Authority's governance arrangements, significant governance issues identified during the year, and the actions being taken to address them. The Statement is also subject to review by the Authority's External Auditor as part of the annual accounts audit process.

RECOMMENDATION

Members are requested to:

1. Approve the 2025/26 Annual Governance Statement (paragraphs 6 to 11 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Head of Finance – Matt Southern
CONTACT DETAILS: T: 01622 692121 / E: kmfraclerk@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Governance, as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its 'Delivering Good Governance in Local Government Framework (2016)', refers to: "*the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*". The importance of maintaining effective governance arrangements is reflected in the statutory framework governing local authorities. In particular, Regulation 3 of the Accounts and Audit Regulations 2015 requires the Authority to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the management of risk. Regulation 6 further requires the Authority to undertake an annual review of the effectiveness of its governance framework and system of internal control.

2. The Annual Governance Statement provides an assessment of the Authority's governance framework and system of internal control, together with a review of their effectiveness during 2025/26. The draft 2025/26 Annual Governance Statement was published on the Authority's website on 26 June 2026 alongside the draft (unaudited) 2025/26 Statement of Accounts. Subject to Members' approval, the final Annual Governance Statement will be published alongside the audited 2025/26 Statement of Accounts.

3. The primary purpose of the Annual Governance Statement is to provide transparent assurance that the Authority has appropriate governance arrangements and systems of internal control in place, and that these are operating effectively to support the delivery of services in accordance with relevant legislation, regulations, and the Authority's strategic objectives and values.

4. The Annual Governance Statement and the review process that underpins it cover the twelve-month period ending 31 March 2026. Accordingly, the governance arrangements, systems of internal control and key initiatives considered as part of the 2025/26 review operated throughout the financial year and have continued to operate up to the date of approval of the 2025/26 Statement of Accounts.

Delivering Good Governance in Local Government: Addendum

5. In May 2025, CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives and Senior Managers) published additional guidance on undertaking the annual review of governance and internal control arrangements and the preparation of Annual Governance Statements. The guidance, issued as an addendum to the *Delivering Good Governance in Local Government Framework*, applies to all UK local authorities from the 2025/26 financial year onwards. Accordingly, the Authority's 2025/26 Annual Governance Statement has been prepared in accordance with the requirements and expectations set out within

the new guidance. The guidance is available via the CIPFA website: Delivering Good Governance in Local Government Addendum.

Content of the 2025/26 Annual Governance Statement

6. The 2025/26 Annual Governance Statement provides a comprehensive overview of the Authority's governance framework, including the arrangements in place to ensure effective leadership, decision-making, accountability, risk management and internal control. It explains how these arrangements support the delivery of the Authority's strategic objectives, ensure compliance with relevant legislation and professional standards, and promote continuous improvement in governance practices.

7. A key component of the Annual Governance Statement is the Authority's assessment of compliance with the CIPFA Financial Management Code, a mandatory framework introduced in April 2020 to support sound and sustainable financial management within local authorities. The Statement confirms that compliance with the Code is subject to regular review and that its principles continue to inform the Authority's financial planning, budget setting, financial monitoring and decision-making processes.

8. The Annual Governance Statement is structured around the seven principles of good governance set out within the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework*. These principles are embedded within the Authority's own Code of Good Governance, which explains how they are applied in practice across the organisation. The Annual Governance Statement is informed by a comprehensive self-assessment process based on these principles, incorporating a review of relevant governance arrangements, policies and internal controls. This assessment is supported by a range of evidence sources and, where available, independent assurance obtained through Internal Audit reviews, External Audit reports, and inspections undertaken by HMICFRS.

9. Upon approval by the Committee, the Annual Governance Statement will be signed by the Chair of the Committee and the Chief Executive before being published alongside the final audited 2025/26 Statement of Accounts. The draft 2025/26 Annual Governance Statement is attached at **Appendix 1** for Members' consideration and approval.

Conclusions from the Self-Assessment

10. The Authority is able to demonstrate a strong and effective governance framework that is well aligned with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework*. Governance arrangements are comprehensive, embedded throughout the organisation and supported by a robust system of internal control, effective risk management processes and well-established strategic planning arrangements. The Authority's assessment is supported by a broad range of evidence, including Internal Audit's overall substantial assurance opinion, consistently positive

External Audit outcomes, HMICFRS inspection findings and detailed management self-assessment. Collectively, these sources of assurance provide a high level of confidence that the Authority's governance, risk management and control arrangements continue to operate effectively.

11. Whilst areas for further development have been identified through the self-assessment process, these do not represent significant weaknesses in the Authority's governance arrangements or system of internal control. Instead, they reflect the Authority's commitment to maintaining high standards of governance and pursuing continuous improvement, supported by a strong culture of accountability, effective oversight and robust assurance processes.

IMPACT ASSESSMENT

12. There are no direct financial implications arising from this report. However, the Annual Governance Statement forms a key component of the Authority's governance framework, providing assurance that appropriate arrangements are in place to support effective financial management, decision-making, risk management and internal control.

RECOMMENDATION

13. Members are requested to:

    13.1 Approve the 2025/26 Annual Governance Statement (paragraphs 6 to 11 and **Appendix 1** refer).

Appendix 1 to
Item No: B3

Annual Governance Statement 2025/26

Executive Summary

This Annual Governance Statement presents Kent and Medway Fire and Rescue Authority's assessment of the effectiveness of its governance arrangements for 2025/26. It concludes that the Authority continues to maintain a strong and effective governance framework, aligned to the CIPFA/SOLACE principles of good governance and supported by robust arrangements for risk management, internal control, financial stewardship, and transparent decision-making.

The assessment is informed by a comprehensive range of assurance sources, including Substantial Assurance from Internal Audit, an unqualified external audit opinion on its 2024/25 Statement of Accounts, positive overall HMICFRS findings, performance monitoring, and management self-assessment. Collectively, these provide strong evidence that the Authority's governance arrangements are operating effectively and are well embedded across the organisation.

Key strengths include the close alignment between governance, strategy and financial planning; active Member oversight through the Audit and Governance Committee; strong ethical and behavioural frameworks; and a clear commitment to transparency, accountability and continuous improvement. The Authority also demonstrates maturity in areas such as information governance, stakeholder engagement, workforce development and organisational learning.

A small number of areas for improvement have been identified, including strengthening organisational awareness of key governance frameworks, enhancing some aspects of reporting and contract compliance, and ensuring consistency in the application of governance processes across all teams. These areas are being addressed through targeted action planning and represent opportunities to strengthen an already effective control environment.

Overall, the Authority is satisfied that its governance arrangements remain robust, proportionate and effective, and support the proper conduct of its business, the achievement of its strategic objectives, and the responsible stewardship of public resources.

Introduction

Kent Fire and Rescue Service is overseen by a dedicated local authority called the Kent and Medway Fire and Rescue Authority (the Authority). The Authority is responsible for maintaining effective governance arrangements to support the achievement of its objectives and the proper use of public funds. These arrangements are aligned to the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

This Statement provides an annual assessment of the effectiveness of those arrangements, complementing the Authority's Local Code of Good Governance, which sets out the governance framework in detail.

What this Statement Tells You

This Statement summarises the results of the Authority's annual review of governance arrangements and provides an assessment of their effectiveness over the financial year. It highlights key areas of strength and identifies any actions required to support continuous improvement.

What is Governance?

Governance is defined by CIPFA as the arrangements put in place to ensure that intended outcomes are achieved while acting in the public interest.

The Authority applies the seven principles of good governance set out in the CIPFA/SOLACE framework. Details of how these are embedded in practice are set out in the Authority's Local Code of Good Governance, which underpins this Statement.

Who is Responsible for Ensuring Good Governance?

The Authority has overall responsibility for ensuring effective governance arrangements are in place. Specific responsibilities are delegated to Members, Committees and senior officers in accordance with the Authority's governance framework.

The Audit and Governance Committee provides independent assurance on the adequacy of risk management, internal controls and financial reporting processes. Senior officers are responsible for implementing and maintaining effective systems of control across their areas of responsibility.

Further detail on governance roles and responsibilities is set out in the Local Code of Good Governance.

Governance, Strategy and Planning – How does it all fit together and interact?

At the heart of the Authority is a clear vision, supported by defined aims and objectives and underpinned by a strong customer focus. These elements provide the foundation for how the Authority plans, prioritises and delivers its services.

The Authority adopts a structured approach to strategic planning, beginning with an assessment of long-term risks and opportunities, informed by a wide range of national and local data sources. This is supported by consultation with stakeholders and communities to ensure that priorities reflect both current and emerging risks and the expectations of the public.

The outcomes of this process are captured within the Authority's strategic plans, including the Community Risk Management Plan 2025–29 (CRMP), which sets out the key priorities and actions required to address identified risks and challenges. These plans are designed to ensure an integrated approach across teams and to align operational activity with strategic objectives.

Delivery of these priorities is supported through internal planning and performance arrangements that translate strategic objectives into coordinated activities across the organisation. These arrangements ensure that resources are aligned with priorities and that progress is regularly monitored and reported to Members.

The Authority's Medium-Term Financial Plan (MTFP) and Infrastructure Plan are closely aligned to its strategic priorities, ensuring that financial decisions support the delivery of planned outcomes and contribute to long-term sustainability.

The Authority meets its statutory and governance reporting requirements through the publication of this Annual Governance Statement, providing transparency on governance, performance, and compliance with the Fire and Rescue National Framework.

The Authority's governance framework is based on the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Compliance with these principles is demonstrated through the Authority's Local Code of Good Governance, which is reviewed annually. In addition, ongoing assurance is provided through regular review of financial management arrangements against the CIPFA Financial Management Code.

Key Pieces of Legislation and Guidance

The Authority operates within a well-established legislative and regulatory framework which underpins its governance arrangements, decision-making, and accountability. These requirements are set out in full within the Authority's Local Code of Good Governance and are subject to regular review.

Key elements of this framework include legislation governing financial reporting and internal control (such as the Accounts and Audit Regulations), the statutory responsibilities of fire and rescue authorities, and broader governance requirements placed upon local government bodies. Collectively, these ensure that the Authority:

- Maintains effective systems of internal control and financial management
- Operates in accordance with relevant legislation and statutory guidance
- Delivers services in line with national priorities and local risk
- Safeguards public money and ensures value for money

The Authority also has regard to sector-specific guidance and professional standards, including the CIPFA Financial Management Code and the Fire and Rescue National Framework for England, which together reinforce expectations around financial sustainability, operational effectiveness, and transparency.

A comprehensive list of the legislation and guidance applicable to the Authority is set out in the Local Code of Good Governance, which should be read alongside this Statement.

Assessment of Governance Effectiveness and Supporting Assurance

The Authority's assessment of its governance arrangements is informed by a comprehensive and robust range of assurance sources, including internal and external audit activity, inspection outcomes, performance monitoring, and management self-assessment. The breadth and independence of these sources provide a well-rounded and reliable evidence base, offering strong assurance on the effectiveness of internal control, risk management, and governance processes, and underpinning the overall conclusion set out below.

- **The views of the External Auditor**, in the; External Auditor's update of the statement of accounts 2024/25 and letter of representation for 2024/25 and; the Audit Risk Assessment for 2025/26 presented to the April 2026 Audit and Governance Committee. An 'unqualified' audit opinion has been issued for the 2024/25 financial statements.

- **The Internal Audit** Annual Report for 2025/26 provides an overall opinion of Substantial Assurance, indicating that arrangements for governance, risk management and internal control are well designed and operating effectively across the Authority. While a small number of improvement areas have been identified, these are not considered to have a significant impact on the Authority's overall risk exposure and are being addressed within agreed timescales. The Report was presented to and approved by the Audit and Governance Committee in April 2026, providing further assurance through Member scrutiny and oversight. Collectively, this opinion demonstrates the robustness of the Authority's governance

framework.

- The Authority's most recent **HMICFRS inspection** provides strong assurance that robust governance arrangements are in place, having maintained its outstanding performance in understanding risk and managing the future affordability of the service, and achieving good judgments in making the best use of resources, promoting the right values and culture, preventing fires and other risks, and getting the right people with the right skills.

- The Authority complies with the **CIPFA Financial Management Code**, which underpins strong financial management, transparency, and long-term sustainability. Compliance is subject to regular review and actively informs financial planning and decision-making. This approach demonstrates the Authority's commitment to robust governance and financial stewardship, as set out in the Authority's Local Code of Good Governance.

- Ongoing **evaluation of performance against the Authority's Community Risk Management Plan** (CRMP) and supporting plans for the period 2025 – 2029. This document sets out the Authority's strategic priorities and key performance indicators for the period and is based on the responses to the public consultation on the risk analysis and assessment set out in the document "Creating a Safer Future – Together" and a peer review conducted by Hampshire and Isle of Wight Fire and Rescue Service.

- The review and update of the Corporate Risk Register, reported to the January 2026 Audit and Governance Committee as part of the annual review of strategic and corporate risk management and risk appetite, demonstrates effective governance through regular Member oversight, robust scrutiny of key risks, and clear accountability for risk management arrangements.

- The Authority completed its annual review of the Local Code of Good Governance, reaffirming alignment with the CIPFA Governance Framework and Financial Management Code. Approval by Members at the April 2026 Audit and Governance Committee provides assurance that robust governance standards are maintained and regularly scrutinised.

- The Authority undertook a **self-assessment evaluation of operational performance** against the Fire and Rescue National Framework. The outcome of the assessment is detailed in the latest Statement of Assurance 2024/25, which was reviewed by Members at the October 2025 meeting of the Authority, demonstrating active Member scrutiny and challenge, and reinforcing the Authority's commitment to robust governance, accountability, and continuous improvement.

- **Ongoing self-assessments** undertaken by senior officers responsible for functional areas of the Authority and validated by the Corporate Management Board, including the level of awareness of the role and interrelationship between control systems.

- **Independent external awards and accreditations** that provide additional assurance that the Authority's governance framework is operating effectively, reflecting clear organisational standards, strong leadership, commitment to equality, diversity and inclusion, support for workforce wellbeing, good volunteer management, and professional competence in operational command, as demonstrated through recognition such as the Pride in Care Standard, MoD Employer Recognition Scheme Gold Award, Investors in Volunteers, Skills for Justice Incident Command accreditation, and the Platinum Medway Workplace Wellbeing Award 2025.

- The Authority delivers a **programme of community campaigns** and engagement activities to support prevention and strengthen public accountability. Initiatives such as Is Your Smoke Alarm Out of Date and Make the Right Call – Water Safety, alongside wider community events, promote risk awareness and community safety. This approach reflects strong governance through effective stakeholder engagement, transparency, and a clear focus on prevention.

Governance Effectiveness: Assessment Against the CIPFA/SOLACE Framework

The Authority's Local Code of Good Governance sets out how it applies the CIPFA principles of good governance. Compliance with these principles is assessed through a structured self-evaluation of governance effectiveness, benchmarking internal controls, systems, processes, and management arrangements against the CIPFA Framework. This process is supported by evidence demonstrating that governance arrangements are robust, transparent, and accountable across all areas of activity.

Principle A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Ethical Behaviour and Culture

The Authority maintains a strong ethical culture through clear standards and leadership expectations that apply to both employees and Members. Key controls include the Code of Ethical Conduct, Behaviour and Culture Framework, and formal arrangements for reporting and addressing misconduct, supported by anti-fraud and corruption policies and plans. Together, these ensure that ethical breaches are investigated, lessons are embedded, and expected behaviours are consistently reinforced.

Outcomes include a workforce that understands expected standards, demonstrates professional conduct, and operates within a supportive, inclusive environment informed by colleague engagement and diversity forums.

Compliance with Laws and Regulations

The Authority ensures lawful and compliant decision-making through defined governance structures and statutory oversight. Core controls include the Monitoring Officer function, the Local Code of Good Governance, and policies covering data protection, anti-fraud, anti-bribery, and anti-money laundering. The Speak Up Policy further strengthens compliance by enabling concerns to be raised and investigated formally.

These arrangements ensure decisions are legally sound, risks are managed appropriately, and any non-compliance is identified and addressed in a timely and transparent manner.

Ethical Relationships with Suppliers, Partners and Third Parties

The Authority promotes ethical standards across its external relationships through procurement and partnership controls. These include the Modern Slavery Policy and equality requirements within procurement processes, ensuring suppliers meet legal and ethical expectations. Training and due diligence processes help identify and mitigate risks within supply chains.
As a result, the Authority maintains transparent, fair, and lawful partnerships, reinforcing its ethical commitments beyond the organisation and supporting responsible service delivery.

Principle A - Evaluation of Effectiveness

Taken together, these arrangements provide a strong and coherent framework for promoting integrity, ethical behaviour and compliance across the Authority. Clearly defined expectations, supported by effective oversight, reporting mechanisms and embedded policies, ensure that standards are consistently applied and upheld. This integrated approach enables the Authority to identify and address risks promptly, reinforce appropriate behaviours, and sustain a culture of accountability and professionalism. As a result, there is clear assurance that the Authority acts lawfully, ethically and transparently, maintaining the confidence of stakeholders and aligning with the principles set out in the CIPFA/SOLACE Delivering Good Governance framework.

Principle B
Ensuring openness and comprehensive stakeholder engagement.

Openness and Transparency in Decision-Making

The Authority ensures transparency through clear governance structures and open access to decision-making. Key controls include public meetings, published reports and constitutional documents, and defined terms of reference for internal governance groups. Strategic planning, including the CRMP, is underpinned by structured risk analysis and consultation principles.

These arrangements enable stakeholders to understand how decisions are made, ensure appropriate scrutiny and challenge, and support accountable, transparent governance.

Public Consultation and Customer Feedback

The Authority engages stakeholders through formal consultation processes and ongoing feedback mechanisms that inform service delivery and planning. Core controls include structured public consultations, a Customer Feedback Policy, and accessible communication channels. Feedback is systematically analysed, reported, and used to shape future plans and improvements.

Outcomes include demonstrable responsiveness to community views, high levels of customer satisfaction, and continuous service improvement driven by stakeholder input.

Access to Information and Inclusive Stakeholder Engagement

The Authority supports openness by ensuring clear access to information and embedding stakeholder engagement in organisational change. Key controls include Freedom of Information and data access policies, alongside mandatory impact assessments to identify and engage affected stakeholders.

These arrangements promote transparency, protect information rights, and ensure that decisions are informed by the needs and perspectives of diverse stakeholders.

Principle B - Evaluation of Effectiveness

Overall, these arrangements are considered effective as they ensure openness and stakeholder engagement are embedded within decision-making processes. Clear governance structures, transparent reporting and accessible information enable effective scrutiny and accountability. Engagement mechanisms provide consistent and meaningful opportunities for stakeholders to influence planning and service delivery, with feedback actively used to inform improvement. Collectively, this demonstrates that the Authority operates in a transparent and inclusive manner, maintaining public trust and ensuring decisions are well-informed and responsive, in line with the CIPFA/SOLACE Delivering Good Governance framework.

Principle C
Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Sustainable Economic Benefits

The Authority delivers economic sustainability through integrated planning, financial control, and performance oversight. Key controls include the CRMP, Medium-Term Financial Plan, and annual strategies covering capital, treasury, and reserves, all aligned to long-term risk and investment priorities. Performance and value for money are monitored through regular reporting, external inspection, and internal review frameworks.

These arrangements ensure resources are prioritised effectively, financial resilience is maintained, and services are delivered efficiently with demonstrable value for money.

Sustainable Social Benefits

The Authority defines social outcomes through safer communities, effective response services, and wider public value. Core controls include the CRMP, Social Value Policy, and formal risk management processes, supported by consultation and performance monitoring. Governance arrangements ensure risks are identified, managed, and reported, while service delivery integrates prevention, response, and resilience activities.

Outcomes include improved community safety, stronger public confidence, and delivery of broader social value beyond core emergency services.

Sustainable Environmental Benefits

The Authority embeds environmental sustainability through strategic commitments and operational controls. These include the Climate Action Plan, environmental priorities within the CRMP, and ongoing monitoring through dedicated governance forums. Investment in estate, fleet, and resource efficiency supports carbon reduction and environmental improvement.

As a result, environmental considerations are integrated into decision-making, supporting reduced emissions, more sustainable operations, and alignment with longer-term climate objectives.

Principle C - Evaluation of Effectiveness

Overall, these arrangements are considered effective as they demonstrate a clear and consistent link between strategic planning, resource allocation and the delivery of sustainable economic, social and environmental outcomes. Outcomes are defined through robust frameworks, informed by risk and stakeholder engagement, and supported by regular performance monitoring and review. This ensures that decision-making remains evidence-based, value for money is achieved, and the Authority is able to adapt to emerging risks and priorities. Collectively, these controls provide assurance that the Authority is delivering sustainable benefits to its communities in line with the CIPFA/SOLACE Delivering Good Governance framework.

Principle D
Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Authority has established a coherent framework to ensure that decision-making, planning, performance management and partnership activity are consistently focused on identifying and implementing the most effective interventions to achieve intended outcomes.

Informed Decision-Making and Governance

The Authority ensures effective interventions through structured governance and access to timely, relevant information. Key controls include defined decision-making frameworks, Member oversight, and formal scrutiny arrangements, supported by transparent reporting. These arrangements enable informed decisions, clear accountability, and consistent alignment between strategy, risk, and operational priorities.

Customer Insight and Continuous Improvement

The Authority uses customer feedback and performance data to shape service improvements. Core controls include structured feedback processes, monitoring of satisfaction and complaints, and analysis to identify trends and root causes. This ensures services remain responsive, with continuous improvement driven by evidence of customer experience and need.

Integrated Planning and Delivery

A joined-up planning framework aligns risk, priorities, and resources across the organisation. Key controls include strategic and operational plans, performance reporting, and targeted delivery activity focused on prevention and risk reduction. These arrangements support effective intervention at scale, ensuring resources are directed towards those most at risk and outcomes are consistently achieved.

Organisational Efficiency and Resource Alignment

The Authority strengthens delivery through ongoing process improvement and clear resource planning. Controls include structured review methodologies, team planning, and leadership oversight to ensure capacity and capability align with priorities. This enables efficient use of resources and ensures interventions are proportionate, targeted, and deliver maximum impact.

Financial Planning and Sustainability

Financial strategies underpin the delivery of interventions by aligning funding with long-term priorities. Key controls include the Medium-Term Financial Plan and supporting capital and investment strategies, all subject to Member approval and review. These arrangements ensure interventions are affordable, sustainable, and focused on achieving long-term outcomes.

Performance Monitoring and Evaluation

The Authority evaluates the effectiveness of interventions through regular performance reporting and structured reviews. Controls include operational reporting to Members and formal evaluation of strategic delivery periods. This ensures outcomes are measured, lessons are identified, and future interventions are informed by evidence and continuous learning.

Partnership Working and Collaboration

Collaboration is a core mechanism for delivering effective interventions. Key controls include formal partnerships, joint working arrangements, and shared service initiatives across emergency services and other organisations. This enables coordinated responses to complex risks, improves efficiency, and enhances the overall impact of interventions across communities.

Principle D - Evaluation of Effectiveness

Taken together, these arrangements demonstrate that the Authority is giving effect to Principle D of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework by using evidence, planning, performance information and partnership working to identify and deliver the interventions most likely to achieve its intended outcomes. They are effective because they align decision-making, risk, resources and delivery activity; enable the Authority to target effort where need and risk are greatest; and ensure that interventions are kept under review through performance monitoring, customer feedback and evaluation.

Principle E
Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Continuous Improvement and Organisational Learning

The Authority embeds continuous improvement through structured performance review, feedback and assurance processes. Learning from internal and external sources, including national standards and major inquiries, is systematically captured and applied. Independent oversight and formal reporting to Members ensure transparency, accountability and that improvements lead to measurable organisational outcomes.

Workforce Capability, Skills and Leadership Development

The Authority maintains a skilled and competent workforce through structured training, professional standards and leadership development. Integrated frameworks provide assurance over competence and operational readiness, while accreditation and development programmes ensure consistent standards. A strong focus on inclusion and culture supports workforce engagement and organisational effectiveness.

Organisational Capacity and Effective Resource Management

Capacity and resources are aligned to strategic priorities through clear planning, disciplined project management and oversight arrangements. Continuous improvement methodologies enhance efficiency and service delivery, while leadership boards ensure that resources are effectively prioritised and managed to deliver intended outcomes.

Leadership, Governance and Accountability

Clear governance arrangements define roles, responsibilities and decision-making authority, supported by statutory officers providing financial and legal assurance. These controls ensure decisions are transparent, lawful and aligned to organisational objectives, reinforcing accountability at all levels.

Standards, Culture and Performance Management

High standards of conduct and ethical behaviour are maintained through established codes and transparent reporting. Performance and value for money are monitored through structured reporting and benefits realisation, ensuring delivery of outcomes and continuous strengthening of organisational culture.

Workforce Wellbeing

The Authority supports workforce wellbeing through accessible services and proactive management engagement. These arrangements sustain workforce resilience, enabling colleagues to perform effectively and maintain organisational capacity over the long term.

Principle E - Evaluation of Effectiveness

These arrangements demonstrate that the Authority is performing against Principle E of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework by building organisational capacity through continuous learning, workforce development, strong leadership and clear

accountability. They are effective because they ensure that lessons from assurance activity, feedback and external review are translated into measurable improvement; that colleagues and leaders are equipped through training, accreditation and development frameworks to perform their roles competently; and that capacity, wellbeing and resources are actively managed to sustain performance, resilience and delivery of the Authority's objectives.

Principle F
Managing risks and performance through robust internal control and strong public financial management.

Risk Management and Internal Control

The Authority maintains a robust risk management framework, supported by a Corporate Risk Register and regular oversight by the Audit and Governance Committee. A revised approach introduced in 2024/25 strengthens clarity between strategic and operational risks and ensures alignment with broader planning, including the CRMP. Business continuity arrangements and integrated financial planning further support resilience. These controls provide assurance that risks are effectively identified, managed and monitored.

Financial Management and Stewardship

Strong financial management arrangements underpin the effective use of public resources. Medium-term financial planning aligns resources to priorities, supported by regular budget monitoring and transparent reporting to Members. Independent assurance is provided through external audit, with an unqualified audit opinion on the 2024/25 financial statements, and internal audit, which has confirmed substantial assurance. Anti-fraud arrangements further strengthen the control environment and safeguard public funds.

Performance Management and Accountability

The Authority has clear performance management arrangements, including structured reporting and the use of a balanced scorecard. These enable leadership to monitor delivery against objectives and take corrective action where needed. A strengthened policy framework ensures consistency and effective governance across corporate policies.

Stakeholder Engagement and Transparency

Stakeholder engagement is embedded within strategic planning, with consultation informing key strategies such as the CRMP. This ensures that decisions reflect community risk, priorities and expectations, supporting transparency and accountability.

Information Governance and Data Security

The Authority maintains strong information governance arrangements, supported by clear policies, compliance with data protection legislation and strategic oversight. Independent audit assurance confirms that controls are effective, ensuring that information is managed securely and appropriately.

Principle F - Evaluation of Effectiveness

Overall, these arrangements show that the Authority is applying Principle F of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework by maintaining a well-established system of risk management, internal control, performance oversight and financial management. They are effective because they support the early identification of risks, promote disciplined use of resources, provide clear accountability for delivery, and enable the Authority to respond appropriately to issues affecting performance, compliance, or financial resilience.

Principle G
Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Audit, Assurance and Accountability

The Authority maintains robust audit and assurance arrangements to support transparency and accountability. Internal and external audit provide independent assurance on governance, risk management and internal control, with findings reported to Members and subject to ongoing monitoring. Oversight by the Audit and Governance Committee ensures effective scrutiny and continuous improvement.

Transparency and Access to Information

The Authority promotes openness by publishing key financial, performance and organisational information in line with statutory requirements. Clear information governance arrangements and regular review of disclosures ensure that information remains accessible, accurate and compliant, enabling effective public scrutiny.

Open Decision-Making and Public Accountability

Decision-making is transparent, with meetings held in public and supporting information published. Regular reporting on performance, finance and governance ensures that Members are able to scrutinise decisions and hold the Authority to account.

Governance Reporting and Compliance

The Authority meets its statutory responsibilities through the publication of the Annual Governance Statement and adherence to recognised governance frameworks. These arrangements provide assurance that governance remains effective, compliant and aligned to best practice.

Ethical Standards in Partnerships and Supply Chains

The Authority promotes high standards of ethical conduct across its partnerships and supply chains through clear policies and oversight. This includes a zero-tolerance approach to modern slavery and a commitment to equality in procurement, ensuring that governance and accountability extend beyond the organisation.

Principle G – Evaluation of Effectiveness

Taken together, these arrangements demonstrate that the Authority is giving effect to Principle G of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework by embedding transparency, robust reporting, and independent audit within its governance processes. They are effective because they provide clear, timely and reliable information to Members, stakeholders and the public, support informed scrutiny and challenge, and ensure that governance, financial management and internal control are subject to independent assurance and continuous improvement.

Internal Audit Assurance Opinion on Governance Arrangements (2025/26)

During 2025/26, Internal Audit has played a central role in supporting the Authority's governance framework, operating as an independent third line of assurance. The programme of work has been aligned to the Authority's key strategic and operational risks, ensuring that audit activity is focused on areas of highest importance.

The results of 2025/26 audit activity demonstrate a strong control environment overall:

- 71% of audits achieved "Substantial" assurance or above
- No audits received "Limited" or "No Assurance" opinions

Internal Audit work undertaken during 2025/26 provides Substantial Assurance that the Authority's governance, risk management and internal control arrangements are sound and operating effectively. Audit coverage across key areas including procurement, recruitment, grant management, operational service delivery, workforce resource management, and mental health support demonstrates that controls are generally well designed and consistently applied. Strong financial governance was evidenced through high assurance in procurement and effective management of grant funding,

while operational and workforce audits confirmed that appropriate governance frameworks are in place to support service delivery, resilience, and colleague wellbeing.

Whilst some areas for improvement were identified, particularly in relation to consistency of operational processes, monitoring, and systems, these do not represent significant governance weaknesses and are subject to agreed management actions. Positive external inspection outcomes, effective counter-fraud arrangements, and a strong track record of responding to audit recommendations provide further confidence. Overall, the Authority can demonstrate that it has robust governance arrangements aligned to CIPFA/SOLACE principles, supported by a culture of accountability and continuous improvement.

Internal Audit Plan for Governance Assurance (2026/27)

A risk-based Internal Audit Plan has been developed for 2026/27, aligned to the Authority's strategic objectives, Corporate Risk Register, and Fraud and Bribery assessments, to support the continued provision of independent assurance over governance, risk management and internal control arrangements.

The Plan includes targeted reviews across key areas of organisational risk and priority, including quality assurance of operational activity (Home Fire Safety Visits), workforce management (attendance and sickness), decision-making processes (including Equality and People Impact Assessments), cyber security, ethical standards and organisational culture, ICT supply chain security, and the Community Risk Management Plan (CRMP). In addition, advisory work on project management and ongoing counter-fraud activity will further strengthen governance arrangements by supporting effective design and implementation of new and emerging processes.

The focus of this audit coverage demonstrates a clear commitment to proactive, risk-based governance, providing assurance over high-impact areas such as operational service delivery, workforce resilience, digital risk, and organisational culture. The inclusion of audits linked to extreme and major risks, alongside flexibility to respond to emerging priorities, ensures that the Authority maintains strong oversight of its most critical risks.

Together with a robust Internal Audit Charter, defined performance measures, and alignment to professional standards, the Plan supports effective governance by promoting transparency, strengthening accountability, and enabling continuous improvement across the Authority.

Governance Assurance: Management Self-Assessment and Action Planning

As part of the Authority's overarching governance assurance framework, engagement has been undertaken with senior officers from the Strategic Leadership Board to obtain confirmation that their respective teams are operating in accordance with established governance arrangements, policies, and procedures. This process also requires officers to formally identify and report any areas of governance concern, including matters highlighted

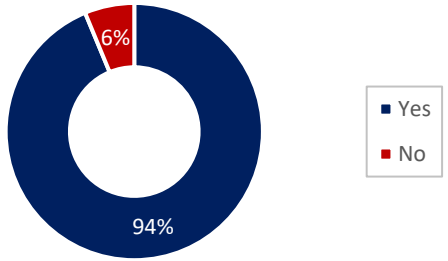
through internal or external scrutiny such as Internal Audit reviews, External Audit findings, HMICFRS inspections, or other independent evaluations of the Authority and its services.

This approach aligns with the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) and its latest addendum, particularly in relation to ensuring openness and comprehensive stakeholder engagement (Principle B), managing risks and performance through robust internal control and assurance mechanisms (Principle F), and implementing good practices in transparency, reporting, and audit to deliver effective accountability (Principle G).

The issues and improvement areas identified through this engagement provide an evidence-based foundation for the Authority's governance action plan for 2026/27 and beyond, supporting continuous improvement and reinforcing a culture of strong, accountable governance.

1. Policies, Objectives and Plans:

- My team are aware of the current Community Risk Management Plan.
- My team are aware of the objectives set through the Annual Plan and have the necessary resources and knowledge to meet the targets that relate to their respective areas of responsibility.
- These objectives are recognised through continuous dialogue with my team.



Managers who answered no said:

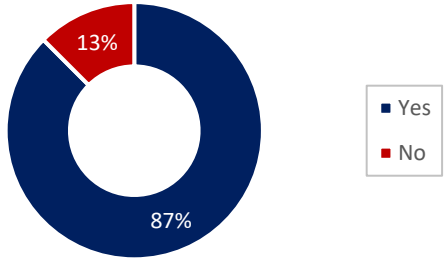
Managers who responded "no" explained that full assurance could not currently be provided because their teams have not met collectively since the publication of the latest plans, due in part to health-related disruption. While some colleagues may have familiarised themselves with the plans individually or via leadership cascades, managers could not confirm consistent awareness across the whole team. This gap will be addressed at the next scheduled team meeting, where the plans will be formally discussed and communicated to ensure full understanding and alignment.

Action plan going forward:

The Authority will strengthen governance assurance by ensuring timely and consistent communication of strategic plans through structured team meetings and enhanced leadership cascades, supported by alternative briefings where needed. Managers will be required to evidence engagement activities, while governance oversight arrangements will monitor compliance and address any gaps. These measures will improve resilience, ensure full team awareness, and support effective delivery of organisational objectives.

2. Compliance:

- My team are aware of the Authority's Constitution and how it sets out the governance and operations of the Authority's plans and activities.
- My team are aware of the Authority's Behaviours Framework.



Managers who answered no said:

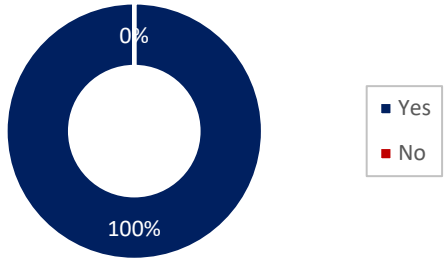
Managers who responded "no" reported that they could not provide full assurance that all colleagues were aware of the Authority's Constitution and Behaviours Framework, particularly where teams had not recently met collectively or where there were newly appointed colleagues.

Action plan going forward:

Actions are in place to address this through scheduled team meetings and by strengthening induction and onboarding arrangements for new colleagues.

3. Information Governance:

- My team are aware of their responsibilities under the following areas:
  - Data Protection
  - Cyber Security
- My team are required to complete mandatory training in Data Protection and Cyber Security and completion rates are monitored and reported.



Managers who answered no said:

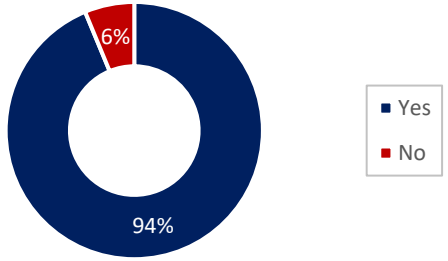
Not applicable – all senior managers confirmed compliance with the Information Governance requirements detailed above.

Action plan going forward:

Build on the strong level of compliance by maintaining a proportionate assurance approach to confirm that information governance responsibilities and mandatory training requirements continue to be understood and consistently applied. This will help sustain high levels of awareness, ensure training completion remains robust, and support the ongoing reinforcement of good practice across the team.

4. Management and People:

- My teams have clearly defined management structures.
- I can confirm that continuous dialogue of colleague and team performance has been carried out.
- I can confirm that the learning and development needs of my team have been identified and where essential for effective service delivery, an action plan is in place to address them.



Managers who answered no said:

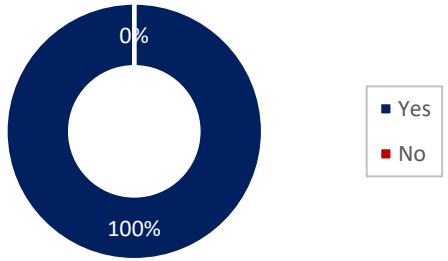
A small minority of managers reported limited assurance over how consistently continuous dialogue on colleague and team performance is taking place. This indicates a need to strengthen and formalise regular performance conversations to ensure they are occurring effectively and consistently across the team.

Action plan going forward:

Strengthen the consistency of performance conversations across teams by promoting greater awareness and use of the Authority's existing performance management processes. This should include reinforcing expectations for regular one-to-ones and team check-ins, supporting managers to apply current processes consistently, and monitoring implementation to provide assurance that meaningful performance dialogue is taking place effectively across the organisation.

5. Performance Management:

- My team are aware of the objectives and targets concerning their respective areas of responsibility, how these are determined and when they are to be reported.
- I can confirm that where performance management targets are set for the team they are communicated to and acknowledged by colleagues in a timely and accurate manner.
- Any complaints and Freedom of Information (FOI) requests are monitored and responded to in accordance with timescales set out.



Managers who answered no said:

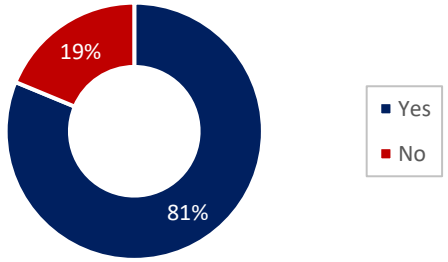
Not applicable – all senior managers confirmed compliance with the Performance Management governance requirements detailed above.

Action plan going forward:

Maintain the strong level of compliance by implementing a proportionate assurance approach to confirm that performance management practices (including target setting, communication, and FOI/complaints handling) remain consistently applied. This will help sustain high standards, provide early visibility of any emerging risks, and support the sharing of best practice across teams.

6. Risk Management:

- My team are aware of the Corporate Risk Management Policy and their responsibilities under risk management.
- My team are aware of the escalation process concerning risks and the procedure of elevation of risks to a Strategic level.
- I can confirm that relevant risks for my respective areas of responsibility have been recorded in the Authority's Corporate Risk Register and are subject to review during the financial year.



Managers who answered no said:

Some managers reported limited assurance that all team members are fully aware of the Corporate Risk Management Policy and the process for escalating risks beyond health and safety matters. However, relevant risks are recorded in the Corporate Risk Register and reviewed regularly.

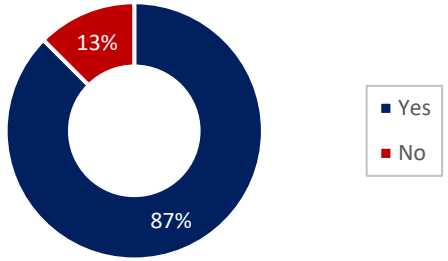
Action plan going forward:

Strengthen awareness of the Corporate Risk Management Policy and risk escalation procedures by reinforcing these requirements through team meetings, manager communication and onboarding arrangements for new colleagues, while continuing regular review of relevant risks through the Corporate Risk Register.

7. Financial Management:

- I can confirm that budgetary control procedures are in place within my team to comply with the Financial Management Policy in place across the Authority and its underlying codes of practice and relevant legislation.

- I confirm that budget holders within my team are aware of, and have complied with, the Authority's Procurement Policy.



Managers who answered no said:

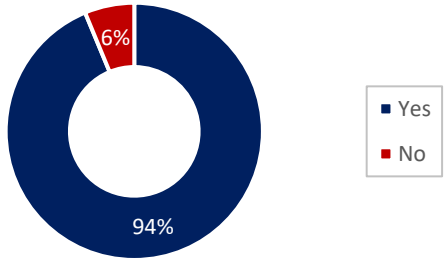
For some areas, managers reported that financial management requirements were not directly applicable because their teams do not hold budgets or have direct budgetary responsibilities. As a result, no significant governance issue was identified in relation to financial management within those teams.

Action plan going forward:

Ensure that roles and responsibilities for budget management and procurement compliance are clearly understood across all teams, including confirming where financial management requirements are not directly applicable.

8. Fraud and Litigation:

- My team are aware of the Authority's Speak Up policy and fraud reporting procedures.
- I can confirm that I have no knowledge of any fraud that may have an adverse effect on the Authority.
- I can confirm that I have no knowledge of any litigation or claims involving the Authority which require disclosure in the Financial Statements as at 31 March, which exceed £50,000 (in that the Authority could be liable for costs or a fine).



Managers who answered no said:

A small number of managers reported that they could not provide full assurance that all team members were aware of the Authority's Speak Up policy and fraud reporting procedures, although this was expected to be confirmed through the next team meeting. No concerns were raised regarding fraud, litigation or claims requiring disclosure.

Action plan going forward:

Strengthen awareness of the Authority's Speak Up policy and fraud reporting procedures through team communication and routine reinforcement, with confirmation through team meetings to ensure all colleagues understand how concerns should be raised.

Governance Effectiveness: Areas for Development

The following areas of focus have been identified by the Strategic Leadership Board (SLB) through the Authority's self-assessment of its governance arrangements and the development of associated action plans. These areas represent opportunities to further strengthen the effectiveness, consistency, and transparency of the Authority's governance framework. The actions outlined are intended to support continuous improvement and ensure that governance arrangements remain robust, proportionate, and aligned with the Authority's strategic objectives.

Policy Framework and Governance Structure

The Authority has made strong progress in maintaining and updating its policy framework, including the review of key financial policies and the introduction of a Data Governance Policy in response to external audit feedback. However, there remains an opportunity to enhance consistency in policy structure and improve organisational awareness of governance documents such as the Constitution. To address this, work will continue to align all policies to the agreed Tier 2 and Tier 3 framework, ensure they progress through the appropriate governance processes, and strengthen communication to support greater awareness and consistent application across the organisation.

Financial Management and Oversight

Financial management arrangements are well established, with strengthened processes such as regular budget review meetings already in place. External audit has, however, identified an opportunity to enhance the transparency of financial performance reporting, particularly in relation to tracking delivery against planned savings. In response, further development of reporting will ensure clearer visibility of savings performance, including progress, risks, and variances, thereby supporting robust oversight and informed decision-making.

Risk, Fraud and Assurance

The Authority continues to maintain a proactive approach to risk and assurance, with plans in place to refresh the Fraud Action Plan and ongoing improvements to HR systems and audit processes. These developments present an opportunity to further strengthen assurance arrangements, particularly through improved use of data and system capability. The focus will therefore be on enhancing risk management and assurance frameworks by updating key plans and embedding more robust, data-driven oversight of workforce and governance processes.

Procurement and Contract Compliance

While procurement governance arrangements are in place and regularly reported, there remains a recognised need to improve contract compliance across a number of teams. This represents an opportunity to strengthen oversight and ensure that all services and works are underpinned by compliant contractual arrangements. Continued focus will be placed on improving visibility, governance, and compliance in procurement activity, supported by regular reporting and engagement with relevant teams.

Performance, Reporting and Operational Assurance

The Authority has introduced a range of measures to support operational assurance, including quality assurance processes for Home Fire Safety Visits and established reporting mechanisms. There remains scope to further strengthen the consistency and clarity of reporting, particularly in relation to compliance with operational guidance and policy. Going forward, enhancements will be made to reporting frameworks to provide clearer, more consistent oversight of performance, compliance, and assurance activities across the organisation.

Training, Awareness and Culture

The importance of mandatory training and organisational awareness is well recognised, with processes in place to encourage completion and reinforce key governance messages. However, reliance on manual reminders presents an opportunity to further strengthen compliance and engagement. The Authority will continue to promote a culture of accountability and awareness by reinforcing expectations around training completion and increasing understanding of key governance frameworks, ensuring these are embedded within day-to-day activities.

Equality, Inclusion and Service Design

The Authority has a well-developed suite of equality of access documents that support inclusive service delivery. The next stage of development is to ensure these principles are consistently understood and applied across teams. By strengthening awareness and embedding these considerations into planning and decision-making, the Authority will enhance service design and delivery, ensuring it remains responsive to the needs of all communities and supports effective, evidence-based decision-making.

Emerging Governance Risks and Future Priorities

The Authority recognises that maintaining effective governance requires ongoing review and responsiveness to an increasingly complex and evolving operating environment. In line with the CIPFA/SOLACE Delivering Good Governance in Local Government framework, governance arrangements are continually assessed to ensure they remain fit for purpose, resilient and capable of supporting the delivery of strategic objectives.

A number of emerging pressures continue to shape the Authority's governance landscape. Financial sustainability remains a key consideration, with ongoing uncertainty in public sector funding, inflationary pressures and increasing service demand requiring careful long-term planning and strong financial oversight. At the same time, workforce capacity and capability present a continuing challenge, particularly in ensuring the Authority can attract, retain and develop the skills and leadership required to meet evolving operational demands.

The nature of risk faced by the Authority is also changing. Increasingly complex incidents, including those linked to climate change and wider societal risks, require adaptable and forward-looking risk management arrangements. In parallel, the growing reliance on data, digital systems and emerging technologies introduces new governance considerations, particularly in relation to information security, data protection and the ethical use of information.

The Authority also continues to operate within an environment where partnership working and collaboration are essential to delivering effective services. While this provides significant opportunities, it also increases the need for clear governance, accountability and oversight across organisational boundaries.

In response to these challenges, the Authority has identified a number of key priorities to further strengthen governance arrangements. These include continuing to enhance the maturity of risk management and assurance processes, ensuring that strategic risks are clearly understood and fully integrated into decision-making. Maintaining strong financial governance and building long-term resilience will remain a central focus, alongside continued investment in workforce development, leadership capability and organisational culture.

Further priority will be given to strengthening information governance and oversight of digital and data-related risks, ensuring that emerging technologies are used safely, securely and ethically. The Authority will also continue to develop its approach to performance management, with an increased focus on outcomes, evaluation and demonstrating value for money. In addition, governance arrangements supporting partnership working will be kept under review to ensure they remain robust and transparent.

Overall, the Authority is satisfied that its governance arrangements are well established and operating effectively. However, recognising the importance of continuous improvement, these areas of focus will be progressed through existing governance structures, with regular monitoring and oversight by Members. This will ensure that governance arrangements remain strong, responsive and aligned to best practice, enabling the Authority to meet future challenges with confidence.

Overall Assessment of Governance Effectiveness

The Authority can demonstrate a strong and effective system of governance that is well aligned to the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Governance arrangements are comprehensive, embedded across all levels of the organisation, and supported by a robust framework of internal controls, risk management processes, and strategic planning. A wide-ranging evidence base including internal audit (providing a Substantial Assurance opinion), unqualified external audit opinions, positive overall HMICFRS inspection outcomes, and structured management self-assessment provides consistent and credible assurance that governance, risk management, and control arrangements are operating effectively.

A key strength of the Authority’s approach is the integration of governance with strategy, planning, and performance management. The alignment between the Community Risk Management Plan, medium-term financial planning, and operational delivery ensures that resources are clearly linked to priorities and outcomes. This is reinforced by regular monitoring, Member oversight, and transparent reporting, enabling informed decision-making and effective scrutiny.

The Authority also demonstrates strong leadership, ethical standards, and organisational culture, underpinned by well-established codes of conduct, behavioural frameworks, and a proactive approach to inclusion and workforce wellbeing. These arrangements are supported by clear governance structures, defined roles and responsibilities, and active Member engagement through the Audit and Governance Committee, ensuring accountability and oversight are consistently applied.

Risk management, financial stewardship, and internal control arrangements represent further areas of strength. The Authority maintains a clear and regularly reviewed Corporate Risk Register, robust financial management aligned to the CIPFA Financial Management Code, and a mature internal audit function that confirms the effectiveness of key controls. Together, these provide strong assurance over the safeguarding of public resources and the management of organisational risk.

In addition, the Authority shows a clear commitment to transparency, stakeholder engagement, and continuous improvement. Open decision-making processes, comprehensive consultation activity, and accessible reporting arrangements support public accountability and trust. A structured approach to organisational learning, assurance, and improvement including external inspection, internal review, and governance self-assessment ensures that the Authority not only maintains effective governance, but continues to strengthen it over time.

Overall, the Authority's governance arrangements are robust, proportionate, and effective, with strong evidence of compliance with the CIPFA/SOLACE framework. While opportunities for further enhancement have been identified and are being actively progressed, these do not undermine the overall effectiveness of the control environment. Instead, they reflect a mature and forward-looking approach to governance, characterised by high standards, strong assurance, and a clear commitment to continuous improvement.

Joint Statement by the Chair of Audit and Governance 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.

Chair of Audit and Governance Committee
Kent and Medway Fire and Rescue Authority

Ann Millington
Chief Executive
Kent and Medway Fire and Rescue Authority

Date: XX September 2026

Item Number: B4

By:	Director of Finance and Corporate Services
To:	Audit and Governance Committee – 24 September 2026
Subject:	ANNUAL STATEMENT OF ACCOUNTS FOR 2025/26
Classification:	Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval of the Authority's 2025/26 Statement of Accounts. The accounts have been subject to audit by Grant Thornton UK LLP between June and September 2026 and present the Authority's financial performance during the financial year. The report highlights the key issues arising from the audit process and supports Members in discharging their responsibility for approving the Statement of Accounts, which have been subject to external audit.

RECOMMENDATIONS

Members are requested to:

1. Approve the Statement of Accounts for 2025/26 (paragraphs 5 to 7 and 18 to 23 and **Appendix 1** refer).

2. Consider and note the remaining contents of the report.

LEAD/CONTACT OFFICER: Head of Finance – Matt Southern
CONTACT DETAILS: T: 01622 692121 / E: kmfraclerk@kent.fire-uk.org
BACKGROUND PAPERS:
Provisional Revenue and Capital Budget Outturn for 2025/26 – 25 June 2026

COMMENTS

Background

1. The local government audit system in England has faced significant challenges in recent years, resulting in an unprecedented backlog of unaudited accounts across many authorities. Contributing factors have included a shortage of suitably qualified auditors, limited capacity within the local audit market and the increasing complexity of local authority financial reporting and audit requirements.

2. In response, the Government introduced the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30 September 2024. The regulations were designed to support the recovery of the local audit system, reduce the national audit backlog and restore confidence in local government financial reporting. A key element of the amendments was the introduction of revised statutory deadlines for the publication of both draft (unaudited) and final audited accounts

3. For the financial years 2025/26 to 2027/28, the statutory deadline for publication of draft (unaudited) accounts was extended from 31 May to 30 June following the financial year end. The statutory deadlines for publication of audited accounts are:

    - 2025/26: 31 January 2027
    - 2026/27: 30 November 2027
    - 2027/28: 30 November 2028

4. **Publication and Inspection of the Accounts** - The Authority's draft (unaudited) Statement of Accounts was published on 26 June 2026, commencing the statutory 30 working day period during which members of the public were entitled to inspect the accounts and exercise their rights to question and object to them. The Authority advertised the inspection period as running from 1 July to 11 August 2026. Members may wish to note that neither the Director of Finance and Corporate Services nor the External Auditors received any enquiries, questions or objections in relation to the 2025/26 Statement of Accounts during this period.

5. **2025/26 Statement of Accounts Approval** - The Authority has delegated responsibility for approving the Statement of Accounts to the Audit and Governance Committee. Following approval by the Committee, the Chair will sign and date the Statement of Accounts as formal evidence of that approval.

6. Prior to consideration by the Committee, the Director of Finance and Corporate Services published the draft 2025/26 Statement of 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 of Finance and Corporate Services has signed and dated the accounts, certifying that they present a true and fair view of the Authority's financial position and income and expenditure for the year ended 31 March

2026. This certification is reaffirmed as the accounts are presented to the Audit and Governance Committee for approval.

7. The 2025/26 Statement of Accounts is attached at **Appendix 1** for Members' consideration and approval. The audit of the 2025/26 Statement of Accounts is substantially complete. Subject to completion of a small number of outstanding audit procedures, no material amendments to the accounts are anticipated. The External Auditors will provide a verbal update on the status of the audit at the meeting. Should any material amendments be required following completion of the audit, a revised Statement of Accounts would be presented to Members for approval at a future meeting.

External Auditors

8. The External Auditors are required to undertake an audit of the Statement of Accounts in accordance with the Local Audit and Accountability Act 2014 and the *Code of Audit Practice* issued by the National Audit Office on behalf of the Comptroller and Auditor General. The External Auditors are also required to report annually to those charged with governance on the results of the audit, in accordance with International Standard on Auditing (UK) 260) "*Communication with those charged with governance*".

9. The external audit of the 2025/26 Statement of Accounts started in June 2026, with the main audit fieldwork undertaken between July and September 2026 and is now substantially complete. Subject to completion of a small number of outstanding review procedures, the Authority expects to publish its audited 2025/26 Statement of Accounts within the planned timetable. The External Auditors will present their Audit Findings Report to the Committee and provide a verbal update on the status and conclusions of the audit.

Comments by the Director of Finance and Corporate Services

10. Local authority financial statements are inherently complex and contain a number of accounting adjustments and disclosure requirements that differ significantly from those typically found within private sector company accounts. The content and presentation of the Authority's Statement of Accounts are governed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the accounts, consideration is given to the materiality of disclosures to ensure that the information presented remains focused, relevant and understandable to readers.

11. The timetable for the closure of accounts and preparation of the 2025/26 Statement of Accounts was shared with the External Auditors in February 2026. Comprehensive working papers supporting the accounts, including analytical reviews, reconciliations, schedules and explanations of significant year-on-year variances, have been provided to the auditors. These have been reviewed alongside budget monitoring reports and

other financial information previously reported to Members to ensure consistency of reporting and to support effective scrutiny of the Authority's financial position.

12. In preparing the Statement of Accounts, all accounting policies are reviewed to ensure continued compliance with the latest financial reporting requirements and to assess the impact of any new or revised accounting standards. As part of the audit planning process, Members considered management's responses to the External Auditors' enquiries in April 2026. These enquiries covered the following areas:

    - General Enquiries of Management
    - Fraud
    - Laws and Regulations
    - Related Parties
    - Going Concern and
    - Accounting estimates

13. Based on the work undertaken to prepare the Statement of Accounts and the audit completed to date, the Director of Finance and Corporate Services is satisfied that the accounts present a true and fair view of the Authority's financial position as at 31 March 2026 and its financial performance for the year then ended.

Reserves

14. **General Reserve** - Members have previously agreed that the General Reserve (referred to in the Statement of Accounts as the General Fund balance) should be maintained at a level equivalent to approximately 5% of the Authority's annual base revenue budget. Accordingly, the General Reserve balance at 31 March 2026 was £4.890m.

15. **Earmarked Reserves** - The Authority also holds a number of earmarked reserves to support specific objectives and to meet known future commitments and liabilities. At its June 2026 meeting, the Authority approved the transfer of the 2025/26 revenue budget underspend of £1.738m to the Insurance and Resource Reserve.

16. Following all approved reserve transfers, earmarked reserves totalled £36.626m at 31 March 2026, of which £28.216m (77%) was held within the Infrastructure Reserve. Details of the balances held and movements during the year are provided in Note 15 to the Statement of Accounts, attached at **Appendix 1**.

17. **Capital Reserves** - In addition, £9.090m was held in capital reserves at 31 March 2026, comprising entirely Unapplied Capital Receipts. These resources are available to support the funding of the Authority's approved capital programme in future years.

Statement of Accounts

18. **International Financial Reporting Standards and CIPFA Guidance** - The Authority's Statement of Accounts is prepared in accordance with International Financial Reporting Standards (IFRS), meaning that its overall content and format are broadly aligned with those used by private sector and other public sector organisations. However, local authority accounting also incorporates a number of statutory adjustments to ensure that accounting charges, such as depreciation, annual leave accruals and pension service costs, do not directly impact the level of funding required from Council Tax.

19. The 2025/26 Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations and the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code prescribes the content and presentation of local authority financial statements and is updated regularly to reflect changes in accounting standards and professional guidance. Compliance with the Code constitutes "proper accounting practice" for local authorities and ensures consistency and comparability across the sector.

20. **Annual Governance Statement** - The Accounts and Audit Regulations 2015 require local authorities to prepare and publish an Annual Governance Statement alongside the Statement of Accounts. The Authority's 2025/26 Annual Governance Statement is presented elsewhere on this agenda and is subject to separate approval by Members.

21. **The Main Financial Statements** – The Statement of Accounts comprises four primary financial statements: the Comprehensive Income and Expenditure Statement (CIES) , which records the income and expenditure associated with the 2025/26 financial year; the Movement in Reserves Statement (MIRS), which shows how the Authority's reserves have changed during the year; the Balance Sheet, which sets out the Authority's assets, liabilities and reserves as at 31 March 2026; and the Cash Flow Statement, which details the Authority's cash receipts and payments during the year.

22. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet include accounting entries relating to depreciation, accrued annual leave and pension service costs. These accounting adjustments are required by the CIPFA Code and ensure that the accounts reflect the full economic cost of providing services. However, as these amounts do not represent costs that are required to be funded from Council Tax in the year, they are subsequently reversed through the Movement in Reserves Statement so that they have no impact on the Authority's funding requirement.

23. The recognition of pension assets and liabilities within the Statement of Accounts is a requirement of accounting regulations and does not represent an immediate call on the Authority's financial resources. As at 31 March 2026, the Authority reported a net

pension liability of £607.170m, which contributes to an overall net liability position of £458.224m on the Balance Sheet. The statutory arrangements governing the funding of local authority pension liabilities ensure that these accounting entries do not impact directly on Council Tax requirements.

24. **Public Access** - The Accounts and Audit Regulations require the Authority to make its accounting records and draft Statement of Accounts available for public inspection and to provide electors with the opportunity to question the External Auditor or make objections in relation to the accounts. In accordance with these requirements, the statutory 30 working day public inspection period ran from 1 July to 11 August 2026 and was advertised in advance on the Authority's website. Members may wish to note that no enquiries, questions or objections were received in relation to the draft 2025/26 Statement of Accounts.

25. **Publication of Accounts** - Following completion of the audit and approval by Members, the Authority will publish the 2025/26 Statement of Accounts as soon as reasonably practicable. In accordance with the Accounts and Audit Regulations, a notice will be placed on the Authority's website confirming that the audit has been concluded and advising where the final Statement of Accounts can be inspected and downloaded. Copies of the Statement of Accounts will also be made available on request. Where printed copies are requested, a charge of **£8 per copy** will apply to recover the approximate cost of production, in accordance with the Regulations.

26. **Summary of Accounts** - The Statement of Accounts is a detailed technical document prepared in accordance with statutory accounting requirements and professional standards. As a result, some aspects may be difficult to interpret for readers without a local government finance background. To improve accessibility and transparency, a simplified Summary Statement of Accounts will also be published on the Authority's website. This document provides a more concise overview of the Authority's financial performance and financial position during 2025/26. As an example, a link for the prior year summary accounts can be found here: Summary Statement of Accounts 2024-25 | Kent Fire and Rescue Service (fire-uk.org). Members will also be provided with a short presentation at the Committee meeting to cover the salient points within the Accounts.

IMPACT ASSESSMENT

27. Provision has been made within the Authority's revenue budget for the cost of the external audit of the 2025/26 Statement of Accounts. There are no additional financial implications arising from this report.

RECOMMENDATIONS

28. Members are requested to:

27.1 Approve the Statement of Accounts for 2025/26 (paragraphs 5 to 7 and 18 to 23 and **Appendix 1** refer).

27.2 Consider and note the remaining contents of the report.

Statement of Accounts

2025/26

This 2025/26 audited Statement of Accounts of the Kent and Medway Towns Fire Authority is certified by the Director of Finance and Corporate Services as presenting a true and fair view of the Authority's income and expenditure for 2025/26 and its financial position at 31 March 2026.

Barrie Fullbrook

Director of Finance and Corporate Services

XX September 2026

Contents

Narrative Report

Introduction

This Narrative Report has been prepared to provide a fair, balanced and understandable guide to the Statement of Accounts of Kent and Medway Towns Fire Authority (the Authority) for the year ended 31 March 2026. It explains the Authority's role and governance arrangements, summarises the main issues affecting service and financial performance during the year, comments on the Authority's financial position at the year end and highlights the principal risks, uncertainties, and opportunities facing the Authority over the medium term. It is intended to help readers place the detailed financial statements in the wider context of the Authority's strategy, performance and stewardship of public resources.

The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Narrative Report accompanies, but does not replace, the primary financial statements and notes. The principal elements of the Statement of Accounts are summarised below.

Narrative Report: provides context for the Statement of Accounts and explains the Authority's financial position, performance and outlook.

The Statement of Responsibilities: sets out the responsibilities of the Authority and the Director of Finance and Corporate Services in relation to the Statement of Accounts.

The Comprehensive Income and Expenditure Statement (CIES): shows the accounting cost of providing the Authority's services during the year, together with all gains and losses recognised in accordance with proper accounting practice.

The Movement in Reserves Statement (MiRS): shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are held for statutory purposes or to comply with proper accounting practices).

The Balance Sheet: shows the value of the Authority's assets and liabilities at the Balance Sheet date, together with the reserves that finance the net position.

The Cash Flow Statement: shows the movement in cash and cash equivalents of the Authority during the year.

The Expenditure and Funding Analysis: reconciles the way financial performance is reported to the Authority for management purposes to the position required by proper accounting practice.

The Firefighters' Pension Fund Account: summarises the transactions of the unfunded firefighters' pension scheme, into which contributions are paid and from which pensions are met, with grant support from Government where contributions are insufficient in year.

A glossary of the main terms used in the Statements is provided on pages 77 - 80.

The Fire Authority

The statutory name of the organisation is Kent and Medway Towns Fire Authority. For operational and public-facing purposes, the Authority now uses the name Kent and Medway Fire and Rescue Authority. References in these accounts to "the Authority" relate to the same legal entity throughout.

The Authority is a standalone combined fire and rescue authority established on 1 April 1998. Its purpose is to provide Kent Fire and Rescue Service across Kent and Medway. The Authority's

statutory responsibilities include extinguishing fires, protecting life and property, rescuing people in emergencies including road traffic collisions, assessing local risk and maintaining a safe and resilient workforce.

The Service covers Kent and Medway, serving a geographically varied area of urban, rural and coastal communities. It operates from 56 fire stations and responds to a broad range of fire, rescue, prevention, protection and resilience demands.

The Authority comprises 21 elected councillors appointed by Kent County Council and 4 by Medway Council, the Kent Police and Crime Commissioner, and an independent member. The independent member sits on both the Authority and the Audit and Governance Committee to provide challenge and scrutiny. The full Authority generally meets three times a year, and the Audit and Governance Committee also meets three times a year. These arrangements form part of the Authority's wider governance framework, which includes its Constitution, Scheme of Delegation, Decision-Making Framework, Local Code of Good Governance and Annual Governance Statement.

Strategic Context 2025/26

The year 2025/26 was the first full year of delivery under the Authority's Community Risk Management Plan (CRMP) Delivery Plan 2025 - 2029. The CRMP is the Authority's core strategic planning document and is intended to align resources, prevention, protection, response and resilience activity with the risks facing communities across Kent and Medway.

The Delivery Plan is structured around seven broad themes: climate change and environment; health and society; rescues; major industry; buildings and places; transport; and utilities, fuel and power. This framework is intended to support longer-term planning and a more integrated approach to prevention, protection, response and resilience work.

The external operating environment continued to evolve during the year. The Authority therefore continued to respond to a changing risk profile, including wildfire and outdoor fire risk, water rescue demands, building safety reform and wider resilience demands. These pressures have implications not only for operational activity but also for workforce planning, response standards, estate and fleet investment, digital capability and future funding requirements.

Governance, Assurance and Financial Management

The Authority's governance arrangements are grounded in the Accounts and Audit Regulations 2015, the Fire and Rescue Services Act 2004, the Kent Fire Services (Combination Scheme) Order, and the CIPFA / SOLACE Delivering Good Governance in Local Government Framework. Responsibility for the approval of the Authority's Statement of Accounts and Annual Governance Statement is delegated to the Audit and Governance Committee.

The Authority applies the principles of the CIPFA Financial Management Code through leadership, accountability, transparency, assurance, and sustainability. Its Financial Regulations and related procedures set the control framework for financial planning, financial management, risk financing and insurance. These documents are reviewed and updated periodically so that they remain aligned to the Constitution, operational structures and working practices.

The Authority receives assurance from a range of sources, including budget monitoring, treasury management monitoring, risk management, performance reporting, internal audit, external audit, the Annual Governance Statement and external inspection reports. Together these arrangements are intended to support sound decision-making, value for money and the effective stewardship of public funds.

Narrative Report

Principal Risks and Uncertainties

The Authority operates in an increasingly complex environment. The table below summarises the risks judged to be most relevant at 31 March 2026, the current area of exposure and the main management response in place. The table is not intended to replicate the full corporate risk register; rather, it highlights those matters considered most material to the reader's understanding of current performance, financial resilience and the medium-term outlook.

Principal risk or uncertainty	Current area of exposure	Why it matters	Current management response
Medium-term funding and reform	High	Funding reform, business rate volatility and future grant arrangements could reduce financial headroom and increase reliance on savings, reprofiling or reserve drawdown.	Managed through the MTFP, annual budget setting, reserve strategy, scenario planning and regular monitoring of national announcements and consultations.
Response performance and operational availability	High	Response standards are a key indicator of operational effectiveness. Appliance availability, turnout times, traffic conditions and workforce resilience all affect performance.	Performance is monitored throughout the year. Management action includes review of appliance availability, on-call resilience, station-based performance and wider operational factors affecting attendance times.
Delivery of capital and infrastructure programmes	Medium / High	Delays in procurement, construction or implementation can postpone service benefits, affect the timing of reserve use and influence future financing decisions.	The capital programme is supported by project planning, monitoring, gateway controls, challenge on delivery timetables and periodic reprofiling where justified.
Inflation and pay award volatility	Medium / High	The Authority is highly exposed to employee costs and to inflationary pressures in utilities, contracts and supplies. Variances can quickly affect the base budget.	Budget assumptions are reviewed annually, and in-year monitoring is used to identify cost pressures and any mitigating action at an early stage.
Workforce capacity, skills and culture	Medium	The Authority depends on a skilled workforce across operational, professional and support roles. Recruitment, retention, development and culture all affect service resilience.	Workforce planning, training, leadership development, people policies and inspection follow-up plans are used to address emerging risks and capability gaps.
Structural and policy change	Medium	Local government reorganisation, reform of policing governance and wider public sector reform may affect partnerships, support service arrangements and the future operating model.	These developments are kept under review through the governance framework and strategic planning, with implications reflected in the MTFP and service planning where appropriate.

Narrative Report

Service Performance in 2025/26

During 2025/26 the Service attended 4,522 fires, compared with 3,919 in 2024/25. The increase was driven largely by higher levels of accidental and deliberate outdoor fires during the drier summer of 2025. Accidental dwelling fires accounted for 20% of all accidental fires attended in 2025/26. These incidents remained relatively stable at 554 (556 in 2024/25). Although the number of accidental dwelling fires remains low in historic terms, reducing fires in the home continues to be a core priority because of the potential impact on life risk.

The Service attended 1,140 road traffic collisions (RTCs), compared with 1,116 in 2024/25. The year-on-year increase was modest, but it means performance did not continue the short-term downward movement seen over the most recent period. Work with partners on road safety therefore remains an important element of the Authority's prevention activity.

Under its co-responder arrangements, some on-call fire stations and officers respond to immediately life-threatening medical emergencies in support of the ambulance service. During 2025/26 the Service attended 499 such incidents, compared with 787 in 2024/25. The Authority also supported ambulance and police partners with a wider range of incidents, including welfare entry and complex rescue events, attending 3,073 incidents of this type during the year.

The Authority changed the way it measures response times with effect from 1 April 2025, introducing separate standards for urban and rural incidents. Therefore, 2025/26 is the first full reporting year under the revised methodology, and direct comparison with prior-year response reporting should be treated with caution. For 2025/26, the new response targets are:

- Emergency incidents in urban areas attended within 9 minutes on 75% of occasions.
- Emergency incidents in rural areas attended within 15 minutes on 75% of occasions.
- Non-emergency incidents in any area attended within 30 minutes.

In 2025/26 the Service attended emergency incidents in urban areas within 9 minutes on 72% of occasions and emergency incidents in rural areas within 15 minutes on 71% of occasions. Non-emergency incidents were attended within 30 minutes on 98% of occasions. On average, response times to incidents in urban areas was 7 minutes 49 seconds and rural areas was 12 minutes 52 seconds. While performance against standard was below target, the reasons are understood, and management action is in train.

Several factors affect response performance, including appliance availability, on-call availability, turnout times, traffic conditions, roadworks, road closures, 20mph limits and the quality of address information available at the point of mobilisation. These contextual factors are relevant, but they do not remove the need for management to improve performance where possible. Improvement work during the year included continued review of appliance availability, workforce resilience and station-based performance to improve attendance times. Performance against these targets will continue to be monitored closely.

Prevention and protection activity remained a significant part of the Authority's work. During 2025/26 Customer Safety teams delivered 12,011 Safe and Well Visits, while crews and the task force team delivered a further 14,336 home safety visits. The Risk-Based Intervention Programme completed the first year of its three-year cycle, with crews and building safety teams carrying out 1,592 visits. The Service also completed 2,331 building regulation consultations during the year.

Detailed performance reporting is provided separately to Members during the year. The Narrative Report highlights only those matters considered most material to understanding the Authority's service delivery and year-end position.

Narrative Report

Estates, Fleet, and Digital Programmes

The Authority's Estates, Fleet, and Digital programmes support the CRMP by linking strategic priorities to the revenue and capital investment needed to sustain operational capability, resilience and compliance. This area is material to the Accounts because it informs capital expenditure, reserve usage, future financing requirements and the management of operational risk. In several areas the operational and financial effects of asset investment will arise over a number of years and remain dependent on successful delivery of the capital programme.

The estates programme continued to focus on condition, energy efficiency and operational fitness for purpose. Improvements across the estate included replacement boilers and heating systems, improved insulation, window replacements, and other energy-saving measures. New and refurbished buildings are being designed with improved energy efficiency standards and building management controls. These measures are intended to improve long-term asset resilience and reduce operating costs, although the financial benefits arise over time rather than immediately.

Fleet and equipment investment remained focused on operational availability, efficiency and risk reduction. The fleet remains the Authority's largest source of direct carbon emissions. During the year the Authority continued to introduce more fuel-efficient vehicles, maintain vehicle CCTV and improve vehicle risk management. Investment decisions in this area are taken not only for operational reasons but also because they affect maintenance costs, insurance outcomes, carbon performance and the timing of future capital financing.

The Authority's programme of digital investment includes work on the command-and-control system, mobile data terminals, the time and attendance system, the fleet management system, operational equipment records and wider data quality arrangements. These systems affect how resources are mobilised, how operational information is shared with crews, how workforce availability is understood and how asset condition and replacement needs are monitored.

Financial Performance in 2025/26

Setting the Revenue Budget for 2025/26 - In February 2025 the Authority approved a net revenue budget of £98.232m. The budget was constructed to align financial resources with the CRMP and associated enabling plans, while maintaining a balanced medium-term position.

The Government's policy statement in November 2024 confirmed that standalone fire and rescue authorities could increase Band D council tax by up to £5 without referendum and that Revenue Support Grant, Baseline Funding and business rates grants would be uplifted by September CPI (1.7%). It also confirmed the removal of the Minimum Funding Guarantee grant (£1.527m) and the Services Grant (£104k) for 2025/26. The final Local Government Finance Settlement for 2025/26 was published on 3 February 2025 and did not change the Authority's provisional funding position.

The Authority takes a prudent approach to budget development, ensuring that expenditure plans are fully resourced and that proposed savings are achievable. The previous year's budget is adjusted for the impact of pay and price increases plus any other identified pressures or savings. Approximately 82% of the Authority's net revenue budget relates to pay costs. The 2024/25 revenue budget included provision for a pay award of 3% for all colleagues but the nationally agreed pay awards for operational colleagues settled at 4% and for corporate colleagues settled at a flat increase of £1,290 or 2.5% (whichever is the greater). It was therefore necessary to increase the 2025/26 revenue budget to reflect these higher than budgeted prior year pay awards, as well as to increase the budget for the assumed pay award for 2025/26, which was 2% but later settled at 3.2% for all pay groups. The 1.2% pay award gap was largely offset by in year vacancies and holding recruitment into some non-operational vacant positions. Budget development continued to be highly sensitive to nationally agreed pay awards.

Narrative Report

Revenue Budget Funding - The Authority's revenue budget is funded by income from Council Tax, Non-Domestic (Business) Rates and various government grants. To ensure that the revenue budget is sustainable over the medium-term, the Authority agreed to increase the Council Tax charge by 5.5% for 2025/26, resulting in an annual increase of £4.95 for a Band D property. The Band D Council Tax charge was therefore increased to £94.86.

The Authority's funding package for 2025/26 consisted principally of £64.792m Council Tax precept, £21.243m Retained Business Rates, Business Rates Grants and Top-Up Grant, £11.549m Revenue Support Grant, and £648k Employers' National Insurance Grant. The Authority's overall funding package increased by £3.519m for 2025/26.

2025/26 Funding	**£'000**
Revenue Support Grant	11,549
Non-Domestic (Business) Rates	21,243
Council Tax	64,792
Employer National Insurance Grant	648
Total	**98,232**

Revenue Budget Expenditure - Pressures faced by the Authority on areas such as pay awards, inflationary prices growth and other commitments totalled £6.551m for 2025/26. One-off budget adjustments reduced the budget requirement by £1.139m, meaning savings of £1.893m were required to balance the 2025/26 revenue budget.

The revenue budget outturn for 2025/26 was an underspend of £1.738m. This was a favourable outturn, but it does not represent an equivalent level of recurring headroom in the base budget. The outturn was influenced by a mixture of one-off factors, and non-recurring income, including higher than budgeted investment income. Direct pension costs primarily relate to the cost of firefighter injury awards and ill health retirements. A significant budget overspend has occurred due to confirmation of ten firefighter ill health retirements during the year. This will impact on costs in future years so the financial impact will be reflected in the updated Medium-Term Financial Plan.

The table below provides a summary of the revenue budget outturn position. The Infrastructure Variance column shows movements (primarily re-profiling of spend) associated with infrastructure plan funded items. These variances have been presented separately as they have no overall impact on the net revenue budget outturn as they are offset by transfers to or from the Infrastructure Reserve.

Revenue Budget Outturn 2025/26

All figures are in £'000	**Original Budget**	**Revised Budget**	**Outturn**	**Infra-structure Variance**	**-Under / Overspend**
Service Costs	101,217	100,538	94,480	-4,638	-1,420
Direct Pension Costs	2,176	2,176	2,580	-	404
Capital Financing Costs	4,017	2,879	3,622	734	9
Investment Income	-1,594	-1,594	-2,631	-	-1,037
Transfers from (-) / to Reserves	-7,584	-5,767	-1,557	3,904	306
Total	**98,232**	**98,232**	**96,494**	**0**	
Net Revenue Budget surplus					**-1,738**

Narrative Report

A summary of the most significant revenue budget underspends and overspends is provided in the table below:

Revenue Budget Variances	£'000
Net underspend on employee costs (pay, training, insurance etc.)	-218
Direct pension costs	404
Utilities expenditure	-133
Premises repairs and maintenance	-311
Water hydrants repairs (net of Rolling Budget Reserve Transfer)	50
Airwaves charges	-537
Capital financing costs	9
Net additional grant income	-176
Additional investment income	-1,037
Net increase in transfers to reserve	306
Other minor net underspends	-95
Net Revenue Budget Underspend	**-1,738**

At the end of the year £559k was transferred to the Rolling Budget Reserve to fund commitments made in 2025/26, but where the associated costs will not be incurred, or recognised (stock adjustments), until after 31 March 2026. During the year £872k was transferred from this reserve to fund expenditure committed in 2024/25 but incurred in 2025/26, making the 2025/26 net movement on the Rolling Budget Reserve £313k.

Provisions and Reserves

Provisions - The Authority continues to hold provisions for insurance claims that have been notified but not yet settled totalling £137k, and for its share of provisions made by Kent billing authorities for business rates appeals totalling £608k. A general property provision was made in regard to land contamination identified at Ashford Fire Station. Work to remediate the site was completed in 2025/26.

Reserves - The General Reserve increased by £210k to £4.890m at 31 March 2026. This remains consistent with the Authority's policy of maintaining a general reserve balance at broadly 5% of the base revenue budget. The reported level remains in line with the approved reserve strategy; however, whether it remains sufficient over the medium term will continue to depend on the delivery of planned savings, the management of inflation and pay pressures, and the extent to which current MTFP assumptions remain valid.

Earmarked reserves are held for specific and planned purposes, including the management of known liabilities, funding volatility, transformation activity and future infrastructure investment. They are not generally available to support recurring expenditure on an ongoing basis. The majority of earmarked reserves are held within the Infrastructure Reserve and are expected to reduce over time as capital investment is delivered. The level of reserves should therefore be considered alongside the capital programme and MTFP rather than in isolation. Earmarked reserves decreased by £29k to £36.626m at 31 March 2026.

The Authority received £443k of capital receipts, net of selling costs, during the year from the sale of two properties and an old vehicle. No capital receipts were utilised to fund capital expenditure in 2025/26, so the Capital Receipts Reserve increased to £9.090m as at 31 March 2026.

Narrative Report

All figures are in £'000	31 March 2026
General Reserve	4,890
Earmarked Reserves	36,626
Capital Receipts Reserve	9,090
Total Usable Reserves	**50,606**

Capital Investment

Capital Budget and Expenditure - Capital expenditure in 2025/26 totalled £10.730m against a revised budget of £13.474m. The variance largely reflected reprofiling of schemes into 2026/27 rather than de-scoping of the programme. However, slippage on significant projects affects the timing of reserve usage, cash balances, and benefits realisation so these projects are closely monitored by the strategic leadership team.

Estate Development and Other Premises - expenditure on the Ashford Live Fire Training Facility continued during the year. Practical completion of the live fire building occurred after the year end on 1 May 2026. The 2025/26 capital outturn therefore reflects expenditure incurred to 31 March 2026, with £1.910m reprofiled into 2026/27. There were also delays to projects at Folkestone and Tonbridge fire stations, with £210k reprofiled because works started later than planned due to supplier availability. Other premises works incurred a minor overspend of £28k.

Information and Communication Systems - installation of mobile data terminal devices took longer than originally anticipated, with the final batch valued at £269k received in April 2026. This budget was therefore reprofiled into 2026/27.

Vehicles and Equipment - Changes to the specification of Urban Search and Rescue vehicles delayed procurement and led to £162k being reprofiled, while driver training appliances delivered on 2 April 2026 resulted in a further £99k being deferred. A late design change to the All-Terrain Rescue Unit vehicle delayed delivery and added a further £50k of reprofiling. Other minor variances on vehicles and equipment totalled £72k.

The table below gives a breakdown of the net £2.744m variance compared to the revised budget:

Capital Budget Outturn 2025/26

All figures are in £'000	Original Budget	Revised Budget	Outturn	Variance
Estate Development	10,081	11,039	8,919	-2,120
Other Premises	307	458	486	28
Information and Communication Systems	600	600	331	-269
Vehicles and Equipment	2,689	1,377	994	-383
Total	**13,677**	**13,474**	**10,730**	
Net Capital Budget Variance				**-2,744**

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

Narrative Report

Treasury Management and Cash Flow

Borrowing - The Authority did not plan to use external borrowing to finance capital expenditure in 2025/26. Instead, it continued to use internal borrowing from temporary cash balances to finance earlier unfinanced capital expenditure. This approach has supported affordability in the short term, but it also means that future liquidity and borrowing decisions will continue to depend on the pace of capital spending, reserve movements and the wider interest-rate environment. The Authority had no external borrowing at the year end.

Treasury Activity - Investments were managed in accordance with the approved Treasury Management and Investment Strategy, with priority given to security and liquidity while seeking an appropriate return. During 2025/26 the Bank of England reduced base rate on three occasions, with the base rate falling to 3.75% by the end of March 2026. Deposit rates therefore reduced over the course of the year. The Authority earned £2.724m of interest on cash deposits during 2025/26, equivalent to an average return of 4.14%. Treasury management remained in-house, supported by an external treasury adviser.

Cashflows - The Cash Flow Statement shows that cash and cash equivalent balances reduced by £7.184m over the year. At 31 March 2026 the Authority held £57.233m in cash and cash equivalents and short-term investments.

Pension Assets and Liabilities

The Authority is required to account for pension costs and liabilities in accordance with IAS 19 Employee Benefits. These balances are long-term accounting measures and do not represent an immediate call on the Authority's usable reserves. The amounts charged to the General Fund are determined through statutory funding arrangements and employer contribution requirements rather than by the year-end accounting valuation alone.

At 31 March 2026 the Authority recognised a firefighters' pension liability of £606.803m (£615.082m at 31 March 2025). The Balance Sheet therefore continues to report a substantial net liability position. This is normal for fire and rescue authorities and does not, in itself, mean that the Authority is unable to meet current obligations. However, it remains a material accounting issue because movements in actuarial assumptions can have a significant effect on the reported financial position and on the total comprehensive income and expenditure for the year.

Movements in the pension liability are volatile and depend on factors such as discount rates, inflation assumptions, salary assumptions and whether the actuarial exercise is a full valuation or a roll-forward. In 2025/26 the firefighters' scheme was subject to a roll-forward valuation. The reassessment of the net defined benefit liability resulted in a remeasurement of £14.475m, compared with £26.373m in 2024/25. Full details of pension assets and liabilities are set out in Note 25 to the Accounts.

Inspection

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspected Kent Fire and Rescue Service during the early part of 2025 and published the results in August 2025. The inspection provided an important source of independent external assurance on the Service's effectiveness, efficiency and how well it looks after its people.

Across the 11 graded areas, the Service was judged outstanding in understanding fire and risk, protecting public safety through fire regulation and making the Service affordable now and in the future. Five further areas were graded good, and three areas were graded adequate. This

represented a strong overall result and provided positive assurance on several aspects of service delivery, risk understanding and financial planning.

The inspection identified areas for continued improvement. In particular, HMICFRS highlighted the availability of on-call fire engines and the need for quality assurance over all prevention activity so that home fire safety visits are completed to an appropriate standard. The Authority has incorporated inspection findings into service planning, performance monitoring and governance arrangements so that improvement actions can be tracked and delivered.

Outstanding	Good	Adequate	Requires Improvement	Inadequate
Understanding fire and risk	Preventing fire and risk	Responding to fires and emergencies		
Public safety through fire regulation	Responding to major incidents	Promoting fairness and diversity		
Future affordability	Best use of resources	Managing performance and developing leaders		
	Promoting values and culture			
	Right people, right skills			

Looking Forward – 2026/27 Onwards

The Authority enters 2026/27 with a balanced budget, reserve levels consistent with its approved strategy and an established governance and planning framework. Those factors provide a basis for continued financial management, but they do not remove the medium-term challenges facing the Authority. Future resilience will depend on the Authority's ability to respond to funding changes, inflationary and pay pressures, delivery of the capital programme and wider structural change across the public sector.

Based on the Authority's approved February 2026 planning assumptions, the 2026/27 budget was set on a balanced basis and the outline four-year MTFP indicates that around £2m of base savings will be needed to maintain long-term sustainability. These figures are planning assumptions rather than fixed outcomes and will continue to be refined as national policy and local conditions develop.

Funding Reform and Medium-Term Planning - The three-year local government finance settlement for 2026/27 to 2028/29 changed the shape of core local government funding and introduced a Baseline Funding Level guarantee that tapers over the period. The renaming of the Settlement Funding Assessment as the Fair Funding Allocation and the consolidation of legacy grants change the way funding is presented.

On the Authority's approved planning assumptions, the Fair Funding Review reduces funding by £1.3m in cash terms over the three-year period, with greater downside risk if business rate volatility increases as the guarantee tapers. This does not mean the exact effect is already fixed, but it does mean the Authority faces some medium-term uncertainty and will need to manage both cost control and reserve usage carefully.

Narrative Report

Capital Financing and Infrastructure - The capital plan for 2026/27 and later years is expected to be financed from a combination of revenue contributions, reserves, capital receipts and, if required, external borrowing. The pace of delivery of the infrastructure programme therefore matters not only operationally but also to future borrowing decisions, liquidity and treasury risk. Key priorities for the period ahead include completion of current major projects, continued investment in digital capability and ensuring that future capital commitments remain affordable and deliverable within the wider MTFP.

Structural and Policy Change - Local government reorganisation, the future fire funding formula and changes to policing governance all have the potential to affect the Authority's operating environment. These changes may alter the way support services are sourced, the way local funding is distributed and the configuration of partnership arrangements. At present the exact implications are uncertain, but they are sufficiently material to require active monitoring through the Authority's strategic planning and governance arrangements.

Other Operational and Financial Pressures - The Authority also continues to monitor broader pressures that could affect both service delivery and affordability, including energy and utility costs, inflation-linked contract costs and national concerns about water pressure and hydrant availability. Individually, these issues may not redefine the Authority's strategy, but collectively they reinforce the need for prudent financial planning and active risk management.

Overall, the single-year outturn for 2025/26 is more favourable than the medium-term picture. The Authority's current planning framework provides a basis for responding to these challenges, but continued financial resilience will depend on delivery of savings, disciplined capital management, effective risk management and the ability to respond promptly as national and local conditions change.

For further information on the accounts please contact the Director of Finance and Corporate Services on 01622 692121 ext. 8264 or write to the Director of 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 responsibility for the administration of those affairs. For this Authority, that officer is the Director of Finance and Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

The Director of Finance and Corporate Services' Responsibilities

The Director of 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 of Finance and Corporate Services has:

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

The Director of Finance and Corporate Services has also:

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

In my opinion, the accounts that follow give a true and fair view of the financial position of the Kent and Medway Towns Fire Authority as at 31 March 2026 and of its income and expenditure for the year then ended.

Chair of the Audit and Governance Committee
Kent and Medway Towns Fire Authority

XX September 2026

Barrie Fullbrook
Director of Finance and Corporate Services
Kent and Medway Towns Fire Authority

XX September 2026

Independent Auditor's Report to the Members of Kent and Medway Towns Fire Authority

This section will be completed following conclusion of the external audit.

The pre-audit Statement of Accounts is published in advance of the audit.

Independent Auditor's Report to the Members of Kent and Medway Towns Fire Authority

This section will be completed following conclusion of the external audit.

The pre-audit Statement of Accounts is published in advance of the audit.

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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	**2024/25**				**2025/26**		
Gross Exp.	**Gross Income**	**Net**		Note	**Gross Exp.**	**Gross Income**	**Net**
63,818	-6,403	57,415	Operational Response and Resilience		59,218	-3,924	55,294
8,245	-643	7,602	Prevention and Protection		8,626	-658	7,968
24,672	-1,096	23,576	Customer Services		24,316	-630	23,686
7,934	-	7,934	Pensions, Financing and Other Costs		3,450	-	3,450
104,669	**-8,142**	**96,527**	**Cost of Services**	7	**95,610**	**-5,212**	**90,398**
			Other Operating Expenditure				
39	-	39	Gain (-) / Loss on disposal of non-current assets		119	-	119
			Financing & Investment Income & Expenditure				
27	-	27	Interest payable and similar charges	7,23	9	-	9
30,496	-	30,496	Net interest on the defined benefit liability		34,502	-	34,502
-	-3,052	-3,052	Interest and Investment income	7	-	-2,724	-2,724
-	-86	-86	Gain (-) / Loss on financial instruments carried at fair value through profit or loss	7	-	93	93
			Taxation and Non-Specific Grant Income				
-	-60,765	-60,765	Council Tax income	7	-	-65,143	-65,143
-	-16,283	-16,283	Non-domestic rates and top-up grant	7	-	-16,805	-16,805
-	-757	-757	Capital Grants and Contributions	20	-	-	-
-	-17,656	-17,656	Non-ring-fenced Government grants	7,20	-	-16,709	-16,709
-	-25,467	-25,467	Government grant payable to pension fund	28	-	-16,569	-16,569
		3,023	**Deficit on Provision of Services**				**7,171**
		9,968	Surplus (-) / Deficit on revaluation of property, plant and equipment	8			-1,049
		-26,373	Re-measurements of the net defined benefit liability	16,25			-14,475
		-16,405	**Other Comprehensive Income and Expenditure**				**-15,524**
		-13,382	**Total Comprehensive Income and Expenditure**				**-8,353**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are held for statutory purposes or to comply with proper accounting practices). The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amount's chargeable to council tax for the year. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

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 generally restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The year-end balance on the reserve shows the resources that are available to be applied for these purposes in future years.

Movement in Reserves Statement

2024/25 All figures are in £'000	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Balance at 31 March 2024 brought forward		**-4,260**	**-33,396**	**-8,554**	**-46,210**	**528,299**	**482,089**
Movement in reserves during 2024/25:							
Deficit on the provision of services	6	3,023	-	-	3,023	-	3,023
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability	25	-	-	-	-	-23,927	-23,927
Changes to injury scheme	25	-	-	-	-	-2,446	-2,446
Revaluation gains charged to revaluation reserve	16	-	-	-	-	-2,267	-2,267
Revaluation losses charged to revaluation reserve	16	-	-	-	-	12,235	12,235
Total Comprehensive Income and Expenditure		**3,023**	**-**	**-**	**3,023**	**-16,405**	**-13,382**
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	-44,034	-	-	-44,034	41,904	-2,130
Gain in relation to Government grant payable to Pension Fund	28	25,467	-	-	25,467	-25,467	-
Employer's contribution to pension schemes	16	17,908	-	-	17,908	-17,908	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	-166	-	-	-166	166	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	-89	-	-	-89	89	-

Movement in Reserves Statement

Reversal of entries included in the surplus or deficit on the Provision of Services, in relation to Capital Expenditure(these items are charged to the capital adjustment account)							
Depreciation and impairment of non-current assets	8	-6,276	-	-	-6,276	6,276	-
Revaluation gains / losses (-) on property, plant and equipment	16	-3,245	-	-	-3,245	3,245	-
Revaluation gains / losses (-) on assets held for sale	16	-	-	-	-	-	-
Assets sold written out as part of the gain/loss(-) on disposal		-131	-	-	-131	131	-
Total adjustments to revenue resources		**-10,566**	**-**	**-**	**-10,566**	**8,436**	**-2,130**
Adjustments between revenue and capital resources							
Transfer of non-current asset sale proceeds as part of the gain/loss on disposal		94	-	-94	-	-	-
Administrative costs of non-current asset disposals		-1	-	1	-	-	-
Statutory provision for the repayment of debt	16,22	104	-	-	104	-104	-
Voluntary provision for the repayment of debt	16,22	1,191	-	-	1,191	-1,191	-
Capital expenditure funded from revenue contribution	16,22	1,719	-	-	1,719	-1,719	-
Total adjustments between revenue and capital resources		**3,107**	**-**	**-93**	**3,014**	**-3,014**	**-**
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22	-	-	-	-	-	-
Capital Grant and contributions applied		150	-	-	150	-150	-
Donated Asset Contribution		607	-	-	607	-607	-
Total adjustments to capital resources		**757**	**-**	**-**	**757**	**-757**	**-**
Net increase (-) / decrease before transfer to Earmarked Reserves	15	**-3,679**	**-**	**-93**	**-3,772**	**-11,740**	**-15,512**
Transfers to (-) / from Earmarked Reserves		3,259	-3,259	-	-	-	-
Increase (-) / Decrease in 2024/25	15,16	-420	-3,259	-93	-3,772	-11,740	-15,512
Balance at 31 March 2025		**-4,680**	**-36,655**	**-8,647**	**-49,982**	**516,559**	**466,577**
Amounts held for revenue purposes		-4,680	-11,456	-	-16,136	615,449	599,313
Amounts held for capital purposes		-	-25,199	-8,647	-33,846	-98,890	-132,736

Movement in Reserves Statement

2025/26 All figures are in £'000	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
Balance at 31 March 2025 brought forward		**-4,680**	**-36,655**	**-8,647**	**-49,982**	**516,559**	**466,577**
Movement in reserves during 2025/26:							
Deficit on the provision of services	6	7,171	-	-	7,171	-	7,171
Other Comprehensive Income and Expenditure							
Re-measurements of the net defined benefit liability (including Changes to injury scheme -£199k)	25	-	-	-	-	-14,475	-14,475
Revaluation gains charged to revaluation reserve	16	-	-	-	-	-2,943	-2,943
Revaluation losses charged to revaluation reserve	16	-	-	-	-	1,894	1,894
Total Comprehensive Income and Expenditure		**7,171**	**-**	**-**	**7,171**	**-15,524**	**-8,353**
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	-41,354	-	-	-41,354	41,354	-
Gain in relation to Government grant payable to Pension Fund	28	16,569	-	-	16,569	-16,569	-
Employer's contribution to pension schemes	16	18,222	-	-	18,222	-18,222	-
Council Tax and non-domestic rate income (transfers to or from collection fund adjustment account)	16	330	-	-	330	-330	-
Accrued annual leave (tfr'd to the accumulated absences reserve)	16	181	-	-	181	-181	-

Movement in Reserves Statement

Reversal of entries included in the surplus or deficit on the Provision of Services, in relation to Capital Expenditure (these items are charged to the capital adjustment account)							
Depreciation and impairment of non-current assets	8	-5,303	-	-	-5,303	5,303	-
Revaluation gains / losses (-) on property, plant and equipment	16	513	-	-	513	-513	-
Revaluation gains / losses (-) on assets held for sale	16	-4	-	-	-4	4	-
Assets sold written out as part of the gain/(loss) on disposal		-562	-	-	-562	562	-
Total adjustments to revenue resources		**-11,408**	**-**	**-**	**-11,408**	**11,408**	**-**
Adjustments between revenue and capital resources							
Transfer of non-current asset sale proceeds as part of the gain/loss on disposal		447	-	-447	-	-	-
Administrative costs of non-current asset disposals		-4	-	4	-	-	-
Statutory provision for the repayment of debt	16,22	191	-	-	191	-191	-
Voluntary provision for the repayment of debt	16,22	1,104	-	-	1,104	-1,104	-
Capital expenditure funded from revenue contribution	16,22	2,318	-	-	2,318	-2,318	-
Total adjustments between revenue and capital resources		**4,056**	**-**	**-443**	**3,613**	**-3,613**	**-**
Adjustment to capital resources							
Use of capital receipts reserve to finance capital expenditure	22	-	-	-	-	-	-
Capital Grant and contributions applied		-	-	-	-	-	-
Donated Asset Contribution		-	-	-	-	-	-
Total adjustments to capital resources		**-**	**-**	**-**	**-**	**-**	**-**
Net increase (-) / decrease before transfer to Earmarked Reserves	15	**-181**	**-**	**-443**	**-624**	**-7,729**	**-8,353**
Transfers to (-) / from Earmarked Reserves		-29	29	-	-	-	-
Increase (-) / Decrease in 2025/26	15,16	-210	29	-443	-624	-7,729	-8,353
Balance at 31 March 2026		**-4,890**	**-36,626**	**-9,090**	**-50,606**	**508,830**	**458,224**
Amounts held for revenue purposes		-4,890	-10,872	-	-15,762	607,026	591,264
Amounts held for capital purposes		-	-25,754	-9,090	-34,844	-98,196	-133,040

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 to provide services.

31 March 2025	All figures are in £'000	Notes		31 March 2026
	Property, Plant and Equipment:			
81,567	Land and buildings	8	80,802	
14,916	Vehicles, plant and equipment	8	13,708	
5,817	Assets under construction	8	14,494	
-	Surplus assets not held for sale	8	-	
336	Leased Assets	23	272	
102,636	**Long Term Assets**			**109,276**
42,865	Short Term Investments	9	40,906	
216	Assets Held for Sale	12	-	
316	Inventories		330	
12,389	Short term Debtors	10	10,188	
23,511	Cash and Cash Equivalents	9,11	16,327	
79,297	**Current Assets**			**67,751**
-31,965	Short Term Creditors	13	-27,166	
-41	Short Term Creditors - Leases	13	-43	
-1,252	Provisions	14	-745	
-33,258	**Current Liabilities**			**-27,954**
	Other Long-Term Liabilities:			
-170	Long Term Creditors - Leases	13	-127	
-615,082	Firefighters' pension liability	25	-606,803	
-	Net LGPS pension liability	25	-367	
-615,252	**Long Term Liabilities**			**-607,297**
-466,577	**Net Assets / Liabilities (-)**			**-458,224**
	Usable Reserves:			
-4,680	General reserve	15	-4,890	
-36,655	Earmarked reserves	15	-36,626	
-8,647	Capital receipts reserve	15	-9,090	
516,559	Unusable Reserves	16	508,830	
466,577	**Total Reserves**			**458,224**

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 2025	All figures are in £'000	Notes	31 March 2026
	Operating Activities		
	Cash Outflows		
66,466	Cash paid to and on behalf of employees		79,639
30	Interest paid		10
21,622	Cash paid to suppliers of goods and services		21,663
88,118	**Cash outflows generated from operating activities**		**101,312**
	Cash inflows		
-60,541	Precepts received		-64,792
-1,631	Other Local Govt Finance Settlement Grants		-648
-11,352	Revenue support grant		-11,549
-12,306	Business Rates		-12,205
-815	Capital grants received		-
-8,886	Business Rate top-up grant		-8,999
-14,820	Other revenue grants		-267
-2,253	Cash received for goods and services		-
-2,776	Interest received		-3,085
-1,469	Other operating cash receipts		-940
-116,849	**Cash inflows generated from operating activities**		**-102,485**
-28,731	**Net cash inflow from operating activity**		**-1,173**
	Investing Activities		
5,410	Purchase of property, plant and equipment		10,624
-93	Proceeds from sale of property, plant and equipment		-443
7,679	Temporary investments		-1,865
12,996	**Net cash flows generated from investing activity**		**8,316**
	Financing Activities		
400	Repayment of amounts borrowed	9	-
39	Lease Payment		41
439	**Net cash flows from financing activities**		**41**
-15,296	**Net increase(-)/decrease in cash and cash equivalents**		**7,184**
8,215	Cash and cash equivalents at 1 April	11	23,511
15,296	**Movement in year**		**-7,184**
23,511	Cash and cash equivalents at 31 March	11	16,327

Notes to the Statement of Accounts

1. Accounting policies

Detailed below are the general accounting policies adopted by the Authority. Other policies which refer to specific financial statement lines are detailed with the relevant note to the accounts.

General Principles

The Statement of Accounts (the Accounts) of the Authority have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2025/26 (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.

The Statement of Accounts are prepared on a going concern basis. The policies adopted by the Authority are detailed below. They have been applied consistently in dealing with items considered material in relation to the Accounts.

1.1 Accruals of Income and Expenditure

The Accounts of the Authority have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment.

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- 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 the Authority 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.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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.

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, subject to standard materiality thresholds.

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 contributions from third parties towards joint-funded projects, insurance recoveries and income from the sale of obsolete vehicles and equipment. Debtors are shown net of any provision made for bad or doubtful debts.

1.5 Government Grants and Contributions

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied

reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.6 Revenue Expenditure Funded from Capital Under Statute

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

1.7 Treatment of Value Added Tax

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

1.8 Redemption of Debt and Capital Expenditure Financed by Borrowing

The Authority is required to set aside an amount each year to repay capital expenditure financed by borrowing. This is known as Minimum Revenue Provision (MRP). There is a statutory requirement for the Authority to charge the Council Taxpayer with MRP in respect of historic debt, which represents 4% of the outstanding borrowing liability. In addition, the Authority makes voluntary revenue provision where appropriate to align the charge to the Council Taxpayer with the useful life of the asset. For all new capital expenditure financed by borrowing, MRP is calculated using the asset life method in accordance with the Authority's approved MRP policy.

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 2025/26. These changes relate to accounting amendments in relation to IFRS9 and IFRS7. These changes are not expected to have a material impact on the Authority's Accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in Note 1, the Authority has not made any material critical judgements, apart from those involving valuation estimations, that have had a significant effect on the amounts recognised in the Statement of Accounts. Key sources of estimation uncertainty are set out in Note 4.

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 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment (PPE)

The effect of any over or under estimation on the revaluation of property plant and equipment cannot be quantified until the asset is disposed of. The carrying amount of Land and Buildings at the end of the reporting period is £80.802m and therefore a reduction of 1% in the value would reduce the balance sheet by £808k.

Assets are depreciated over their useful lives and 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 2026 is £67m. 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 £430k for every year that useful lives had to be reduced.

An update to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom now mandates that Property, Plant and Equipment (PPE) assets not undergoing a full physical valuation in-year must be adjusted using indexation to ensure their carrying amounts do not differ materially from Current Value at the Balance Sheet date. In collaboration with the Authority's Valuers, appropriate specialised indices and appraisal techniques have been identified and applied as detailed in Note 8.

The Authority has adopted the following Code compliant estimation techniques:

- **Office Buildings (Tovil, Maidstone and Coldharbour):** In line with the Code provisions for asset classes lacking annual market indices, these assets are held on a quinquennial physical inspection cycle, supplemented by a professional interim desktop valuation in year three. A desktop review of these assets is next due in the 2026/27 financial year.

- **Residential Houses (Day Crewed):** These properties are occupied for operational purposes and are held at Current Value in Existing Use (EUV). In the intervening years between formal professional valuations, carrying amounts are adjusted utilising the Land Registry House Price Index (HPI) specific to individual Kent boroughs.

- **Specialised Buildings (Fire Stations):** For the building components of the 56 specialised fire stations, Technical Rescue Centre, Equipment Store, and training facilities valued under the Depreciated Replacement Cost (DRC) framework, a fresh data download from the Building Cost Information Service (BCIS) tracking the specific fire station market subset was utilised rather than the general All-in Tender Price Index (TPI). The Valuers have compared the general increase in fire station build costs from 2025 to 2026 to the All-in TPI but determined that this specialised subset approach is required to accurately reflect the unique nature and remaining service potential of these operational assets. General indexation (BCIS All-in TPI or CPI inflation) was applied to standard individual components (e.g., solar panels, boilers, towers, and contamination costs) unless recent actual expenditure dictated otherwise.

- **Land:** As no land indices are directly available, the previous year's valuations of the land (which in the majority of the cases reflected residential/commercial land values) has been

reviewed by looking at market movements of the two components affecting land values, namely sales values and build costs. For sales values/Gross Development Value (GDV), reference has been made to the UK House Price Index (UKHPI) (for residential sites) or Morgan Stanley Capital International (MSCI) for commercial sites to obtain an estimation of the adjustment to GDV. For build costs, reference has been made to the BCIS cost information data provided by the Royal Institution of Chartered Surveyors (RICS). The land value reported reflects the net relativity of the movement between GDV and build costs. As specialised operational properties are held for their service potential and have no active open market, this tracking framework provides a robust, Code compliant estimation of remaining service potential under the DRC methodology. This approach is considered appropriate for a diverse area such as Kent with a wide range of values in different areas.

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 2026 is £691.705m (Note 25).

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1-year increase in the life expectancy assumption would result in an increase in the Pension Scheme liabilities of £21.794m.

The table on page 67 provides further details on the assumptions used and their financial impact.

5. Events After the Reporting Period

The following non-adjusting event after the reporting period has been identified:

On 1 May 2026, the Authority achieved practical completion of the Ashford Live Fire Training Facility. This is a non-adjusting event after the reporting period. At 31 March 2026, £13.372m relating to this project was held within Assets Under Construction. In 2026/27, the asset will be reclassified as an operational asset, which will trigger the commencement of depreciation charges in line with the Authority's accounting policies. Accordingly, no adjustment has been made to the amounts recognised in the 2025/26 financial statements.

Notes to the Statement of Accounts

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis 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					**2024/25**
	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	57,291	-486	56,805	610	57,415
Prevention and Protection	7,767	163	7,930	-328	7,602
Customer Services	25,372	-1,719	23,653	-77	23,576
Pensions, Financing and Other Costs	3,521	-622	2,899	5,035	7,934
Net Cost of Services	**93,951**	**-2,664**	**91,287**	**5,240**	**96,527**
Other Income and Expenditure			-94,966	1,462	-93,504
Surplus (-) or Deficit			**-3,679**	**6,702**	**3,023**

Opening General and Earmarked Reserves Balance	37,656
Plus Surplus on General Fund in the year	3,679
Closing General and Earmarked Reserves Balance	**41,335**

Notes to the Statement of Accounts

6. Expenditure and Funding Analysis (continued)

All figures are in £'000					2025/26
	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	61,905	290	62,195	-6,901	55,294
Prevention and Protection	8,605	-102	8,503	-535	7,968
Customer Services	22,334	1,509	23,843	-157	23,686
Pensions, Financing and Other Costs	3,650	-1,036	2,614	836	3,450
Net Cost of Services	**96,494**	**661**	**97,155**	**-6,757**	**90,398**
Other Income and Expenditure			-97,336	14,109	-83,227
Surplus (-) or Deficit			**-181**	**7,352**	**7,171**

Opening General and Earmarked Reserves Balance	41,335
Plus Surplus on General Fund in the year	181
Closing General and Earmarked Reserves Balance	**41,516**

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.

2024/25					2025/26			
Adjustment for Capital Purposes	**Net Change for the Pensions Adjustment**	**Other Differences**	**Total Adj.**	All figures are in £'000	**Adjustment for Capital Purposes**	**Net Change for the Pensions Adjustment**	**Other Differences**	**Total Adj.**
8,986	-8,427	51	610	Operational Response and Resilience	4,205	-11,023	-83	-6,901
43	-398	27	-328	Prevention and Protection	20	-524	-31	-535
492	-580	11	-77	Customer Services	569	-659	-67	-157
-	5,035	-	5,035	Pensions, Financing and Other Costs	-	836	-	836
9,521	**-4,370**	**89**	**5,240**	**Net Cost of Services**	**4,794**	**-11,370**	**-181**	**-6,757**
-3,733	**5,029**	**166**	**1,462**	**Other Income and Expenditure from the Funding Analysis**	**-3,494**	**17,933**	**-330**	**14,109**
5,788	659	255	6,702	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus	1,300	6,563	-511	7,352

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	2024/25	2025/26
Employee expenses	81,134	84,636
Other operating expenses	18,295	17,731
Depreciation	6,276	5,303
Revaluation gains (-) / losses on property, plant and equipment	3,245	-509
IAS19 adjustment	-4,370	-11,370
Employee leave accrual adjustment	89	-181
Expenditure charged to Cost of Services	**104,669**	**95,610**
Government grants and contributions	-5,099	-4,288
Fees, charges and other service income	-3,043	-924
Income credited to Cost of Services	**-8,142**	**-5,212**
Net expenditure charged to Cost of Services	**96,527**	**90,398**
Interest payments	27	9
Pensions interest cost	34,933	39,071
Expected return on pensions assets	-4,523	-4,668
LGPS administration expenses	86	99
Gain (-) / Loss on disposal of assets	39	119
Expenditure charged to Provision of Services	**30,562**	**34,630**
Pension fund top-up grant	-25,467	-16,569
Interest and investment income	-3,052	-2,724
Gain (-) / Loss on financial instruments carried at fair value through profit or loss	-86	93
Income from Council Tax	-60,765	-65,143
Income from Business Rates and top-up grant	-16,283	-16,805
Capital Grants and Contributions	-757	-
Non-ring-fenced Government grants	-17,656	-16,709
Income credited to Provision of Services	**-124,066**	**-117,857**
Expenditure and Income charged to Provision of Services	**-93,504**	**-83,227**
Deficit on Provision of Services	**3,023**	**7,171**

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 £'000	2024/25	2025/26
Revenue from contracts with service recipients:		
Operational Response and Resilience – provision of fire cover	2,262	-
Total included in Comprehensive Income and Expenditure Statement	**2,262**	**-**

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

All figures are in £'000	2024/25	2025/26
Receivables, which are included in debtors net of VAT (Note 10)	-	-
Total included in Net Assets	**-**	**-**

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 £'000	2024/25	2025/26
Not later than one year	-	-
Later than one year and not later than five years	-	-
Amounts of transaction price fully unsatisfied	**-**	**-**

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. The contract was terminated in February 2025; therefore no IFRS 15 revenue was recognised in 2025/26.

Notes to the Statement of Accounts

8. Property, Plant and Equipment

Policy:

Recognition: Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE). All expenditure on the acquisition, creation, or enhancement of these assets is recognised on an accruals basis.

- **Capitalisation Thresholds:** All expenditure on vehicles and building components that complies with statutory capitalisation criteria is capitalised. For all other individual asset items, a de-minimis capitalisation limit of £10,000 applies. Items that form part of the initial equipping of a new operational vehicle or the initial setup/fit-out of a new building are capitalised as part of that specific project, irrespective of individual item cost.

- **Assets Under Construction:** Capital works that are incomplete at the balance sheet date are carried forward at cost as Assets Under Construction.

Revenue Expenditure Funded from Capital under Statute (REFCUS): Expenditure incurred during the year that is classified as capital under statutory provisions but does not result in the creation or enhancement of a non-current asset is charged to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES) in the year that it occurs. To ensure there is no impact on the Council Taxpayer, this charge is subsequently reversed out of the General Fund Balance via the Movement in Reserves Statement (MiRS) to the Capital Adjustment Account.

Measurement and Valuation Bases: Assets are initially measured at cost, comprising the purchase price and any costs directly attributable to bringing the asset into working condition for its intended operational use. Assets are subsequently carried on the Balance Sheet using the following measurement bases prescribed by the CIPFA Code:

- **Fire stations and other specialised buildings:** Current Value estimated using a Depreciated Replacement Cost (DRC) methodology based on the Modern Equivalent Asset (MEA) concept.

- **Houses and other non-specialised buildings:** Current Value determined on an Existing Use Value (EUV) basis.

- **Vehicles and equipment:** Depreciated historical cost used as a proxy for Current Value.

- **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.

Revaluation and Indexation Framework: The Authority manages the valuation of its land and building portfolio through a combination of cyclical formal appraisals and annual indexation:

- **Valuation Cycles and Indexation**: Formal valuations of land and buildings are conducted by independent external professional Valuers at intervals not exceeding five years. In the intervening years between formal physical inspections, carrying amounts are adjusted annually using appropriate indices to ensure they do not differ materially from Current Value at the Balance Sheet date.

Notes to the Statement of Accounts

8. Property, Plant and Equipment (continued)

- **Assets Lacking Direct Market Indices:** For asset classes where standard annual market indices are unavailable, properties are held on a five-year (quinquennial) physical inspection cycle, supplemented by a professional interim desktop valuation in year three.

- **Specialised Rolling Programme:** For specialised operational assets (Fire Stations), the Authority adopts a five-year (20% annually) rolling programme of full physical revaluations. This is paired with comprehensive annual indexation across the remainder of the portfolio to satisfy Code requirements.

- **Transition Arrangements**: Revaluations performed prior to the implementation of the revised Code frameworks remain valid through their respective transition periods (spanning 1 April 2025 to the asset's next scheduled formal valuation date), ensuring the interval between formal valuations never exceeds five years.

- **Interim Assessments:** Additional interim valuations are commissioned where objective evidence points to significant localized market movements or material asset impairment.

- **Additions and Enhancements**: Material additions to the premises estate are valued at the date of acquisition or upon practical completion when the property is brought into use. Minor replacements or enhancement works below £100,000 are held within additions at actual cost unless the operational value is expected to be materially different.

Revaluation Adjustments: Revaluation gains are credited to the Revaluation Reserve to recognise unrealised increases in value. Revaluation losses are first written off against any accumulated revaluation surplus held in the Revaluation Reserve for that specific asset. Where there is no balance or an insufficient balance on the reserve, the remaining loss is expensed directly to the relevant service line within the Comprehensive Income and Expenditure Statement.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets (except land) on a straight-line basis over the estimated useful life of the asset taking into account any residual value. 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. Assets Under Construction are not depreciated.

Impairment: Assets are reviewed at the end of each financial year for objective evidence of impairment (e.g., physical damage or a significant decline in service potential). Impairment losses are charged to the Revaluation Reserve up to the amount of any historical accumulated gains for that specific asset, with any remaining balance charged directly to the relevant service line in the Comprehensive Income and Expenditure Statement. Where an impairment loss is subsequently reversed, the relevant service line is credited with the reversal up to the amount of the original loss, adjusted for the additional depreciation that would have been charged had the impairment not been recognised.

At 31 March 2026 the Authority had capital commitments of £2.137m in relation to the Ashford Live Fire Training Facility, new vehicle purchases and some premises expenditure (£10.5m at 31 March 2025).

Notes to the Statement of Accounts

8. Property, Plant and Equipment (continued)

The table below shows 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	10 to 45
Bay doors	10 to 20
Generators	10 to 25
Fire appliances	13 to 15
Cars and vans	5 to 10
Other operational vehicles	5 to 20
IT Equipment	3 to 10

This table provides an analysis of property assets at 31 March 2026:

	Operational	Surplus	Held for Sale
Fire Stations	56	-	-
Headquarters	1	-	-
Residential houses	18	-	-
Technical Rescue Centre	1	-	-
Training Centre	1	-	-
Other	1	-	-

Revaluations and Indexation

The Authority engaged independent external Valuers, Cluttons LLP, to carry out a full professional valuation of the Authority's entire land and building portfolio at 31 March 2025.

All fire stations had a full physical inspection in 2025 with inspections of 20% of fire stations annually thereafter and valuation on a five-year rolling programme of revaluations. Day crewed housing is valued once every five years, and annual indexation is applied in the intervening years. The houses were valued last year, and indexation is applied this year. Offices at service headquarters and the leased control room are valued once every five years with an interim desktop valuation carried out in year three, as no suitable indices have been identified. These are next due for a desktop review in 2026/27. All assets are reviewed 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The valuations are in accordance with International Valuation Standards (IVS) and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards, December 2024 and effective 31 January 2025 (the Red Book).

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

Notes to the Statement of Accounts

8. Property, Plant and Equipment (continued)

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 historic cost as a proxy for current value. The value and remaining life of fire appliances are subject to an annual review by the Fleet and Equipment Services Team. Details of the indexation method chosen for each asset class is provided below:

Asset	Indexation method chosen
Fire Stations	A fresh download from Building Cost Information Service (BCIS) was taken rather than apply the All-in Tender Price Index (TPI) rate, as the fire station subset is a very specialist segment of the market. The Valuers compared the general increase in fire station build costs from 2025 to 2026 to the All-in TPI but concluded that the approach adopted is appropriate for specialist assets. The BCIS All-in TPI increase or CPI inflation was applied to all other components e.g. solar panels, boilers, towers, contamination costs unless there is any recent expenditure that suggests a different figure to the indices.
Land	As there are no land indices directly available, the previous year's land valuations have been reviewed by looking at market movements of the two components affecting land values, namely sales values and build costs. For sales values/Gross Development Value(GDV), reference has been made to the UK House Price Index (UKHPI) for residential sites or Morgan Stanley Capital International (MSCI) for commercial sites to obtain an estimation of the adjustment to GDV. For build costs reference has been made to the BCIS cost information data provided by the RICS. The land value reported reflects the relativity of the movement between GDV and build costs.
Residential houses	Land Registry House Price Index (HPI) specific to individual Kent boroughs.
Offices	As no indices are available, the Code allows for quinquennial valuations with a desktop revaluation in year 3. A desktop valuation is next due 2026/27.
Vehicles	Consumer price index has been used for fully depreciated operational vehicles.

Notes to the Statement of Accounts

8. Property, Plant and Equipment (continued)

2024/25 All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Right of Use Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2024	**98,074**	**35,655**	**-**	**4,741**	**-**	**138,470**
Additions	789	908	447	3,708	-	5,852
Revaluation increases / decreases (-) recognised in the revaluation reserve	-10,048	156	-47	-	-29	-9,968
Revaluation increases / decreases (-) recognised in the deficit on the provision of services	-3,233	-12	-	-	-	-3,245
De-recognition – disposals	-	-1,090	-	-	-	-1,090
Assets reclassified	-250	-	-	-	34	-216
Assets under construction completed in year	78	2,554	-	-2,632	-	-
Other movements in cost or valuation	-3,843	-155	-	-	-5	-4,003
Cost or Valuation at 31 March 2025	**81,567**	**38,016**	**400**	**5,817**	**-**	**125,800**
Accumulated Depreciation and Impairment at 1 April 2024	-	-21,880	-	-	-	-21,880
Depreciation/impairment charge	-3,843	-2,364	-64	-	-5	-6,276
Assets Reclassified	-	-	-	-	-	-
De-recognition – disposals	-	989	-	-	-	989
Other movements in depreciation and impairment	3,843	155	-	-	5	4,003
Accumulated Depreciation and Impairment at 31 March 2025	**-**	**-23,100**	**-64**	**-**	**-**	**-23,164**
Net Book Value at 31 March 2025	**81,567**	**14,916**	**336**	**5,817**	**-**	**102,636**
Net Book Value at 31 March 2024	98,074	13,775	-	4,741	-	116,590

Notes to the Statement of Accounts

8. Property, Plant and Equipment (continued)

2025/26 All figures are in £'000	Land and Buildings	Vehicles, Plant and Equipment	Right of Use Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation at 1 April 2025	**81,567**	**38,016**	**400**	**5,817**	**-**	**125,800**
Additions	751	547	-	9,432	-	10,730
Revaluation increases / decreases (-) recognised in the revaluation reserve	1,069	35	-	-	-55	1,049
Revaluation increases / decreases (-) recognised in the deficit on the provision of services	538	-25	-	-	-	513
De-recognition – disposals	-12	-1,705	-	-	-	-1,717
Assets reclassified	-275	-	-	-	55	-220
Assets under construction completed in year	46	709	-	-755	-	-
Other movements in cost or valuation	-2,882	-147	-	-	-	-3,029
Cost or Valuation at 31 March 2026	**80,802**	**37,430**	**400**	**14,494**	**-**	**133,126**
Accumulated Depreciation and Impairment at 1 April 2025	-	-23,100	-64	-	-	-23,164
Depreciation/impairment charge	-2,882	-2,357	-64	-	-	-5,303
Assets Reclassified	-	-	-	-	-	-
De-recognition – disposals	-	1,588	-	-	-	1,588
Other movements in depreciation and impairment	2,882	147	-	-	-	3,029
Accumulated Depreciation and Impairment at 31 March 2026	**-**	**-23,722**	**-128**	**-**	**-**	**-23,850**
Net Book Value at 31 March 2026	**80,802**	**13,708**	**272**	**14,494**	**-**	**109,276**
Net Book Value at 31 March 2025	81,567	14,916	336	5,817	-	102,636

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.

- 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.

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.

Notes to the Statement of Accounts

9. Financial Instruments (continued)

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	2026	2025	2026	2025
Investments				
Current Investments[1]	-	-	7,906	11,865
Short term investments[2]	-	-	33,000	31,000
Cash and cash equivalents[2]	-	-	16,327	23,511
Debtors				
Short term debtors[2]	-	-	1,135	1,186
Borrowings				
Short term borrowing[2]	-	-	-	-
Creditors				
Short term creditors[2]	-	-	-3,284	-3,934

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

The Authority has no outstanding loans as at 31 March 2026.

10. Debtors

	31 March	
All figures are in £'000	2026	2025
Central government bodies[1]	857	563
Other local authorities[1]	463	284
Collection Fund	6,444	5,397
Pension Fund	-	-
Other entities and individuals[1]	2,424	6,145
Total Debtors	**10,188**	**12,389**

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

Collection Fund debtors at 31 March 2026 are shown net of provisions for bad and doubtful debts £4.436m (£4.148m at 31 March 2025).

Notes to the Statement of Accounts

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 2026	31 March 2025
Bank current accounts and cash held by the Authority	58	56
Short term deposits	16,269	23,455
Total Cash and Cash Equivalents	**16,327**	**23,511**

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.

All figures are in £'000	2025/26	2024/25
Balance at 1 April	**216**	**30**
Assets newly classified as held for sale	220	216
Revaluation losses	-4	-
Assets sold in year	-432	-30
Balance at 31 March	**-**	**216**

Notes to the Statement of Accounts

13. Creditors

All figures are in £'000	31 March 2026	2025
Central government bodies[1]	3,152	6,951
Collection fund receipts in advance	2,058	1,754
Collection Fund creditor	3,138	2,575
Other local authorities [1,2]	454	960
Pension Fund	10,948	2,706
Other entities and individuals[1,2]	7,586	17,230
Total Creditors	**27,336**	**32,176**

[1] Includes part of the amount shown as short term creditors in Note 9.
[2] Includes part of capital creditors totalling £669.1k (£638.6k at 31 March 2025).

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 Property Provision

The Authority has external cover for insurance claims. At 31 March 2026 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. A general property provision was made in regard to land contamination identified at Ashford Fire Station. Work to remediate the site was completed in 2025/26.

Non-Domestic Rate Appeals

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

All figures are in £'000	Insurance Provision	General Property Provision	Non-Domestic Rates Appeals	Total
Balance at 1 April 2025	**107**	**387**	**758**	**1,252**
Movements in 2025/26:				
Additional provisions made	144	73	608	825
Amounts used	-77	-337	-758	-1,172
Unused amounts reversed	-37	-123	-	-160
Balance at 31 March 2026	**137**	**0**	**608**	**745**

Notes to the Statement of Accounts

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 Taxpayer.

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 rolled forward for use in future years.

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

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

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

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

This table below sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2025/26.

Capital Receipts
This reserve holds receipts generated from the sale of capital assets and as such these resources can only generally be used to fund reinvestment in other capital assets.

Notes to the Statement of Accounts

15. Usable Reserves (continued)

All figures are in £'000	Balance at 1 April 2025	Net Reserve Transfers 2025/26	Balance at 31 March 2026
General Fund Balance	**4,680**	**210**	**4,890**
Earmarked Reserves:			
- Government Grants	448	-11	437
- Infrastructure	27,621	595	28,216
- Insurance and Resource	5,888	321	6,209
- Rolling Budgets	1,798	-313	1,485
- Service Transformation and Productivity	900	-621	279
Total Earmarked Reserves	**36,655**	**-29**	**36,626**
Total General and Earmarked Reserves	**41,335**	**181**	**41,516**
Capital Receipts	8,647	443	9,090
Total Usable Reserves	**49,982**	**624**	**50,606**

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	2025/26	2024/25
Revaluation Reserve	-37,106	-37,794
Accumulated Absences Account	495	676
Pensions Reserve	607,170	615,082
Collection Fund Adjustment Account	-639	-309
Capital Adjustment Account	-61,090	-61,096
Total Unusable Reserves	**508,830**	**516,559**

Notes to the Statement of Accounts

16. Unusable Reserves (continued)

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	2025/26	2024/25
Revaluation Reserve		
Balance at 1 April	**-37,794**	**-50,139**
Upward revaluation of assets	-2,943	-2,267
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	1,894	12,235
Difference between fair value depreciation and historical cost depreciation	1,573	2,367
Accumulated gains on assets sold or scrapped	164	10
Balance at 31 March	**-37,106**	**-37,794**

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 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 Taxpayer. 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.

Notes to the Statement of Accounts

16. Unusable Reserves (continued)

All figures are in £'000		2025/26		2024/25
Accumulated Absences Account				
Balance at 1 April		**676**		**587**
Settlement of accrual made at the end of the preceding year	-676		-587	
Amounts accrued at the end of the current year	495		676	
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		-181		89
Balance at 31 March		**495**		**676**

Pensions Reserve

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

All figures are in £'000	2025/26	2024/25
Pensions Reserve		
Balance at 1 April	**615,082**	**642,926**
Re-measurements of the net defined benefit liability	-22,541	-40,329
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	24,785	16,437
Employer's pensions contributions and direct payments to pensioners payable in the year	-18,222	-17,908
Asset Ceiling Adjustment	8,066	13,956
Balance at 31 March	**607,170**	**615,082**

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.

Notes to the Statement of Accounts

16. Unusable Reserves (continued)

All figures are in £'000	2025/26	2024/25
Collection Fund Adjustment Account		
Balance at 1 April	**-309**	**-474**
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	-351	-224
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	21	389
Balance at 31 March	**-639**	**-309**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for 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.

Notes to the Statement of Accounts

16. Unusable Reserves (continued)

All figures are in £'000	2025/26	2024/25
Capital Adjustment Account		
Balance at 1 April	**-61,096**	**-64,601**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	5,303	6,276
Revaluation (gains) / losses on property, plant and equipment	-513	3,245
Revaluation (gains) / on assets held for sale	4	-
Revenue expenditure funded from capital under statute	-	-
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	562	122
Adjusting amounts written out of the Revaluation Reserve	-1,737	-2,367
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
Use of Capital Receipts Reserve to finance new capital expenditure	-	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	-	-757
Statutory provision for the financing of capital investment charged against the General Fund	-1,295	-1,295
Capital expenditure charged against the General Fund Balance	-2,318	-1,719
Balance at 31 March	**-61,090**	**-61,096**

Notes to the Statement of Accounts

17. Officers' Remuneration

This table provides details of actual remuneration for 2025/26 (including employer pension contributions) for the Chief Executive and the other most senior officers employed by the Authority. Comparative information for 2024/25 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

2025/26 All figures are in £'000	**Salary and Allowances**	**Pension Contributions**	**Total Remuneration Inc. Pension Contributions**
Role Information			
Chief Executive – A Millington	180.4	33.3	213.7
Director, Response and Resilience	146.8	55.2	202.0
Director, Prevention, Protection, Customer Engagement & Safety (left 01/02/2026)	122.6	22.7	145.3
Director, Prevention, Protection, Customer Engagement & Safety (from 01/01/2026)	36.9	6.8	43.7
Director, Finance and Corporate Services (left 05/05/2025)	11.5	-	11.5
Director, Finance and Corporate Services	146.7	27.1	173.8
Director, HR & Culture (left 16/09/2025)	66.8	12.4	79.2
Assistant Director, Resilience* (from 14/03/2026)	5.8	2.2	8.0
Assistant Director, Response	119.4	44.7	164.1
Assistant Director, Response* (from 14/03/2026)	5.8	2.2	8.0
Assistant Director, Customer & Building Safety* (left 31/12/2025)	89.0	16.5	105.5
Assistant Director, Transformation (from 02/03/2026)	9.0	1.7	10.7
	940.7	**224.8**	**1,165.5**

*Promoted in year

Notes to the Statement of Accounts

17. Officers' Remuneration (continued)

2024/25 All figures are in £'000	Salary and Allowances	Pension Contributions	Total Remuneration inc. Pension Contributions
Role Information			
Chief Executive – A Millington	174.3	30.5	204.8
Director, Response and Resilience (left 31/12/24)	106.1	39.9	146.0
Director, Response and Resilience (from 1/9/2024)	82.5	31.0	113.6
Director, Prevention, Protection, Customer Engagement & Safety	141.5	24.8	166.2
Director, Finance and Corporate Services	114.7	-	114.7
Director, Finance and Corporate Services (from 27/01/2025)	24.4	4.3	28.7
Director, HR & Culture	135.5	23.7	159.2
Assistant Director, Resilience	115.1	43.3	158.4
Assistant Director, Response (left 31/08/2024)	47.3	17.8	65.1
Assistant Director, Response (from 16/07/2024)	82.5	31.0	113.5
Assistant Director, Customer & Building Safety (left 08/04/2024)	2.5	0.9	3.4
Assistant Director, Customer & Building Safety	115.1	20.1	135.2
	1,141.5	**267.3**	**1,408.8**

Notes to the Statement of Accounts

17. Officers' Remuneration (continued)

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

	Number of Employees	
Remuneration Band	**2025/26**	**2024/25**
£50,000 - £54,999	112	110
£55,000 - £59,999	84	74
£60,000 - £64,999	59	67
£65,000 - £69,999	54	21
£70,000 - £74,999	18	23
£75,000 - £79,999	10	18
£80,000 - £84,999	15	3
£85,000 - £89,999	1	-
£90,000 - £94.999	1	5
£95,000 - £99,999	5	1
£100,000 - £104,999	1	-
Total	**360**	**322**

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	2025/26	2024/25
Allowances	74	80
Expenses	-	1
Total	**74**	**81**

19. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts.

All figures are in £'000	2025/26	2024/25
Fees payable to the external auditor:		
External audit services carried out by the appointed auditor for the year	118	114
Additional Audit Fee Variation 2024/25	-	8
Total	**118**	**122**

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	2025/26	2024/25
Credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (included in Settlement Funding Assessment)	11,549	11,352
Small Business Rate Relief Grant and Compensation	4,428	4,520
4% Minimum Funding Guarantee	-	1,527
Compensation for Additional Business Rate Relief 23/24	-	-37
Compensation for Additional Business Rate Relief 24/25	32	57
Compensation for Additional Business Rate Relief 25/26	52	-
Business Rates Levy Account Surplus	-	125
Transparency Code Set-Up Grant	-	8
Services Grant	-	104
Employers National Insurance Grant	648	-
Capital grants and contributions:		
Donated Asset	-	607
Contribution to Right of Use Asset	-	150

Notes to the Statement of Accounts

20. Grant Income (continued)

Credited to Cost of Services:		
Maritime MTA Emergency Response	11	60
Firefighter Employer Pension Contributions	2,719	2,757
McCloud / Matthews Pensions Remedy - Administration	-	194
New Dimensions	968	968
FireLink	-	236
Prevention and Protection Uplift and Accreditation	333	333
Apprenticeship Levy Drawdown	13	22
Redmond Review – Audit	14	14
Building Safety Regulator Compliance	92	109
McCloud Remedy – Compensation	110	406
Multi Agency Incident Transfer (MAIT)	13	-
NFCC Fire Cadets	15	-
Total	**20,997**	**23,512**

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 KFRS are detailed in Note 10 and amounts owed by KFRS are detailed in Note 13.

Senior Officers and Members - The total remuneration paid to senior officers is shown in Note 17 and details of Members' allowances paid in 2025/26 are shown in Note 18.

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

The Authority has an appointed Monitoring Officer and as such a contract is in place with Mid Kent Legal Service to supply these services which took effect from April 2024.

Notes to the Statement of Accounts

21. Related Parties (continued)

Fire and Rescue Indemnity Company (FRIC) - The Authority is one of the fifteen 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. During 2024/25 the Director of Prevention, Protection, Customer Engagement and Safety was invited to become a Non-Executive Director on the Board of FRIC and continued in this role until his departure in February 2026. Expenditure relates to our share of our insurance premiums and our share of insurance claims for 2025/26 this was £787k (£684k for 2024/25). Further details in relation to FRIC are detailed under Note 26.

Kent County Council - The Authority contracts with the County Council for the provision of various services and the amount paid for 2025/26 was £431k (£228k in 2024/25). The services purchased include pension administration, interpreter services, IT network services and Internal Audit.

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

SECAmb – Kent Fire and Rescue Service continue to work with the Trust to provide co-responding support, which results in us attending a number of incidents and we assist with gaining access at incidents where patients are in locked or inaccessible areas. There are a number of stations where SECAmb employees 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 a member 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 currently contracts via a BlueLight Commercial framework for Multi Agency Incident Transfer (MAIT), the implementation of MAIT has been funded by the government and is overseen by the National Fire Chiefs Council (NFCC) to ensure its widespread adoption across all fire and rescue services.

Networked Fire Services Partnership – The Authority is working with three other Fire Authorities (Devon and Somerset, Dorset and Wiltshire and Hampshire) in a Networked Fires Services Partnership (NFSP) project, to provide a collaborative approach to the provision of fire control services. Each Authority is responsible for paying their share of the expenditure incurred across the partnership. During 2025/26 Kent Fire re-imbursed each of the partners for its share of expenditure incurred for services provided, as detailed in the table below.

All figures are in £'000	**2025/26**	**2024/25**
NFSP Cost Recovered:		
Devon & Somerset Fire and Rescue Service	17	58
Dorset & Wiltshire Fire and Rescue Service	108	63
Hampshire & Isle of Wight Fire & Rescue Service	253	314
Total	**378**	**435**

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	2025/26	2024/25
Opening Capital Financing Requirement	**3,959**	**1,878**
Capital Investment		
Property, Plant and Equipment	10,730	5,852
Sources of Finance:		
Government Grants and Contributions	-	-757
Sums Set Aside from Revenue:		
Revenue Contributions towards Capital	-2,318	-1,719
Minimum Revenue Provision	-191	-104
Voluntary Revenue Provision	-1,104	-1,191
Closing Capital Financing Requirement	**11,076**	**3,959**
Explanation of movements in year:		
Increase in internal borrowing	8,412	3,376
Minimum and Voluntary Revenue Provision	-1,295	-1,295
Change in Capital Financing Requirement	**7,117**	**2,081**

23. Leases – Right of Use Assets

Policy:

IFRS 16 sets out the accounting principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous standards IAS17. The previous standard made a distinction between finance and operating leases and did not require lessees to recognise assets and liabilities arising from operating leases and allowed for them to be accounted within revenue expenditure. Under the new accounting standards, a lessee is required to recognise assets and liabilities for leases with a term more than 12 months, unless the underlying asset is of low value, which for this Authority has been determined at £10k per individual item.

We are required to recognise our right of use of the asset and in determining the value to the Authority will use the present value of lease payments over the term of the lease as a basis of the value. In order to ascertain the present value of lease payments they will be discounted using an incremental borrowing rate, where there is a rate detailed within the lease this will be used. In the event of no identified rate, by default the PWLB borrowing rate at the time of the lease commencement and for the duration of the lease will be used. Where a lease is agreed at a peppercorn value or minimal market rent, the Authority's valuers will be consulted to determine a market value at the commencement of the lease. During the term of the lease the asset will be

23. Leases – Right of Use Assets (continued)

depreciated in line with the Authority's straight line depreciation policy for the term of the lease.

Lease payments to be made over the term of the lease will be accounted for as a liability within the balance sheet. Payments for the rental value of the lease will be accounted for with the interest payments being charged to the CIES and the remaining balance used as a principal repayment to reduce the outstanding liability on the balance sheet.

Where re-measurement of the asset value is required within the duration of the lease the increase will be treated as a capital addition with a contra entry to increase the liability due.

The Authority is the lessee of a number of leases exempted under the £10k low-value threshold. These include managed service arrangements for the provision of personal and protective equipment (PPE) for firefighters, watercoolers, lone worker devices and rental space. However, the Authority does account for two material leases categorised under land and buildings:

- The lease for our control room at Coldharbour with Kent Police which commenced in December 2023 for a term of 10 years. This lease incorporates a peppercorn rental of £10 per annum, resulting in minimum future contractual cashflows. The value of the asset as at 31 March 2026 was £128.8k

- The lease for our vehicle workshop at Heronden Road, Maidstone which commenced in April 2023 for a term of 5 years. The value of the asset as at 31 March 2026 was £143.6k

Right of use Assets

This table show the change in the value of right of use assets held under leases by the Authority:

All figures are in £'000	Land and Buildings 2025/26	Land and Buildings 2024/25
Balance at 1 April	**336**	**400**
Additions	-	47
Revaluations	-	-47
Depreciation	-64	-64
Disposals	-	-
Balance at 31 March	**272**	**336**

Transactions under leases

The Authority incurred the following expenses in relation to leases:

All figures are in £'000	2025/26	2024/25
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	9	11
Expense relating to exempt leases of low-value items	990	786
Total	**999**	**797**

Notes to the Statement of Accounts

23. Leases – Right of Use Assets (continued)

Lease Liabilities Maturity Profile

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments).

All figures are in £'000	2025/26	*Restated 2024/25
Not later than one year	50	50
Later than one year and not later than five years	72	122
Later than five years	-	-
Total	**122**	**172**

*2024/25 figure restated from £2.872m as this included the maturity profile of expense relating to exempt leases of low-value items. This expense has now been excluded from the disclosure.

24. Termination Benefits

Exit Packages by Cost Band

	2025/26				2024/25			
Cost Band	**Compulsory Redundancies**		**Other Departures Agreed**		**Compulsory Redundancies**		**Other Departures Agreed**	
£	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**
0k - 20k	1	14	14	169	5	60	6	41
20k - 40k	3	71	3	98	6	146	1	40
40k - 100k	-	-	2	147	-	-	-	-
Total	**4**	**85**	**19**	**414**	**11**	**206**	**7**	**81**

The cost of exit packages detailed above include statutory / discretionary redundancy costs and payments in lieu of notice. In addition to the above, one termination benefit was paid resulting in pension strain costs totalling £77k.

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.

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

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

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.

As previous pension schemes have now closed to new members, the Authority now only has two employment schemes open to members, which are:

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

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

   This is a funded scheme, meaning that both the Authority and the employee pay contributions into a fund, calculated at a level estimated to balance the pension liabilities against investment assets. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The contributions have been determined by the Fund's Actuary on a triennial basis and are set to meet 100% of the liabilities of the Pension Fund.

   The scheme assets and liabilities attributable to LGPS employees can be identified and are recognised in the Authority's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within the cost of services. The expected gain during the year from scheme assets is recognised within financing and investment income and expenditure. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Gains and losses from changes in assumptions during the year are recognised in the Pensions Reserve and reported as other income and expenditure in the Comprehensive Income and Expenditure Statement.

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

25. Defined Benefit Pension Schemes (continued)

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

   The 2015 Firefighters' Pension Scheme is a defined benefit scheme; however, the scheme is unfunded and MHCLG uses a methodology consistent with the SCAPE approach (Superannuation Charge Adjusted for Past Experience) as the basis for calculating the employers' contribution rate paid by fire and rescue authorities. Unfunded means that there are no investment assets built up to meet the pension liabilities and cash must be provided to meet the payments as they fall due. In 2025/26 the Authority paid £12.314m (£12.052m in 2024/25) into the Firefighters' Pension Fund in respect of firefighters' retirement benefits. The employer contribution rate was 37.6% for 2025/26. In addition, £694k was paid by the Authority into the Fund in respect of ill-health charges (£583k) and non-abated pensions (£111k).

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

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

Transactions Relating to Post-employment Benefits

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

McCloud / Sargeant Case

The Firefighters' Pensions (Remediable Service) Regulations 2023 came into force on 1 October 2023. The regulations require the Authority to offer members who retire on or after 1 October 2023 a choice of which pension scheme membership (legacy scheme (1992 or 2006) or reformed (2015) scheme) they wish to have their pension benefits paid on for the remedy period (1 April 2015 – 31 March 2022). The regulations also require the Authority to provide the same choice to members who have retired and drawn their pension benefits during the remedy period. The majority of members were provided with details of their options (including calculations) in the form of a Remedial Service Statement (RSS) by 31 March 2026. All members are due to have received a Remedial Service Statement (RSS) by the end of 2026.

Implications of the remedy are reflected in the Authority's pension scheme valuations as at 31 March 2026.

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

Matthews / O'Brien Case

The Firefighters' Pensions Schemes (England) (Amendment) Order 2023 came into force on 1 October 2023. The regulations require the Authority to offer pension scheme membership to eligible retained / on-call firefighters' who were employed between 7 April 2000 and 5 April 2006 by providing access to the modified section of the Firefighters' Pension Scheme 2006 (referred to as 'the modified scheme'). A previous exercise had been undertaken in 2014, but the updated regulations now provide the opportunity for those who are eligible to buy membership back to their start date, even if this is prior to 7 April 2000, so long as they have continuous employment up to and including this date.

As members will have the option to purchase service either as a lump sum payment or through periodic contributions over a number of years, the past service cost will be recognised as and when the relevant service is purchased and therefore accrued. This will be based on the value of contributions paid to purchase the additional pension entitlement and this approach is the same as previously adopted for service purchased under the first options exercise.

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

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	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
Current service cost	2,216	2,631	3,611	5,578	190	294	6,017	8,503
Past service costs	-	362	835	4,673	-	-	835	5,035
Financing and Investment Income and Expenditure:								
Net interest expense	-	-106	33,406	29,531	1,096	1,071	34,502	30,496
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**2,216**	**2,887**	**37,852**	**39,782**	**1,286**	**1,365**	**41,354**	**44,034**
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excl. amount in net interest expense)	-5,266	1,604	-	-	-	-	-5,266	1,604
Actuarial gains and losses arising on changes in:								
Financial assumptions	-4,377	-14,438	-28,661	-75,779	-622	-1,693	-33,660	-91,910
Demographic assumptions	1,173	-207	11,012	147	348	86	12,533	26
Experience loss / gain (-) on defined benefit obligations	3,995	-197	1,775	50,987	75	-839	5,845	49,951
Asset ceiling adjustment	8,066	13,956	-	-	-	-	8,066	13,956
Other actuarial losses / gains (-) on assets	-1,993	-	-	-	-	-	-1,993	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**3,814**	**3,605**	**21,978**	**15,137**	**1,087**	**-1,081**	**26,879**	**17,661**
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	-2,216	-2,887	-37,852	-39,782	-1,286	-1,365	-41,354	-44,034
Actual amount charged against the General Fund Balance for pensions in the current year:								
Employer's contributions payable to scheme	3,447	3,605	13,008	12,629	-	-	16,455	16,234
Retirement benefits payable to pensioners	-	-	-	-	1,767	1,674	1,767	1,674

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

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	2025/26	2024/25
Present value of the defined benefit obligation:		
Local Government Pension Scheme	-84,902	-78,863
Fire Pension Schemes	-606,803	-615,082
Fair value of assets in the Local Government Pension Scheme	110,235	95,522
Asset ceiling adjustment - Local Government Pension Scheme	-25,700	-16,659
Net liability arising from defined benefit obligation	**-607,170**	**-615,082**

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:

- 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.

Asset Ceiling Adjustment

Following the LGPS pensions valuation by the Authority's actuary, Barnett Waddingham, the Authority determined that the fair value of its LGPS pension scheme assets outweighed the present value of the plan obligations as at 31 March 2026, resulting in a pension plan net asset. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

a) The surplus in the defined benefit plan (£25.333m); and

b) The asset ceiling (nil).

The asset ceiling is the present value of any economic benefit available to the Authority in the form of refunds or reduced future employer contributions. The Actuary's calculation of the asset ceiling has followed their interpretation of IFRIC 14. The calculations assume that:

- The Authority is a scheduled body and assumed to participate indefinitely.
- The Authority does not have a right to a refund of surplus at the level required by the accounting standard. Any recognised surplus is based on the economic benefit from a reduction in contributions.
- The requirement for the Authority to make contributions to the Fund is considered to be a Minimum Funding Requirement (MFR).

25. Defined Benefit Pension Schemes (continued)

In broad terms the Actuary's analysis shows that:

- The potential economic benefit from the reduction in future contributions has been calculated to be nil. Since this is less than the unadjusted net asset of £25.333m, the initial impact of the asset ceiling is £25.333m.
- The Authority is currently paying secondary contributions. The Actuary has assessed this minimum funding requirement and calculates that it constitutes an onerous funding commitment meaning there is an additional liability of £367k to be recognised.

The Authority has therefore applied (b), the asset ceiling in accordance with IAS 19. The effect of this is a reduction in the pension scheme reserve, an increase in the pension scheme obligations, and an increase in the amount chargeable to the CIES.

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

All figures are in £'000	2025/26	2024/25
Opening fair value of scheme assets	**95,522**	**91,078**
Interest income	5,643	4,653
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount in the net interest expense	5,266	-1,604
Other actuarial gains	1,993	-
Administration expenses	-99	-86
Contributions from employer	3,447	3,605
Contributions from employees into the scheme	1,304	1,209
Benefits paid	-2,841	-3,333
Closing fair value of scheme assets	**110,235**	**95,522**

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 £10.909m (2024/25: £3.049m).

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

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

All figures are in £'000	Local Government Pension Scheme 2025/26	Local Government Pension Scheme 2024/25	Firefighter Pension Schemes 2025/26	Firefighter Pension Schemes 2024/25	Firefighter Injury 2025/26	Firefighter Injury 2024/25	Total 2025/26	Total 2024/25
Balance at 1 April	**-78,863**	**-88,505**	**-595,143**	**-620,232**	**-19,939**	**-22,694**	**-693,945**	**-731,431**
Current service cost	-2,216	-2,631	-3,611	-5,578	-190	-294	-6,017	-8,503
Interest cost	-4,569	-4,331	-33,406	-29,531	-1,096	-1,071	-39,071	-34,933
Contributions from scheme participants	-1,304	-1,209	-4,824	-6,351	-	-	-6,128	-7,560
Re-measurement (gains) and losses - actuarial gains/losses arising from:								
changes in financial assumptions	4,377	14,438	28,661	75,779	622	1,693	33,660	91,910
change in demographic assumptions	-1,173	207	-11,012	-147	-348	-86	-12,533	-26
Past service cost	-	-362	-835	-4,673	-	-	-835	-5,035
Experience loss/(gain) on defined benefit obligation	-3,995	197	-1,775	-50,987	-75	839	-5,845	-49,951
Benefits paid	2,841	3,333	34,401	46,577	1,767	1,674	39,009	51,584
Unfunded pension payments	-	-	-	-	-	-	-	-
Balance at 31 March	**-84,902**	**-78,863**	**-587,544**	**-595,143**	**-19,259**	**-19,939**	**-691,705**	**-693,945**

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

	31 March 2026 £'000	%	31 March 2025 £'000	%
Equity Investments	64,619	59	54,394	57
Gilts	6,082	5	5,662	6
Other Bonds	15,394	14	14,200	15
Property	10,769	10	7,822	8
Cash	3,039	3	3,778	4
Absolute Return Fund	5,502	5	4,879	5
Infrastructure	4,830	4	4,787	5
Total	**110,235**	**100**	**95,522**	**100**

The table below details percentages of the total Fund held at 31 March 2026 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 2026 Quoted	Unquoted
Fixed Interest Government Securities	Overseas	0.3%	-
Index Linked Government Securities	UK	5.2%	-
Corporate Bonds	UK	4.3%	-
	Overseas	9.7%	-
Equities	UK	11.8%	-
	Overseas	42.2%	-
Property	All	-	9.8%
Others	Absolute return portfolio	5.0%	-
	Private equity	-	4.6%
	Infrastructure	-	4.4%
	Derivatives	-	0.2%
	Cash/temporary investments	-	2.5%
Total		**78.5%**	**21.5%**

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

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 Barnett Waddingham, an independent firm of Actuaries. The principal assumptions used by the Actuary have been:

	Local Government Pension Scheme		Firefighter Pension Schemes	
	2025/26	2024/25	2025/26	2024/25
Mortality assumptions:				
Longevity at 65 for current male pensioners:	21.6	20.7	21.2	20.5
Longevity at 65 for current female pensioners	23.9	23.3	23.7	23.3
Longevity at 65 for future male pensioners	23.2	22.0	22.8	21.9
Longevity at 65 for future female pensioners	25.6	24.7	25.4	24.7
Other assumptions:				
Rate of consumer price index inflation	2.90%	2.85%	2.90%	2.90%
Rate of retail price index inflation	3.25%	3.10%	3.30%	3.20%
Rate of increase in salaries	3.90%	3.85%	3.90%	3.90%
Rate of increase in pensions	2.90%	2.85%	2.90%	2.90%
Rate for discounting scheme liabilities	6.20%	5.85%	6.10%	5.75%

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 are consistent with those used in the previous period, except for an update of the Continuous Mortality Investigation Bureau (CMI) projection model.

Impact on the Defined Benefit Obligation in the Schemes

Change in assumption:	Local Government Pension Scheme		Firefighter Pension Schemes	
All figures are in £'000	+0.5%	-0.5%	+0.5%	-0.5%
Increase or decrease:				
Life expectancy by 1 year	2,570	-2,486	19,224	-18,599
Rate of increase in salaries	449	-435	2,567	-2,487
Rate of increase in pensions	6,495	-5,320	40,861	-36,547
Rate for discounting scheme liabilities	-6,425	7,300	-37,746	42,258

Notes to the Statement of Accounts

25. Defined Benefit Pension Schemes (continued)

Impact on the Authority's Cash Flows

An actuarial valuation of the Authority's funding position for the LGPS was undertaken as at 31 March 2022 determining the employer contribution rates to be increased from 17.5% to 18.5% for 2025/26. Every 1% increase in the employer contribution rate increases the Authority's costs by around £200k per year. The latest valuation was carried out as at 31 March 2025 and set the Authority's contribution rate at 16.5% for 2026/27, 2027/28 and 2028/29.

On 19 December 2023, the Government's Actuary Department published the valuation results for the 31 March 2020 actuarial valuation of the Firefighters' Pension Scheme increasing the Employer contribution rate from 28.8%, to 37.6% from 1 April 2024. In 2025/26 the Government provided a grant totalling £2.719m to cover the majority of the increase in costs.

The Authority expects to make the following ordinary contributions to pension schemes in the year to 31 March 2027: LGPS (16.5%) £3.287m and; 2015 Firefighter Pension Scheme (37.6%) £12.783m. The estimated Macaulay duration of the defined benefit obligation for scheme members is 14 years for the Firefighter Schemes and 17 years for LGPS (14 and 18 years respectively in 2024/25).

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 fifteen 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 the voting member for this Authority. All fifteen services have been working together to reduce risk and share best practice. Protection is in place to limit each member's exposure to financial loss. Contributions are paid to the company and any surplus from operations is held by the company in their reserve. The reserve enables peaks and troughs of claims expenditure to be managed and if the current level of performance is maintained, these funds could also be used for a number of other purposes including funding for improved risk management; to increase the level of claims costs borne by FRIC (thereby reducing external insurance costs); or reducing the contributions of member FRAs.

Notes to the Statement of Accounts

26. Contingent Liabilities and Assets (continued)

Kent Pension Fund - The Authority is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Authority. The background to the case is that where rules of a contracted-out defined benefit scheme were amended, the Scheme Actuary would provide a section 37 confirmation that the scheme continues to meet the contracting-out requirements. The original court case decided that certain rule amendments were invalid in absence of the actuarial certification.

As a result, there may be a further liability to the Authority's share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on the Authority and thus the obligation and liability shown in the Authority's accounts.

In September 2025 the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. The bill is expected to receive Royal Assent in 2026.

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 required 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.

27. Nature and Extent of Risks Arising from Financial Instruments (continued)

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

The annual Treasury Management and Investment Strategy for 2025/26 was approved by the Authority in February 2025 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 £42.5m.
- The operational boundary, or expected level of debt and other long-term liabilities during the year, was set at £38.5m.
- 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 2026 the Authority has no outstanding external borrowing. Long term borrowing decisions are based on interest rates prevailing at the time. 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 2025/26 was £2.724m which equates to an average rate of 4.14%. For every 0.1% change in interest the Comprehensive Income and Expenditure Statement would have been credited or debited with a further £57k.

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 will 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 when undertaking borrowing 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).

27. Nature and Extent of Risks Arising from Financial Instruments (continued)

Credit Risk

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

This risk is minimised through the annual Treasury Management and Investment 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 31 March 2026, the Authority had £7.87m in Treasury Bills, which are secure Government backed assets. There was also £1.10m deposited in instant access accounts, £15.1m deposited in Money Markets, £10m in notice accounts and £23m in fixed term deposits.

It is considered unlikely that these entities would be unable to meet these commitments, as all of the Authority's investment counterparties are classified as low credit risk. Despite the low credit risk there remains some degree of risk of recoverability. IFRS9 requires restatement of prior year figures, based on expected losses. For the Authority investments with banks, building societies and Money Markets is calculated using historic risk of default percentages provided by the Authority's Treasury Advisors, for 12 month expected losses. All of the Authority's investments are less than 12 months. Trade Debtors always carry some degree of irrecoverability, expected losses are calculated under the simplified approach using a provision matrix with expected values based on historic default. The total expected losses calculations as at 31 March 2026 resulted in an immaterial figure. The CIPFA Code states that "accounting policies need not be applied if the effect of applying them would be immaterial" so the effect of the expected losses has therefore not been shown in the accounts.

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 2026**	**31 March 2025**
Less than three months	26.1	38.5
Three to six months	0.0	0.5
Six months to one year	0.0	0.6
More than one year	0.6	0.3
Total	**26.7**	**39.9**

Firefighters' Pension Fund Account

28. Firefighters' Pension Fund Account

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

The accounting statement does not take into account liabilities to pay ongoing pensions and other benefits beyond 31 March 2026. Details of the Authority's long-term pension obligations are shown in Note 25 to the Statement of Accounts.

All figures are in £'000	2025/26 Matthews Remedy	2025/26 Pension Fund	2024/25 Matthews Remedy	2024/25 Pension Fund	2025/26 Total	2024/25 Total
Contributions receivable:						
Fire Authority:						
Contributions in relation to pensionable pay	-	-12,314	-	-12,052	-12,314	-12,052
Early retirement (ill health) contributions	-	-583	-	-456	-583	-456
Interest receivable	-	-7	-	-24	-7	-24
Other (e.g. non-abatement of pension contributions)	-	-111	-	-96	-111	-96
Firefighters' contributions and interest	-419	-4,398	-3.874	-4,607	-4,817	-8,481
	-419	**-17,413**	**-3.874**	**-17,235**	**-17,832**	**-21,109**
Transfers in from other authorities	**-**	**-170**	**-**	**-210**	**-170**	**-210**
Benefits payable:						
Pensions	1,194	28,301	5,782	27,270	29,495	33,052
Commutations and lump sum retirement benefits	582	4,016	3,538	7,618	4,598	11,156
Interest payable	478	-	1,647	8	478	1,655
Lump sum death benefits	-	-	31	92	-	123
	2,254	**32,317**	**10,998**	**34,988**	**34,571**	**45,986**
Payments to and on account of leavers:						
Transfers out to other authorities	**-**	**-**	**-**	**800**	**-**	**800**
Net amount payable for the year	**1,835**	**14,734**	**7,124**	**18,343**	**16,569**	**25,467**
Top- up grant receivable from government	-1,835	-14,734	-7,124	-18,343	-16,569	-25,467
	-	**-**	**-**	**-**	**-**	**-**

Firefighters' Pension Fund Account

28. Firefighters' Pension Fund Account (continued)

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	2025/26	2024/25
Current assets:		
Contributions due from Fire Authority	42	43
Top-up grant receivable from central government	-	-
Other current assets[1]	12,669	13,898
Current liabilities:		
Unpaid pension benefits	-1,735	-11,211
Amount payable to central government	-10,976	-2,730
Other current liabilities[1]	-	-
	-	**-**

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

Glossary of Terms

BCIS (Building Cost Information Service)

The Building Cost Information Service is a provider of cost and price data for the UK construction industry. Some of the indices they produce are used for the valuation of our Fire Stations.

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.

Glossary of Terms

CPI (Consumer Price Index)

The consumer price index measures how prices for a typical basket of goods and services change over time, reflecting the cost of living and a key indicator for inflation. It can be used a measure of how the market price of equipment has changed over the year.

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 over their useful life, which represents the extent to which the asset has been consumed over the course of the year.

Employee Expenditure

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

ESMCP (Emergency Services Mobile Communications Programme)

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

Fair Value

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

General Fund Balance

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

Government Grants

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

Impairment Charge

Where there is a fall in the value of a fixed asset due to a change in economic circumstances or because an event has occurred which has had serious impact on the value of the asset. 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.

Glossary of Terms

Indexation

A way to apply an annual increase to our assets that are not subject to a full valuation to ensure the value is in line with market trends, by applying a suitable index such as Consumer Price Index or Building Cost Information Service indices etc.

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.

MHCLG

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

Minimum Revenue Provision (MRP)

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

MSCI Indices (Morgan Stanley Capital International Indices)

The Morgan Stanley Capital International Indices are stock market indices used by investors to measure the performance of the equity market. The Authority's valuers consider these indices in their valuation of the land the Authority holds that has a commercial designation.

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).

Glossary of Terms

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.

RICS (Royal Institution of Chartered Surveyors)

The Royal Institution of Chartered Surveyors (RICS) is a professional body that sets standards and regulates the valuers that the Authority appoints.

SECAmb

South-East Coast 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.

Index to the Notes to the Statement of Accounts

Item Number: B5

By:	Director of Finance and Corporate Services
To:	Audit and Governance Committee – 24 September 2026
Subject:	EXTERNAL AUDITORS AUDIT FINDINGS REPORT FOR 2025/26 AND LETTER OF REPRESENTATION
Classification:	Unrestricted

FOR DECISION

SUMMARY

This covering report introduces the External Auditor's Audit Findings Report for 2025/26. In accordance with the requirements of the International Standard on Auditing (UK) 260, the report is attached at **Appendix 1** for Members' consideration. The Audit Findings Report summarises the key findings arising from the External Auditor's review of the Authority's 2025/26 Statement of Accounts and reports any significant matters identified during the audit. The External Auditors will attend the meeting to present their report and provide a verbal update on the status and conclusions of the audit.

RECOMMENDATIONS

Members are requested to:

1. Consider the matters raised in the External Auditor's Audit Findings Report for 2025/26 (paragraphs 1 to 4 and **Appendix 1** refer).

2. Consider the prior-year unadjusted misstatements reported by the External Auditor and approve the Officers' proposed treatment of these items within the 2025/26 Statement of Accounts (paragraph 4 (c) and **Appendix 1** refer).

3. Approve the Letter of Representation and authorise the Chair of the Audit and Governance Committee and the Director of Finance and Corporate Services to sign the letter on behalf of the Authority (paragraph 6 and **Appendix 2** refer).

LEAD/CONTACT OFFICER: Director of Finance and Corporate Services – Barrie Fullbrook
CONTACT DETAILS: T: 01622 692121 / E: kmfraclerk@kent.fire-uk.org
BACKGROUND PAPERS:
Annual Statement of Accounts 2025/26 – 24 September 2026
Provisional Revenue and Capital Budget Outturn for 2025/26 – 25 June 2026

COMMENTS

Audit Findings Report

1. To address the national backlog in local government audit, the Accounts and Audit (Amendment) Regulations 2024 introduced revised statutory ‘backstop’ dates by which the final audited financial statements must be published on the Authority’s website. For the 2025/26 financial year, the statutory deadline for publication of audited accounts is 31 January 2027 (compared to 27 February 2026 for 2024/25). Following publication of the Authority’s draft 2025/26 Statement of Accounts on 26 June 2026, the Authority’s External Auditors, Grant Thornton UK LLP, started their audit in June 2026, with the main audit fieldwork undertaken between July and September 2026.

2. The External Auditor's Audit Findings Report for 2025/26 is attached at **Appendix 1**. The report summarises the work undertaken by Grant Thornton during the audit of the Authority's 2025/26 Statement of Accounts, sets out the findings arising from that work and outlines the audit opinion that the External Auditor expects to issue upon completion of the audit.

3. At the time of drafting this report, a small number of audit procedures remain outstanding. These matters are detailed on page 5 of **Appendix 1**. The External Auditors will present their Audit Findings Report to the Committee and provide a verbal update on the outcome of this remaining work.

4. In discharging the External Auditors’ statutory responsibility to those charged with governance, the Audit Findings Report highlights the following key matters:-

    (a) Subject to a small number of matters outstanding, the External Auditor has not identified any matters requiring modification of their audit opinion or any material amendments to the financial statements. Accordingly, they expect to issue an unmodified audit opinion on the Authority's 2025/26 Statement of Accounts (**Appendix 1**, page 5).

    (b) Two minor disclosure amendments were identified during the audit and have been reflected in the final version of the financial statements. These changes relate to: (i) annotation of the prior year comparative figure within Note 23 to identify that it has been restated, together with an explanatory footnote; and (ii) the correction of several typographical errors identified within the financial statements. Further details are provided at **Appendix 1**, page 20.

    (c) The Audit Findings Report also identifies a number of prior-year unadjusted misstatements and sets out their cumulative impact on the 2025/26 financial statements. The External Auditor is required to report these matters to those charged with governance and seek confirmation that Members have considered whether the identified misstatements should now be corrected. Having considered the nature, value and financial reporting implications of the items,

Officers' assessment is that no further adjustments to the 2025/26 Statement of Accounts are required. Members are therefore asked to consider the identified prior-year unadjusted misstatements and approve the Officers' proposed treatment of these items. Further details are provided in **Appendix 1**, pages 21 to 24.

(d) The External Auditor has raised four medium-priority recommendations, which are assessed as having limited impact on the Authority's control environment and/or financial statements, as set out in **Appendix 1**, pages 25 to 28.

(e) Audit work relating to the Authority's arrangements for securing Value for Money (VfM) has been undertaken alongside the financial statements audit. The External Auditor's Annual Report for 2025/26 is presented separately under agenda item B6.

5. **Audit Fees** - The scale fee published by Public Sector Audit Appointments (PSAA) for the audit of the Authority's 2025/26 Statement of Accounts is £117,608. During the course of the audit, additional work was required in relation to the valuation of Property, Plant and Equipment (PPE). As a result, the final Audit Findings Report confirms an additional audit fee of £7,500, giving a total audit fee of £125,108 for the 2025/26 audit. Details of the agreed fee variation are provided on page 33 of **Appendix 1**.

6. **Letter of Representation** - Following approval of the Statement of Accounts by Members, the Director of Finance and Corporate Services is required to issue a Letter of Representation to the External Auditors before the audit opinion can be formally issued and the audit concluded. A draft copy of the Letter of Representation is attached at **Appendix 2** for Members' approval. The Letter of Representation is a formal statement provided by management to the External Auditors, confirming a range of matters relevant to the preparation of the financial statements and the conduct of the audit. It provides assurance that all relevant information has been made available to the auditors and that the Authority has fulfilled its responsibilities in relation to the preparation of the Statement of Accounts.

7. **Summary** - The Authority's Finance team and External Auditors worked collaboratively throughout the 2025/26 accounts closedown and audit process. Audit fieldwork was undertaken remotely and completed in accordance with the agreed timetable. Officers are appreciative of the professional and constructive approach adopted by the External Auditors, which has supported the timely completion of the audit and presentation of the audited Statement of Accounts for Member approval.

RECOMMENDATIONS

8. Members are requested to:

8.1 Consider the matters raised in the External Auditor’s Audit Findings Report for 2025/26 (paragraphs 1 to 4 and **Appendix 1** refer).

8.2 Consider the prior-year unadjusted misstatements reported by the External Auditor and approve the Officers’ proposed treatment of these items within the 2025/26 Statement of Accounts (paragraph 4 (c) and **Appendix 1** refer).

8.3 Approve the Letter of Representation and authorise the Chair of the Audit and Governance Committee and the Director of Finance and Corporate Services to sign the letter on behalf of the Authority (paragraph 6 and **Appendix 2** refer).

Audit Findings Report for Kent and Medway Towns Fire Authority

Year ended 31 March 2026

24 September 2026

Grant Thornton

Kent and Medway Fire and Rescue Authority
The Godlands, Straw Mill Hill
Tovil
Maidstone
Kent
ME15 6XB

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London
EC2M 7EA
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Dear Members of the Audit and Governance Committee,

Audit Findings Report for the Kent and Medway Towns Fire Authority for the 31 March 2026

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2025-.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Matthew Dean

Key Audit Partner
For Grant Thornton UK LLP

Contents

Headlines

This page and those following summarise the key findings and other matters arising from the statutory audit of Kent and Medway Towns Fire Authority (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion, the Authority's financial statements:

- give a true and fair view of the financial position of the Authority and it's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work has primarily been undertaken during June to September as planned. Our findings are summarised on pages 11 to 30. Audit adjustments are detailed on page 20. We have also raised recommendations for management, set out on pages 25 to 28, and reported our follow up of prior year recommendations on pages 29-30.

Our work is nearing completion, though to date there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- completion of the ongoing testing area (detailed on page 8)
- completion of audit manager and engagement lead review procedures
- receipt of management representation letter; and
- review of the final set of financial statements

From our work on other information to be published with the financial statements, including the Annual Governance Statement, we note this is consistent with our knowledge of the Authority and with the financial statements.

On the basis of our work, our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts soon after the committee on the 24th September.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Governance
- Financial sustainability
- Improving economy, efficiency and effectiveness

We have completed our VFM work. A summary is provided on page 31, with detailed commentary in the separate Auditor's Annual Report presented alongside this report. We are satisfied that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the following matter(s) are resolved:

- Confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Audit General, and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Status of the audit

Our work is nearing completion, though there are currently no issues of which we are aware that would require modification of our audit opinion, subject to the completion of the areas detailed below:

🟢	**Valuation of the Net Pension Liability** – Our work in this area is complete, subject to completion of Pension Fund audit procedures and the associated assurances required to conclude our review. Subject to receipt of these confirmations, our work to date has not identified any findings, control concerns, or adjustments that require reporting.
🟡	**Completion of internal file and quality review processes**
🟢	**Receipt of signed letters of representation**
🟢	**Review of updated final financial statements and Annual Governance Statement**

Status:
- 🔴 Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- 🟡 Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- 🟢 Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Our approach to materiality

As communicated in our Audit Plan dated 23rd April, we determined materiality at the planning stage as **£2.6 million** based on 2.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Due to the reduction in gross expenditure for 2025/26 we have therefore revised our materiality amount, though we have retained the same benchmark.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at **£2.3 million** based on professional judgement in the context of our knowledge of the Authority.

We have used 2.5% of gross expenditure as the basis for determining materiality.

We use a benchmark of gross expenditure as the Authority prepares an expenditure based budget for their financial year with the primary objective of providing services to the local community. We note the benchmark percentage is consistent with that applied in 2024/25.

Performance materiality

We have determined performance materiality at **£1.725 million**, based on 75% of headline materiality.

We have revised performance materiality as result of actual gross expenditure for 2025/26 being lower than that of 2024/25 which was utilised for our planning, requiring a reassessment of materiality.

Specific materiality

We have set a lower specific materiality threshold for senior officer's remuneration and exit packages disclosures on an individual basis. This judgement reflects the fact that this note is of particular interest to users of the accounts, as the salaries of senior officers can sometimes attract adverse publicity. The key judgement here is determining the level of error within these disclosures that would lead to a qualification of our opinion.

We have set this threshold at **£100,000** (per officer) for Senior Officer's remuneration and exit packages.

Reporting threshold

We will report to you all misstatements identified in excess of **£115,000** in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	2,300,000	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore 2.5% of gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year.
Performance materiality	1,725,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 75% of overall materiality considering the requirements of ISA 320.
Specific materiality senior officer remuneration	100,000 (per officer)	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.
Reporting threshold	115,000	This is based on a % of overall materiality, where we have applied a 5% benchmark which is consistent with the level communicated in the Audit Plan.

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 Management override of controls	Significant	↔	✓	Low	Green
Risk 2 Valuation of land and buildings	Significant	↔	×	High	Green
Risk 3 Valuation of the net pension liability	Significant	↔	×	High	Green

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

G Not likely to result in material adjustment or change to disclosures within the financial statements
A Potential to result in material adjustment or significant change to disclosures within the financial statements
R Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions	Our audit work has not identified any issues relating to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. Other land and buildings comprises **£81.567 million** which includes a large proportion of specialised assets, such as the fire stations and training facilities. The Authority has engaged Cluttons LLP to complete the valuation of properties as at 31 March 2026 and has updated it's methodology in line with the recent Indexation code requirements.	We have: • documented our understanding management's process and controls for the calculation of the estimate • evaluated the competence, capabilities and objectivity of management's expert • evaluated the consistency of the disclosure with the valuation report • reviewed accounting estimates, judgements and decisions made by management with respect to the code changes due to CIPFA Bulletin 22 • evaluated the basis on which the valuations have been carried out • evaluated the information and assumptions used by the valuer • evaluated the accounting entries for the valuation • evaluated the reasonableness of the assumptions used to form the estimate	Our work in this area is complete. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. We note from our work we have identified three recommendations for the Authority, which are detailed on pages 26-28 in relation to the application of indexation for 2025/26. We note that we have not identified any further matters that would require reporting or modification of our audit opinion.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the net pension liability The valuation of the pension fund net liability, comprising the Local Government Pension Scheme (LGPS) and Firefighter's Pension Scheme (FFPF) represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. The Authorities net pension liability at 31 March 2026 is **£607.170 million** (PY £615.082 million). With **£606.803 million** (PY £615,082 million) relating to the Firefighters pension scheme (FFPS) and **£0.367 million** (PY £Nil) for Local Government Pension scheme (LGPS), after accounting for an IFRIC-14 adjustment of **£25.333 million**, which is applied due to the scheme being in a surplus position.	For both the LGPS and FFPF we will: • Document our understanding management's process and controls • Evaluate the competence, capabilities and objectivity of management's expert • Evaluate the consistency of the disclosure with the actuarial report • Evaluate the reasonableness of the assumptions used to form the estimate For the LGPS Scheme we will: • Obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate • Where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment. For the FFPF scheme we will: • Sample test the underlying data which has been provided to the expert and used in the calculation of this estimate to ensure accuracy (Contributions, benefits and lump sum)	Our audit work in this area is now complete pending final confirmations from the Pension Fund Auditors. We are satisfied that the judgments and estimates made by management regarding the valuation of net pension liability were appropriate. Furthermore, we found no material misstatement arising from management bias as a result of the judgments and estimates made over the valuation. We are awaiting the completion of Pension Fund audit procedures and the associated assurances to be shared to conclude our review. Though, subject to receipt of these confirmations, our work has not identified any findings, control concerns, or adjustments that require reporting.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Business World	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Management Override of Controls
iTrent	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	N/A

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• A signed letter of representation will be requested ahead of the auditor's report being signed. We have not identified the need for any specific representations at the time of writing.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	• From our work we have note identified any material omissions in the financial statements. Details of disclosure changes made to the financial statements following audit review have been set out on page 21.
Significant difficulties	• From our work, no significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.
Other matters	• When completing our review of the implementation of indexation and the updated valuation methodology applied, we have faced challenges in completing our work. This has resulted in the recommendations raised on pages 26-28. • No other significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • The Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of our work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified from our work.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters from our work.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We note that work is not required as the Authority does not exceed the threshold. In line with National Audit Office (NAO) guidance, audit certificates are required to remain open pending confirmation that the WGA group audit has been certified by the Comptroller and Auditor General (C&AG), including where no issues exceed reporting thresholds. Accordingly, we cannot formally conclude the audit and issue an audit certificate until this confirmation is received. We are satisfied that this does not have a material effect on the financial statements for the year ended 31 March 2026. This will be reflected in our final audit report.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2026/27 audit of Kent and Medway Towns Fire Authority in the audit report, due to the WGA matters described above.

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of drafting our report. We will provide an update to management and the Audit and Governance Committee should any issues be identified from the remaining concluding work.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Note 23 – Lease Liabilities Maturity Profile	In review of Note 23, we have noted a restatement to the 2024/25 balances and thus a prior period adjustment. This is due to the prior year calculations including leases that had been excluded from the Lease Liability recognition on the basis of the low-value exemption. This has resulted in a reduction in future lease payments totalling **£2.700 million** in the restatement to the note from a total of **£2.872 million** to **£0.172 million**. We have agreed the updated values to supporting leases and workings with no issues noted. Further, we have confirmed that there is no impact upon the prior year Lease Liability or Right of Use asset balances and thus are content this is confined to just the disclosure Note 23.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

Impact of unadjusted misstatements

No adjusted misstatements have been identified in our work on 2025/26 at the date of drafting our report. We will provide an update to management and the Audit and Governance Committee should any issues be identified from the remaining concluding work.

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
Revaluation of Land and Buildings - During our review of the PPE revaluations, we identified an error in the valuer's report relating to the land valuation for Ashford Fire Station. The original report stated a land value of **£113,481**. Following publication of the financial statements, the valuer issued an addendum confirming that this figure was incorrect and had resulted from a spreadsheet error. The corrected valuation determined a revised land value of **£469,005**, resulting in an understatement of **£355,524** within the draft financial statements. The client has not adjusted the accounts or the Fixed Asset Register for this difference on the basis that the misstatement is considered immaterial, and notification of the error was received after the accounts had been published.	Cr Surplus(-) / Deficit on revaluation of property, plant and equipment **(355)**	DR Opening Property Plant and Equipment – Land and Buildings **355** CR Opening Revaluation Reserve **(355)** DR Closing Revaluation Reserve **355**	0	0	Immaterial – we note that the updated value has been incorporated into the valuations for this year and thus the movement in valuation through Other Comprehensive Income is overstated by the £355k to resolve the error. We are therefore content that the closing balance for Property Plant and Equipment – Land and Buildings and the Revaluation Reserve are appropriately stated.

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
Revaluation of Land and Buildings - Within our detailed testing on revaluation of Property, Plant and Equipment (PPE) in 24/25, we identified that the External valuer had utilised BCIS cost indices from February 2025 when determining the valuations of specialised assets. We therefore completed an assessment of updating the valuations to utilise the March 2025 BCIS indices, and we recalculated the full fire station portfolio on this basis. Our recalculation resulted in an overall overstatement of **£511,128** across the portfolio.	Dr Surplus(-) / Deficit on revaluation of property, plant and equipment **511**	CR Opening Property Plant and Equipment – Land and Buildings **(511)** DR Opening Revaluation Reserve **511** CR Closing Revaluation Reserve **(511)**	0	0	Immaterial – we note that we have agreed the closing Valuations for properties to the Valuation report from the external Valuer. We are therefore content that the closing balance for Property Plant and Equipment – Land and Buildings and the Revaluation Reserve are appropriately stated.

Impact of unadjusted misstatements in the prior year

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
Movement in Reserves Statement - In our review of 24/25 Movement in reserves consistency checker we highlighted a variance within the Net retirement benefits being transferred to the Pensions reserve from the General Fund. From discussions with management, this variance was in relation to interest charged in relation to backdated employee pension contributions as a result of the Matthews Case, which then were not treated as contributions but as a reduction in service costs. We note from our work performed that we have agreed the balances to supporting external IAS19 reports provided by the actuary. Though we have challenged the appropriateness of this treatment as a reduction of contributions and note the impact of the misstatement as a **£2,129,900** increase to contributions resulting in a reduction in the General Fund of the same quantum.		CR Debtors **2,130** DR Cash **2,130**	CR 25/26 Pension Grant income **2,130**	DR General Fund Contributions **2,130**	Immaterial – In the prior year, backdated Matthews Case pension contributions of £2.130m were accounted for as a reduction in service cost rather than employer pension contributions, resulting in an understatement of the charge to the General Fund. We have reviewed the current year contributions and note the cash has now settled the debtor in relation to these contributions. Thus, the Grant that settles the deficit on the Fire Fighters Pensions for 25/26 incorporates the movement in contributions and thus feeds through to impact the General Fund.

Impact of unadjusted misstatements in the prior year

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
Remeasurement of the Net Defined Benefit Liability/(Asset) - In response to our letter the auditors of the Kent Pension Fund (KPF) identified a misstatement of **£26,711k** in relation to the scheme assets. This arose due to a difference between the updated net asset position reported in the KPF financial statements (**£8,451,611k**) and the pension fund asset values provided to the actuary (**£8,424,900k**), resulting in a total variance of **£26,711k** for the Fund. Kent and Medway Fire and Rescue Authority's (KMFRA) share of the KPF is **1.13%,** giving rise to a projected understatement impact of **£302k** on the Authority's IAS 19 asset valuation.	CR Remeasurement of the Net Defined Benefit Liability/(Asset) (302)	DR Opening Asset Ceiling Adjustment 302	0	0	Immaterial – we note that via undertaking the IAS19 valuations this year, the updated closing valuation of Assets resolves the impact on the opening asset and thus ceiling position. This has been resolved via the in-year movements which are understated and thus the closing position of the Net defined Liability is appropriately stated.
Impact of prior year unadjusted misstatements on the current year's financial statements	0	0	0	2,130	0
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements	0	0	0	2,130	0

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Nil Net Book Value Assets** Upon review of the Fixed Asset Register (FAR) for 2025/26, we have identified **£8.009 million** of assets being held at nil net book value. These assets held at Nil net book value may misrepresent the true value of the Authority's assets, leading to an understatement of total assets and potentially affecting the overall financial position of the entity if the assets are still in use. If the Assets are no longer in use, then the Authority may be overstating their assets within the PPE disclosure on a gross book value basis. We note that we raised a recommendation in this area in 2024/25 and due to the continued quantum of these assets we maintain this recommendation for 2025/26.	The Authority undertake a detailed review of all nil NBV assets to understand if these assets are still in use and to then reconsider the appropriateness of the UEL's of these assets. Alternatively, if they are not in use, they should be disposed of within the FAR. **Management response** Officers have reviewed all nil net book value assets held on the balance sheet and are satisfied that there are no material issues. The historic cost of assets held at nil net book value has reduced since last year following the annual review and subsequent write out of assets no longer held by the Authority. As part of this review, officers also confirm whether assets remain operational and continue to support service delivery. Where assets are identified as no longer being in operational use, they will be considered for disposal and removal from the Fixed Asset Register in accordance with the Authority's asset management processes. A number of the remaining assets held at nil net book value are due for replacement within the Infrastructure Programme and given their age and specialist nature have a nil/scrap residual value. When these assets are replaced, they will be written out of the PPE disclosure note in the usual way. Each year the Finance and Fleet team review the economic useful life of all vehicles, plant and equipment that are within 2 years of the end of their useful economic life to ascertain if they can be utilised for longer given their condition and mileage.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	**Asset Revaluation Tracking** The Authority operates a valuation programme whereby approximately 20% of assets are subject to full valuation and the remaining 80% are indexed annually. During our review, this distinction was not clearly documented within either the valuation reports or the Fixed Asset Register (FAR). As a result, there is limited audit trail demonstrating which assets have received a full valuation, and which have been indexed in any given year. In the absence of a clear record of assets subject to full valuation versus indexation, there is a risk that assets are not effectively monitored against the rolling five-year valuation cycle. This could result in assets inadvertently exceeding the maximum period between full valuations, leading to a risk that carrying values do not reflect current value in accordance with the Code.	Management should maintain a clear and complete record within the Fixed Asset Register and supporting valuation documentation identifying whether each asset has been fully revalued or indexed in the year. The Authority should also maintain a rolling valuation tracker to demonstrate compliance with the five-year cyclical valuation requirement and provide a clear audit trail of assets selected for revaluation each year. **Management response** The Authority currently maintains a separate schedule detailing which property assets are subject to full valuation each year. This schedule has been agreed with the Authority's external Valuer to enable them to plan their annual cycle of work. The Fixed Asset Register has now been updated to include details of which assets have been subject to a full revaluation or indexed in the year. A tracker will be added to the Fixed Asset Register to provide a clear audit trail of assets selected for revaluation each year and demonstrate evidence of compliance with the Authority's cyclical valuation programme.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	**Indexation Application date** We identified instances where the indices applied to update asset values were not based on information as at 31 March, resulting in values being indexed using data to December 2025. Whilst the impact in 2025/26 was not material, the approach does not reflect a valuation as at the reporting date. Applying indices that do not align to the balance sheet date may result in asset values not being representative of the carrying value as at year-end. Over time, differences may accumulate and result in increasing valuation inaccuracies, particularly where movements in property indices become more volatile.	Management should ensure that all future indexation calculations are based on indices applicable as at the financial year-end reporting date of 31 March. Supporting working papers should clearly evidence the source of the indices used and demonstrate that the valuation reflects conditions existing at the balance sheet date. Where year-end index information is unavailable at the time of valuation, management should document the rationale for the approach adopted and assess any potential impact on reported asset values. **Management response** In order to meet the statutory deadline for the publication of the draft Statement of Accounts work on property valuations often has to progress ahead of the publication of relevant 31 March indices. The Authority will ensure that supporting working papers clearly evidence the source of the indices used going forward. Where year-end index information is unavailable at the time of valuation, the Authority will document the rationale for the approach adopted and will obtain written confirmation from the external Valuer regarding the estimated impact, if any, of using earlier indexation data.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	**Indexation Application Method** The Authority's current approach to asset indexation does not appear to fully align with the intention of the CIPFA Code Bulletin 22 update, which introduced a pragmatic approach to annual valuation updates through the application of appropriate indices to previously determined asset values. Rather than applying a consistent indexation methodology across classes of assets, individual valuation inputs and assumptions have been refreshed and amended using updated asset-specific information. Whilst this approach may improve the precision of individual asset valuations, it effectively results in a series of partial desktop valuations rather than a straightforward indexation exercise. As a consequence, the methodology applied becomes significantly more complex than a standard indexation approach and is not clearly distinguishable from a formal valuation review.	Management should review the current valuation update methodology and formally determine whether annual updates are being performed through indexation or through a form of desktop valuation. Where indexation is intended, the process should apply clearly defined and consistently applied indices to previously established valuations in line with the approach envisaged by CIPFA Code Bulletin 22. This will improve transparency, enhance auditability, and ensure that valuation methodologies remain both robust and demonstrably compliant with the requirements and intent of the CIPFA Code. **Management response** The Authority's current approach has been developed to ensure that asset valuations remain as accurate and up to date as possible between full valuation exercises whilst trying to remain compliant with the intent of the CIPFA Code. Officers acknowledge the Auditor's observation that the methodology adopted incorporates consideration of asset-specific information and therefore may not be clearly distinguishable from a traditional indexation approach. During 2026/27 the Authority will review its valuation update methodology in consultation with its external Valuer. The agreed methodology will be applied consistently across the asset portfolio, appropriately documented within valuation working papers, and aligned to the requirements and intent of the CIPFA Code and associated guidance. The review will formally determine the methodology to be adopted going forward and ensure that it is consistently applied and clearly documented within valuation working papers.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2024/25 financial statements, which resulted in 2 recommendations being reported in our 2024/25 Audit Findings Report. Please see below assessment of arrangements from our work in 25/26:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Completeness of Expenditure** - In our review of the completeness of expenditure, our testing identified an invoice that had been incorrectly removed from the closing Goods Received Not Invoiced (GRNI) accrual assessment and thus was accounted for within the wrong financial year. We therefore reviewed the full breakdown of items excluded from the year-end accrual and note this totalled **£37k**, including the failed sample. We were therefore content this is isolated to this breakdown and note from our testing of the recognised GRNI within our work on Creditors we did not identify further issues. **We recommend that:** Management should review and strengthen controls in relation to the preparation of the GRNI accrual and ensure all exclusions are appropriately documented to ensure goods delivered before year-end are appropriately accrued.	In our review of completeness of expenditure and creditors we have noted no issues with respect to GRNI accruals. We have also held discussions with management over the process for determining these accruals and the review process which is undertaken which support the review noted in our recommendation. We are therefore content this action has been completed.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Nil Net Book Value (NBV) Assets** - In our review of the Fixed Asset Register (FAR), we have identified assets with a historic cost of **£8.688 million** being held at nil net book value. Nil net book value assets may misrepresent the true value of the Authority's assets, leading to an understatement of total assets and potentially affecting the overall financial position of the entity if the assets are still in use. If the Assets are no longer in use, then the Authority may be overstating their assets within the PPE disclosure on a gross book value basis. We recommend that: The Authority undertake a review of the nil NBV assets to understand if these assets are still in use and to then reconsider the appropriateness of the UEL's of these assets. Alternatively, if they are not in use, they should be disposed of within the FAR.	We note from discussions with management that this review remains an ongoing process and that the appropriateness of UEL's is now considered as a part of the year end close down process. Though, upon review of the Fixed Asset Register (FAR) for 25/26, we have identified **£8.009 million** of assets being held at nil net book value. These assets held at Nil net book value may misrepresent the true value of the Authority's assets, leading to an understatement of total assets and potentially affecting the overall financial position of the entity if the assets are still in use. If the Assets are no longer in use, then the Authority may be overstating their assets within the PPE disclosure on a gross book value basis. Given the quantum of the assets held in this manner we have maintained our recommendation as noted on page 25.

Assessment

✓ Action completed

X Not yet addressed

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2026

The National Audit Office issued its latest Value for Money guidance to auditors in March 2026. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2025-26. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking this work we have not identified any significant weaknesses in arrangements.

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

As part of our assessment of our independence we note the following matters:

	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Audit Fees

The following tables below sets out the total fees for audit services that we have been engaged to provide or charged from the beginning of the financial year 25/26, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent and Medway Towns Fire Authority to ensure all relevant fees have been captured.

Audit fees	£
Audit of Authority	117,608
Fee in relation to additional work on PPE indexation	7,500
Total	125,108

The above fees are exclusive of VAT and out of pocket expenses.
The fees agree to the financial statements.

This covers all services provided by us and our network to the Authority, its senior officers and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Authority's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Service Headquarters
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E enquiries@kent.fire-uk.org

Kent Fire & Rescue Service | together

To
Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

Contact
Barrie Fullbrook
Direct line
01622 692 121
Email

Our ref

Your ref

Date
16 Septem

Dear Grant Thornton UK LLP

Kent and Medway Towns Fire Authority
Financial Statements for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Kent and Medway Towns Fire Authority (the "Authority") for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the Authority's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include depreciation, accruals, provisions, fair value of financial instruments, the valuation of land and buildings and the valuation of the defined pension liability/asset for both the Firefighters and Local Government Pension Schemes. We are satisfied that the material judgements used in the

preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the valuation of land and buildings and the following change to estimation process was made. Following an update to the CIPFA Code of Practice, the Authority has changed its estimation methodology so that Property Plant and Equipment assets not subject to a full valuation during the year are adjusted using agreed indexation and appraisal techniques, developed in conjunction with the Authority's valuers, to ensure carrying amounts do not differ materially from Current Value at the balance sheet date. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent;

   b. none of the assets of the Authority has been assigned, pledged or mortgaged; and

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. The prior period adjustments disclosed in Note 23 (Lease Liabilities Maturity Profile) to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on the 24 September 2026.

Yours faithfully

Name: Barrie Fullbrook

Position: Director of Finance and Corporate Services

Date……

Name:

Position: Chair of the Audit and Governance Committee

Date……

Signed on behalf of the Authority

Item Number: B6

By: Chief Executive

To: Audit and Governance Committee – 24 September 2026

Subject: EXTERNAL AUDITOR'S ANNUAL REPORT FOR 2025/26

Classification: Unrestricted

FOR DECISION

SUMMARY

Each year the Authority's External Auditors, Grant Thornton UK LLP, are required to report on their assessment of the Authority's arrangements for securing Value for Money. The External Auditor's Annual Report provides Members with independent assurance regarding the Authority's arrangements for ensuring financial sustainability, maintaining effective governance, and improving economy, efficiency, and effectiveness in the delivery of services.

The Annual Report also summarises the work undertaken by the External Auditors during 2025/26 and highlights any significant findings arising from their assessment. The External Auditor's detailed findings relating to the audit of the 2025/26 Statement of Accounts are presented separately within the Audit Findings Report elsewhere on this agenda. Representatives from Grant Thornton UK LLP will attend the meeting to present their Annual Report and answer Members' questions.

RECOMMENDATIONS

Members are requested to:

1. Consider the External Auditor's Annual Report for the year ended 31 March 2026 and endorse the management response to the improvement recommendation (paragraphs 3 to 8 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Director of Finance and Corporate Services – Barrie Fullbrook
CONTACT DETAILS: T: 01622 692121 | E: kmfraclerk@kent.fire-uk.org

BACKGROUND PAPERS:

External Auditors Audit Plan for 2025/26 – 23 April 2026

Background

1. The *“Code of Audit Practice”* for Local Authorities sets out how external auditors are required to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014 when auditing local authorities, police forces, fire and rescue authorities, and NHS bodies. The Code provides the framework through which auditors deliver independent assurance, transparency and accountability in relation to the stewardship of public funds.

2. A key component of the “*Code of Audit Practice”* is the requirement for auditors to undertake work on an authority's arrangements for securing Value for Money (VfM). As part of the annual audit, the External Auditor is required to assess and report on whether the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This assessment is structured around three specified reporting criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness.

3. **Auditor’s Annual Report** - The Auditor's Annual Report provides a summary of the work undertaken by the External Auditor in assessing the Authority's arrangements for securing Value for Money. The report, attached at **Appendix 1**, explains the work performed during the year, highlights any significant findings, and includes recommendations where opportunities for improvement have been identified. It also enables the External Auditor to reflect local circumstances and draw attention to emerging issues which, whilst not representing significant weaknesses, may warrant the Authority's consideration. The Auditor's conclusions are reported against the three specified Value for Money criteria set out below.

4. **Financial Sustainability** – How the Authority plans and manages its resources to ensure it can continue to deliver its services.

   Conclusion: No significant weaknesses in arrangements identified. One improvement recommendation has been retained in relation to reporting on planned savings. *(***Appendix 1** *page 6, 16, 19 and 27)*

5. **Governance** – How the Authority ensures that it makes informed decisions and properly manages its risks.

   Conclusion: No significant weaknesses in arrangements were identified and no improvement recommendations have been made.

6. **Improving economy, efficiency and effectiveness** – How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Conclusion: No significant weaknesses in arrangements were identified and no improvement recommendations have been made.

7. A significant proportion of the work supporting the External Auditor's Value for Money assessment was undertaken during Summer 2026. Having reviewed the Authority's arrangements, the Executive Summary on page 6 of **Appendix 1** concludes that no significant weaknesses were identified against any of the three specified reporting criteria. The External Auditor had identified one improvement recommendation which has been updated from the previous year regarding the enhancement of budget monitoring reports through the inclusion of a clear assessment of progress against planned savings. Further details are provided on page 27 of **Appendix 1**. Members may wish to note that the External Auditor has acknowledged that the financial monitoring report presented to the Authority in June 2026 now includes this additional narrative (page 16 of **Appendix 1**).

8. Corporate Management Board has formally considered the recommendation and has provided a management response setting out the actions already implemented and those continuing to be progressed to further strengthen reporting in this area.

9. **Financial Statements** – Whilst the External Auditor's Annual Report principally focuses on the Authority's Value for Money arrangements, Members should note that, subject to completion of a small number of outstanding audit procedures, the External Auditor currently expects to issue an unmodified opinion on the Authority's 2025/26 Statement of Accounts. Grant Thornton UK LLP will provide a verbal update on progress towards conclusion of the audit at the meeting.

IMPACT ASSESSMENT

10. The External Auditor's Annual Report identifies no significant weaknesses in the Authority's arrangements for securing Value for Money. The report includes one retained recommendation relating to the monitoring and reporting of planned savings. Corporate Management Board has considered this recommendation and is continuing to enhance financial reporting arrangements to strengthen assurance regarding the delivery of savings targets.

RECOMMENDATIONS

11. Members are requested to:

    11.1 Consider the External Auditor’s Annual Report for the year ended 31 March 2026 and endorse the management response to the improvement recommendation (paragraphs 3 to 8 and **Appendix 1** refer).

Kent and Medway Towns Fire Authority

Auditor's Annual Report
Year ending 31 March 2026

24 September 2026

Contents

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Kent and Medway Towns Fire Authority during 2025/26 as the appointed external auditor. The core element of the report is the commentary on the Value for Money (VfM) arrangements. The responsibilities of the Fire and Rescue Authority (the Authority) are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Authority as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2025/26
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under the Local Audit and Accountability Act 2014, auditors of an Authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 8 with a commentary on whether any of these powers have been used during this audit period.

In particular, auditors may issue:

- Statutory recommendations to the full Authority which must be considered publicly.
- A Public Interest Report (PIR)

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

During 2024/25, the NAO consulted on and updated the Code to align it with accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. The deadline requirement for 2025/26 AARs is 30 November 2026.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Authority's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2024/25 Assessment of arrangements		2025/26 Risk assessment	2025/26 Assessment of arrangements	
Financial sustainability	Amber	No significant weaknesses in arrangements identified, one improvement recommendation in relation to reporting against savings plans.	No risks of significant weakness identified.	Amber	No significant weaknesses in arrangements identified, one improvement recommendation retained in relation to reporting against savings plans.
Governance	Green	No significant weaknesses identified and no improvement recommendations raised.	No risks of significant weakness identified.	Green	No significant weaknesses in arrangements identified and no improvement recommendations made.
Improving economy, efficiency and effectiveness	Amber	No significant weaknesses in arrangements identified, one improvement recommendation in relation to the development of a data quality policy and framework.	No risks of significant weakness identified.	Green	No significant weaknesses in arrangements identified and no improvement recommendations made.

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendation(s) made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Authority's arrangements in respect of value for money.

Financial sustainability

The Authority continues to demonstrate good financial management, delivering a surplus of **£1.738 million** in 2025/26 and setting a balanced budget for 2026/27. Beyond 2026/27, the Medium-Term Financial Plan is balanced without use of general reserves, supported by reasonable planning assumptions and quantified sensitivity analysis. Reserves remain at adequate levels, with **£4.890 million** in general reserves and **£6.209 million** in the insurance and resource earmarked reserve at the end of 2025/26. The Authority's financial plans are consistent with other strategic plans and the Community Risk Management Plan.

We have maintained our improvement recommendation with respect to reporting against the achievement of planned savings as detailed on page 19.

Governance

The Authority has established robust governance and financial management arrangements. Strong frameworks are in place for risk management, internal control, budget setting and financial monitoring, including a Risk Management Policy, Risk Appetite Statement, Corporate Risk Register, Financial Framework and Financial Management Policy, which support effective decision making and accountability. Assurance over these arrangements is provided by Internal Audit and counter fraud activity, alongside oversight from the Audit and Governance Committee and Monitoring Officer. The Authority's governance framework, includes schemes of delegation and a clear Code of Conduct and promotes transparency, challenge and compliance with legal and regulatory requirements, while supporting informed decision-making and high standards of behaviour.

Improving economy, efficiency and effectiveness

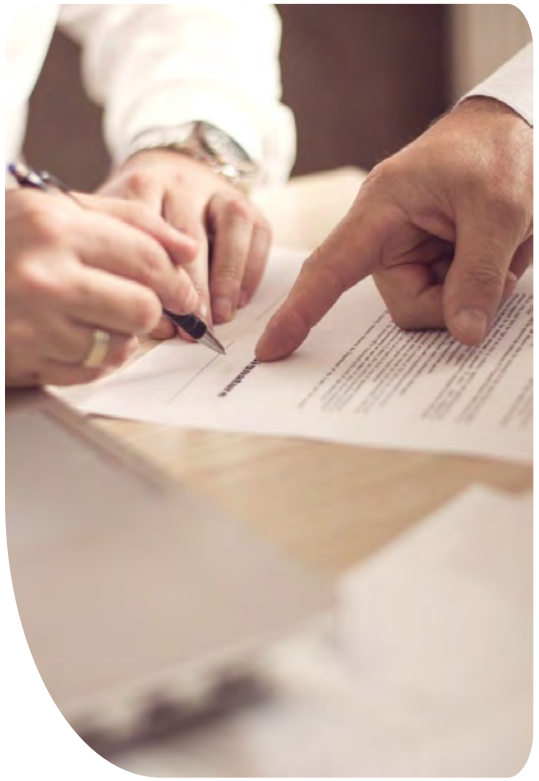
The Authority has satisfactory arrangements for performance monitoring, supporting effective scrutiny and decision making with regular updates to the Fire Authority on progress against strategic objectives, activity levels, and service performance. Procurement and contract management operate within a clear framework, with oversight arrangements in place for major capital projects to ensure transparency and accountability.

We note, in the prior year we had recommended that the Authority develop a data quality policy and framework to meet the Fire Standard for Data Management. From our review, management have now implemented, as of March 2026, a Data Governance Policy that supports how to meet these standards and thus we have closed our recommendation in this area.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Authority's financial statements and sets out whether we have used any of the other powers available to us as the Authority's auditors.

Auditor's responsibility	2025/26 outcome
Opinion on the Financial Statements	We plan to complete our audit of your financial statements and issue an unqualified audit opinion, following the Audit and Governance Committee meeting on 24 September 2026. Our findings are set out in further detail on page 10.
Use of auditor's powers	We have not made any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Authority's financial statements, and whether we have used any of the other powers available to us as the Authority's auditors.

Audit opinion on the financial statements

We plan to complete our audit of your financial statements and issue an unqualified audit opinion following the Audit & Governance Committee on 24 September 2026.

Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2025/26
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the NAO Code of Audit Practice (2024), and applicable law. We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Authority provided draft accounts in line with the national deadline of 30 June 2026.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented alongside this report to the Authority's Audit and Governance Committee on 24th September 2026. Requests for this Audit Findings Report should be directed to the Authority.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Use of auditor's powers

We bring the following matters to your attention:

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

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

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

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

The Authority is the statutory governing authority responsible for overseeing fire and rescue services across Kent. Kent Fire and Rescue Service (the Service) carries out day-to-day operations, whilst the Authority sets the strategic direction for the Service and is responsible for governance and oversight of the Service.

All Fire and Rescue Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Fire and Rescue Authorities report on their arrangements, and the effectiveness of these arrangements, as part of their individual Annual Governance Statements.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Authority delivered a surplus of **£1.738 million** against its 2025/26 revenue budget and has set a balanced budget for 2026/27. The 2025/26 surplus was principally due to higher investment income and reductions in Airwave (dedicated radio network for Emergency Services) costs. The **£1.738 million** underspend has been transferred to the Insurance and Resource Reserve. This transfer was intended to help address the 2026/27 budget gap identified within the Medium-Term Financial Plan. The provisional capital outturn for 2025/26 was **£10.730 million** against a revised capital budget of **£13.474 million**, creating an underspend of **£2.744 million**. This was primarily driven by the rephasing of major projects into future years and therefore reflected timing differences rather than a reduction in programme scope. The Authority has set a balanced budget for 2026/27 which includes a **£1.524 million** draw down from reserves, as above, though beyond 2026/27, the Medium-Term Financial Plan is balanced without use of general reserves, supported by reasonable planning assumptions and quantified sensitivity analysis. Reserves remain at adequate levels, with **£4.890 million** in general reserves and **£36.626 million** in earmarked reserves, including **£6.209 million** in the insurance and resource reserve at the end of 2025/26.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
plans to bridge its funding gaps and identify achievable savings	The Authority uses a bottom-up approach to identify savings, without setting specific targets for future years. Savings proposals are generated by projects and budget managers via capacity reviews, spending reviews and project tracking. A list of potential savings options is maintained which could be explored if required and therefore we do not consider that future budget gaps represent a significant threat to the Authority's financial sustainability. Confirmed savings are incorporated into the annual budget approved by the Fire Authority each February. In 2025/26, **£1.893 million** of savings were included in the base budget, with **£1.983 million** built in for 2026/27. We note that the 25/26 underspend will be drawn down to support the budget gap in 2026/27, though beyond 2026/27, the Medium-Term Financial Plan is balanced without use of general reserves. Further, the Authority has consistently identified savings ahead of the start of each financial year, achieving balanced budgets without using reserves. In our review of the budget reporting, although a revenue budget surplus was achieved in 2025/26, the budget outturn report does not clearly identify the value of delivered savings. We can see from early reporting in 2026/27 that management have now included this narrative within the financial updates though as this was not present within the outturn reporting, we have therefore updated our improvement recommendation as detailed on page 19, which replaces the prior year recommendation on savings reporting.	Amber

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Authority's financial planning is aligned closely with the Community Risk Management Plan 2025-29 and 10-year Capital Strategy which is reviewed and considered as a part of the annual budget setting process. This ensures resources are directed towards strategic priorities including operational resilience, digital transformation, workforce development, community safety and infrastructure investment. The Medium-Term Financial Plan and Medium-Term Investment Plan support delivery through investment in estates, fleet replacement, technology, operational capability and service transformation. Due to its statutory obligations under the Fire and Rescue Services Act 2004, the Authority operates with limited discretionary spend, however, growth investments are subject to robust challenge and prioritisation.	Green
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Authority has established robust arrangements to ensure its financial planning is consistent with workforce, capital, investment, and operational strategies. The 26/27 budget strategy states that financial resources are aligned to the Community Risk Management Plan delivery plan to ensure funding is directed towards the Authority's risk reduction, prevention, protection and operational response priorities. The Medium-Term Financial Plan acts as the central financial framework linking the Authority's strategic objectives with it's financial outlooks. It ensures resources are aligned to delivery of the Community Risk Management Plan while supporting long-term investment in people, property, fleet, technology and collaborative working. This is monitored regularly via reports taken to Authority meetings, that disclose progress against financial performance including that against the capital plan and treasury management to give appropriate oversight and highlight key variances. Further oversight of capital delivery is provided by the Corporate Management Board (CMB), with individual projects managed through dedicated Programme Boards.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Risks to financial resilience are identified and monitored through formal budget monitoring and financial update reports presented regularly to the Fire Authority, supported by forecasting, reserve monitoring and the Authority's wider risk management framework. During 2025/26, the Authority actively reviewed and challenged key assumptions within its financial plans, including operational activity levels, workforce vacancies, funding volatility, collection fund adjustments and programme slippage, with forecasts and budgets updated as risks emerged. The Reserves Strategy for 2026/27 includes a comprehensive annual financial risk assessment that quantifies both the likelihood and financial impact of key risks over the Medium-Term Financial Plan period. To provide resilience against unforeseen pressures, the Authority maintains General Reserves at approximately 5% of the base revenue budget together with a range of earmarked reserves, including the Insurance and Resource Reserve, which is being used to manage funding reform risks and timing differences between savings delivery and expenditure requirements	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: Although the revenue budget outturn for 2025/26 was better than planned, reporting to the Fire Authority does not clearly demonstrate whether the individual savings schemes contributing to the **£1.893 million** target were delivered as intended.

Evidence: The budget monitoring and outturn reports for 2025/26 presented to the Fire Authority do not include any specific assessment of whether planned savings are being achieved in accordance with the approved budget for the year.

Impact: Specific reporting against savings would improve transparency and accountability, supporting more informed decision making.

Improvement Recommendation 1

IR1: The Authority should further enhance its outturn reporting by including a clear assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting and detailing the causes for any variances.

Governance – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Authority maintains a strong framework for risk management and internal control, supported by a Risk Management Policy, Risk Appetite Statement and Corporate Risk Register, with oversight provided by the Audit and Governance Committee. Assurance is obtained through a risk-based Internal Audit programme and counter-fraud framework, including fraud risk assessments, staff awareness initiatives, participation in the National Fraud Initiative and delivery of the Anti-Fraud and Corruption Action Plan. These arrangements were supported by the reporting of Internal Audit which noted no frauds or irregularities during 2025/26. Further assurance is provided through whistleblowing and customer feedback arrangements, alongside the Monitoring Officer's confirmation that there were no instances of likely unlawful decision-making or maladministration during the year.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
approaches and carries out its annual budget setting process	The Authority operates a robust budget setting process, underpinned by detailed financial planning, challenge and scrutiny from budget managers, senior finance officers and the Corporate Management Board. Budget assumptions, cost pressures, savings opportunities and long-term infrastructure requirements are reviewed throughout the process before being presented to Members for approval. The budget is informed by public consultation, including engagement on council tax options, ensuring stakeholder views are considered alongside operational and financial priorities. This structured approach supports a balanced and sustainable budget that aligns resources with the Authority's strategic objectives.	Green
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Authority has established clear financial management and budgetary control arrangements supported by the updated Financial Framework and Financial Management policy. These define clear responsibilities and budget monitoring requirements. Regular reporting of financial performance is presented to Members and the Corporate Management Board to provide oversight. Financial and non-financial information is communicated through regular budget monitoring, forecast outturn reports, infrastructure plan updates and treasury management reporting, enabling risks, variances and delivery against planned outcomes to be identified and scrutinised in a timely manner. Corrective action is taken where required through budget adjustments, reserve management, capital programme rephasing and active management of emerging financial risks and pressures. These arrangements support the Authority's statutory financial reporting requirements and provide effective oversight of significant projects, partnerships and investment activity.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Authority has established clear governance arrangements to support informed, transparent decision-making, with decisions underpinned by detailed reports, risk assessments, consultation outcomes and officer advice before Member approval. The Fire Authority and Audit & Governance Committee provide robust challenge and scrutiny through regular meetings, review of key strategic and financial decisions, and formal challenge of officers, with actions and responses recorded in meeting minutes. Governance is strengthened through a statutory Monitoring Officer, Codes of Conduct, schemes of delegation and an Independent Member who provides additional scrutiny and challenge across the Authority and Audit & Governance Committee. These arrangements are supported by a positive challenge culture, evidenced by HMICFRS inspection findings and the absence of any reported governance or conduct concerns during 2025/26.	Green
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Codes of Conduct, declarations of interests, gifts and hospitality arrangements, and Member-Officer protocols set clear standards of behaviour for Members and Officers, with regular review by the Monitoring Officer and Audit & Governance Committee. Formal disciplinary procedures are in place for both Members and staff, providing clear processes for investigating and addressing misconduct. Compliance and governance arrangements are monitored through annual reporting, policy reviews, and scrutiny by the Audit & Governance Committee, with anti-fraud and corruption controls also subject to regular oversight. The Authority also maintains procurement policies and regulations, supported by structured contract management and collaborative procurement arrangements, to ensure compliance with legislative and regulatory requirements.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Authority:	Commentary on arrangements:	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Authority uses performance and cost information to monitor service delivery, identify areas of pressure, and inform operational decision-making. Performance reporting, via regular Information Updates for 2025/26 showed strong results across key operational and prevention measures, including maintaining response performance despite increased demand, high customer satisfaction levels, and strong compliance with Safe and Well Visits and building consultation targets. Information is benchmarked both internally against prior years and targets, and externally against other fire and rescue services, with the results used to assess service effectiveness, identify areas for improvement, and support strategic planning. Cost information is also used to inform treasury management decision-making, with benchmarking through the Kent Treasury Forum supporting the review of planned interest and bond returns. The prior year improvement recommendation in this area relating to data governance has been actioned, where we have reviewed the Data Governance Policy, implemented in March 2026, supported by the tier 3 guidance document. This establishes a clear framework for data quality, accountability, retention, security and compliance with the Fire Standard for Data Management. This has been shared through the April 2026 "One Team Update" upon approval of the policy and thus we are content the recommendation has been implemented.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Authority evaluates the effectiveness of its services through external inspection, performance monitoring and continuous improvement activity. In August 2025, HMICFRS most recently assessed Kent Fire and Rescue Service as “Outstanding” in 3 areas (Understanding Fire and Risk; Public Safety Through Fire Regulation; Future Affordability), "Good" on 5 (Preventing Fire and Risk; Responding to Major Incidents; Best Use of Resources; Promoting Values and Culture; Right People, Right Skills), and "Adequate" on 3 (Responding to Fires and Emergencies; Promoting Fairness and Diversity; Managing Performance and Developing Leaders). The Authority also uses the findings and recommendations from national inspections to identify improvement opportunities and strengthen service delivery. Evidence of this is the completion of all 20 recommendations directed to fire and rescue services from thematic reviews such as HMICFRS's 2023 Values and Culture in Fire and Rescue Services report.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements:	Rating
ensure they deliver their role within significant partnerships and engages with stakeholders they have identified, in order to assess whether they are meeting their objectives	The Authority ensures effective partnership working through formal governance arrangements, including a Partnerships and Collaboration Policy, partnership agreements, data-sharing protocols and due diligence processes that support delivery of statutory duties and strategic objectives. Strategic priorities and the Community Risk Management Plan (CRMP) are shaped through extensive consultation, stakeholder engagement and risk analysis, with progress monitored through annual planning, delivery plans and regular reporting to Members. The Authority works closely with a wide range of partners, including emergency services, local authorities, resilience forums, safeguarding partners and neighbouring fire and rescue services, supported by joint initiatives, exercises and peer reviews. Members receive regular updates on partnership activity and performance, with customer feedback, audit findings and outcome reviews used to evaluate the effectiveness of partnerships and identify areas for improvement.	Green
commissions or procures services, assessing whether it is realising the expected benefits	The Authority has a procurement and contract management framework to assess whether commissioned services and contracts deliver the expected benefits, including a Contract Management Toolkit covering performance monitoring, supplier relationship management, risk management and value-for-money considerations. Procurement activity is supported through contract registers, framework agreements and collaboration with other fire and rescue services and public sector bodies to secure efficiencies. The Authority monitors major commissioned investments and capital projects through regular reporting to Members and Corporate Management Board on risk management arrangements, with project progress, costs, risks and outcomes tracked against approved objectives. Further, during 2025/26, Internal Audit reviewed procurement governance, controls and processes and awarded a High Assurance opinion, providing independent assurance that procurement arrangements were effective and delivering expected benefits.	Green

Green	No significant weaknesses or improvement recommendations.
Amber	No significant weaknesses, improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2025/26

Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
IR1	The Authority should further enhance its outturn reporting by including a clear assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting and detailing the causes for any variances.	Financial sustainability (page 16)	Actions: The Authority accepts this recommendation. As noted by the Auditor, the Authority has already introduced reporting on progress against planned savings within its 2026/27 budget monitoring reports. The Authority will continue to report progress against approved savings plans through its published budget monitoring reports and annual outturn reporting, including commentary on any material variances and the actions being taken to address these. Responsible Officer: Head of Finance Due Date: 31 July 2027

06 Appendices

Appendix A: Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Authority's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Authority's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the auditors as follows:

Statutory recommendations – recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Authority where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Authority's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to Senior Officers and the Authority
Interviews and discussions with key stakeholders	External review such as by CIPFA
Progress with implementing recommendations	Regulatory inspections such as from HMICFRS
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Authority should enhance its budget monitoring and outturn reporting by including a clear and regular assessment of progress against planned savings. This should involve tracking whether savings targets are being achieved in line with the approved budget for the year and highlighting any variances or risks to delivery.	2024/25	The budget monitoring and outturn reports for 25/26 presented to the Fire Authority do not include any specific assessment of whether planned savings are being achieved in accordance with the approved budget for the year. We note that in the first Financial Update in 26/27, presented in June 2026, this narrative against savings progress has been included, though further transparency in the final outturn position for 26/27 will support clear understanding of delivery to plan.	Partially implemented	Improvement recommendation replaced - See IR on page 16
IR2	The Authority should finalise and formally approve a data quality policy and/or framework, ensuring it aligns with the Fire Standard for Data Management. A review schedule should be established, and training provided to members and officers where necessary to support effective implementation.	2024/25	Management have now implemented as of March 2026 a Data Governance Policy that is supported by tier 3 guidance to support how this should be implemented effectively. The policy sets out a clear organisational approach to data governance, including principles covering data collection, quality, retention, security, sharing, ethics, accessibility and accountability. It also links data governance to GDPR principles and recognised sector standards. Within the policy it clearly notes how this has been formulated to support compliance with the Data Management Fire Standard. This was rolled out to the whole Authority via a "One Team Update" in April 2026. This supports the training and sharing element of our recommendation and thus we are content this has been met.	Implemented	None required

Item Number: B7

By:	Chair of Audit and Governance Committee
To:	Audit and Governance Committee – 24 September 2026
Subject:	ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND GOVERNANCE COMMITTEE TO THE FIRE AUTHORITY
Classification:	Unrestricted

FOR DECISION

SUMMARY

This report summarises the work of the Audit and Governance Committee between September 2025 and September 2026. It outlines the Committee's oversight of governance, risk management, internal control, financial reporting and the work of Internal and External Audit. It also describes the training and briefings provided to Members, assesses the Committee's effectiveness during the reporting period and identifies areas for continued development.

RECOMMENDATION

Members are requested to:

1. Approve the Annual Report of the Chair of the Audit and Governance Committee for presentation to the Fire Authority meeting in October 2026.

LEAD/CONTACT OFFICER: Director of Finance and Corporate Services – Barrie Fullbrook
CONTACT DETAILS: T: 01622 692121 / E: kmfraclerk@kent.fire-uk.org

BACKGROUND PAPERS: None

COMMENTS

Background

1. The Audit and Governance Committee was established by the Authority in February 2021 to support and strengthen its governance, risk management and assurance arrangements. The Committee's functions and operation are aligned with relevant guidance and recommended practice issued by the Chartered Institute of Public Finance and Accountancy, known as CIPFA.

2. Audit and governance committees are an important component of a local authority's governance framework, providing high-level oversight and challenge in support of good governance and sound public financial management. The Committee provides objective oversight of the adequacy of the Authority's risk management framework, internal control environment, financial reporting and governance arrangements. Through its oversight of Internal and External Audit, the Committee also supports the maintenance of effective and appropriately independent assurance arrangements.

3. This Annual Report covers the work of the Audit and Governance Committee from September 2025 to September 2026. During this period, the Committee met formally in September 2025, January 2026 and April 2026. The Committee's meeting on 24 September 2026 falls at the end of the reporting period, and the business scheduled for that meeting is identified separately in this report. The timing of the Committee's meetings supports the consideration of key governance, risk, audit and financial reporting matters at appropriate points in the Authority's annual reporting cycle.

Audit and Governance Committee

4. The Committee provides an objective oversight and scrutiny function on behalf of the Authority and ordinarily meets three times each year. Membership during the reporting period consisted of elected Members appointed from the Authority. Changes in Authority membership during the year meant that the number of Committee Members varied between ten and thirteen. Councillor Vince Maple served as Chair throughout the reporting period.

5. Meetings were supported, as appropriate, by senior officers, including the Chief Executive, Director of Finance and Corporate Services, Director of Prevention, Protection, Customer Engagement and Safety and Director of Response and Resilience, together with representatives of Internal and External Audit. This attendance enabled Members to seek information, obtain assurance and provide challenge directly to those responsible for the matters under consideration.

6. Ongoing development is important to maintaining an effective Audit and Governance Committee. During the year, Members received a detailed briefing on the key elements of the Authority's financial statements. The Committee also received an

economic update and treasury management benchmarking briefing from MUFG, the Authority's external treasury adviser, together with an overview from the Assistant Director of Transformation of the Authority's strategic approach to managing change and investment.

7. During the year, the Committee maintained appropriate access to Internal and External Audit, including opportunities for discussion independently of officers. These arrangements support auditor independence and enable Members to raise matters concerning the conduct of audit work, management engagement and the overall governance and control environment.

8. The Committee operates through a structured annual work programme that reflects relevant statutory reporting deadlines, cyclical risk updates and Internal and External Audit activity. This supports timely and systematic oversight of the principal matters within the Committee's remit.

Governance, Risk and Control

9. The Committee continued to provide oversight and challenge of the Authority's corporate and strategic risk management arrangements. Members considered updates on the Corporate and Strategic Risk Register in September 2025 and January 2026, including changes in risk exposure, the effectiveness of existing controls and progress in implementing planned mitigating actions.

10. The Committee's work programme for 24 September 2026 includes consideration of the Authority's updated Integrated Risk Management Framework, Corporate Risk Management Policy, Risk Appetite Statement, Risk Tolerance Matrix and Risk Culture Diagnostic. Subject to the Committee's consideration and approval, these documents will provide an updated framework for the identification, assessment, escalation and management of risk across the Authority.

11. In January 2026, the Committee reviewed progress against the two-year Anti-Fraud and Corruption Action Plan for 2025 to 2027. This provided oversight of the Authority's arrangements to prevent and detect fraud and to promote an effective anti-fraud culture.

12. At the same meeting, Members considered the Collaboration and Partnership Update and received a report in response to a Member's request to explore the scope for the Authority to make community interest investments. The report outlined the relevant legislative constraints and the advice received from the Authority's treasury adviser. Having considered this information, the Committee noted the conclusion that community interest investments should not be pursued by the Authority.

13. At its April 2026 meeting, the Committee reviewed the Authority's Local Code of Good Governance and its supporting Decision-Making Policy and Framework. This provided

assurance that the Authority's governance arrangements remained aligned with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework and that clear arrangements were in place to support lawful, transparent and accountable decision-making.

Internal Audit

14. Internal Audit continued to provide the Committee with independent assurance on the effectiveness of the Authority's governance, risk management and internal control arrangements. In April 2026, the Committee considered the Internal Audit Annual Report for 2025/26, which provided an overall opinion of Substantial Assurance. The Committee also approved the Internal Audit Plan, Strategy, Charter and performance indicators for 2026/27.

15. The Committee considered Internal Audit's work, monitored the implementation of agreed management actions and challenged officers and Internal Audit where further assurance or explanation was required. This supported the Committee in assessing the adequacy of the Authority's control environment and the action taken in response to identified areas for improvement.

16. The Committee's work programme for 24 September 2026 includes an update on delivery of the 2026/27 Internal Audit Plan and progress in implementing outstanding management actions. It also includes consideration of the independent External Quality Assessment of the Internal Audit Service, including the assessor's conclusions on conformance with applicable professional standards and the opportunities identified for further improvement.

External Audit

17. In April 2026, the Committee received the External Auditor's Audit Plan and Audit Risk Assessment for 2025/26. This enabled Members to review the proposed audit approach, principal financial statement risks, materiality levels and planned value for money work and to seek assurance from the External Auditor on the scope and timing of the audit.

18. The Committee's work programme for 24 September 2026 includes consideration of the External Auditor's Audit Findings Report and Auditor's Annual Report. These reports set out the auditor's findings in relation to the financial statements and the Authority's arrangements for governance, financial sustainability and securing economy, efficiency and effectiveness in its use of resources.

Financial Reporting

19. The Committee's work programme for 24 September 2026 includes consideration of the Authority's 2025/26 revenue and capital budget outturn, Annual Governance

Statement and Statement of Accounts, together with the External Auditor's Audit Findings Report, Auditor's Annual Report and Letter of Representation. These reports provide Members with an opportunity to consider the Authority's financial performance and position, the effectiveness of its governance arrangements and the outcome of the external audit before determining whether the Statement of Accounts and associated documents should be approved.

20. Treasury management activity was monitored throughout the year to provide assurance that the Authority's investment and borrowing activities remained consistent with the approved Treasury Management Strategy, Prudential Code requirements and the priorities of security, liquidity and yield.

21. The Committee reviewed the Mid-Year Treasury Management and Investment Update for 2025/26 in September 2025. In January 2026, it considered the Draft Treasury Management and Investment Strategy for 2026/27 to 2029/30 before the strategy was submitted to the Full Authority for approval. The Committee subsequently considered the Treasury Management Indicative Outturn for 2025/26 in April 2026.

22. The Committee's work programme for 24 September 2026 includes consideration of the Mid-Year Treasury Management and Investment Update for 2026/27. This will enable Members to review investment performance, compliance with approved limits, the Authority's liquidity and borrowing position and the effect of economic and interest-rate developments on the treasury management strategy.

Member Training and Development

23. The Committee recognises that effective scrutiny depends upon Members having an appropriate understanding of financial reporting, risk management, governance, treasury management and the respective roles of Internal and External Audit. Training and briefing opportunities were therefore provided during the year to support both new and returning Members in developing the knowledge required to participate effectively in the Committee's work.

24. The training programme supported Members in understanding the Committee's responsibilities and the technical matters presented for consideration. This was particularly important given the changes in Committee membership during the year. Members demonstrated engagement through the questions and challenge raised at meetings, including in relation to treasury investments, corporate risk, audit recommendations, operational assurance and the implementation of management actions.

25. The Committee will continue to review its training and development requirements, taking account of changes in membership, emerging governance risks, developments

in local authority financial reporting and feedback from Members, officers and the internal and external auditors.

Assessment of Committee Effectiveness

26. The Committee's effectiveness during the reporting period is evidenced by its consideration of the Authority's principal financial, governance, risk and assurance reports, its oversight of the work of Internal and External Audit and the questions and challenge raised by Members during meetings. The Committee also monitored agreed audit actions and considered the adequacy of the Authority's governance and risk management arrangements.

27. Changes in Committee membership during the year increased the importance of Member induction, training and continuity of knowledge. The Committee responded by providing targeted briefings and support for new and returning Members. Work will continue during 2026/27 to strengthen the evidence supporting the assessment of the Committee's effectiveness, including monitoring meeting and training attendance, completion of the agreed work programme, and the timeliness of management actions.

28. The reporting period also highlighted areas requiring continued attention. These include maintaining continuity and knowledge following changes in membership, ensuring that outstanding audit actions are completed within agreed or formally revised timescales and sustaining effective scrutiny of significant and emerging risks. The Committee will continue to monitor these matters through its work programme and seek clear assurance where delivery dates are extended, or further management action is required.

IMPACT ASSESSMENT

29. The work described in this report supports the Authority's governance, risk management, internal control and financial reporting arrangements by providing Member oversight, scrutiny and challenge. There are no direct financial, environmental, health and safety, equality or fairness implications arising from this report. The effective operation of the Committee nevertheless supports the Authority's wider ability to manage its resources, risks and statutory responsibilities appropriately.

CONCLUSION

30. Members are requested to:

    30.1 Approve the Annual Report of the Chair of the Audit and Governance Committee for presentation to the Fire Authority meeting in October 2026.

Item Number: C1

By:	Director of Finance and Corporate Services
To:	Audit and Governance Committee – 24 September 2026
Subject:	MID-YEAR TREASURY MANAGEMENT AND INVESTMENT UPDATE FOR 2026/27
Classification:	Unrestricted

FOR INFORMATION

SUMMARY

This report provides a mid-year update on the Authority's treasury management activities for 2026/27. It details the treasury activity undertaken and provides an assessment of compliance with the agreed Prudential Indicators. This update is a requirement of the 2026/27 Treasury Management and Investment Strategy, which was approved by Members at the Authority meeting on 18 February 2026, and is set in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code.

In line with CIPFA guidance, the Authority continues to prioritise security and liquidity over potential yield. At its meeting on 30 July 2026, the Bank of England's Monetary Policy Committee (MPC) voted to keep the Bank Rate unchanged at 3.75%, marking the fifth consecutive meeting at which the rate has been maintained at this level. Consequently, there has been little movement in the interest rates earned on deposits, with returns remaining broadly stable over this period. For the first five months of this financial year average cash balances have been approximately £55.52m, which has resulted in an interest yield of £814k for that period against an annual budget of £994k.

CONCLUSION

Members are requested to:

1. Note the contents of this report.

LEAD/CONTACT OFFICER: Head of Finance – Matthew Southern
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BACKGROUND PAPERS:

Draft Revenue and Capital Budgets 2026/27 and MTFP 2026-30 – 18 February 2026
Appendix 4 – Annual Treasury Management and Investment Strategy 2026/27

COMMENTS

Introduction

1. The Authority operates a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure, but there is often a timing difference between when cash is received and when expenditure is incurred. As part of its treasury management operations, this cash flow must be adequately planned, with surplus monies being invested in low-risk counterparties, to ensure sufficient funds are available to meet anticipated cash expenditure before any other consideration is given to optimising investment returns.

2. Another key requirement of the treasury management function is to ensure that the necessary cash 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 by undertaking new external borrowing. Hence, effective treasury management and proactive cashflow planning are essential to enabling the Authority to meet its capital and infrastructure spending commitments.

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) voted to maintain the Base Rate at 3.75% at its July meeting. Market expectations currently indicate that the Base Rate is likely to remain around current levels for the remainder of 2026, although this remains subject to economic conditions and future MPC decisions.

5. **Inflation** - Consumer Price Inflation (CPI) rose to 2.9% year-on-year in July, up from 2.6% in June, marking a four-month high primarily driven by rising energy costs. Core Consumer Price Inflation (CPI excluding energy, food, alcohol and tobacco) remained unchanged at 2.6% year-on year in July, indicating that underlying inflationary pressures were broadly stable.

6. **Interest Rate Forecast** - Rates available on deposits from counterparties are lower than those of a year ago, reflecting the phased reduction in the Bank of England's base rate to 3.75% in December 2025 (and down from 4.75% at the start of 2025). However, rates available on deposits have increased modestly over recent months largely due to heightened geopolitical uncertainty arising from the conflict in the Middle East. The Authority is currently forecasting investment income of £2.026m for the year compared to a budget set in February of £994k, but if rates increase, the forecast could increase further. The Authority's Treasury Advisor, MUFG Pension & Market Services, has provided the following interest rate forecasts:

MUFG Corporate Markets Interest Rate View 03.08.26													
	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	Jun-29	Sep-29
BANK RATE	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.20	5.00	4.80	4.70	4.50	4.30	4.20	4.10	4.10	4.10	4.20	4.20	4.20
10 yr PWLB	5.70	5.50	5.30	5.20	5.00	4.80	4.70	4.60	4.60	4.60	4.70	4.70	4.70
25 yr PWLB	6.30	6.00	5.80	5.70	5.40	5.30	5.20	5.20	5.20	5.20	5.20	5.20	5.30
50 yr PWLB	6.10	5.80	5.60	5.50	5.20	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.10

(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

7. The Treasury Management Strategy (TMS) for 2026/27 was approved by the Authority on 18 February 2026. This report reflects the latest position of the Authority's deposits, and confirms all investments continue to be placed within approved counterparty, duration and monetary limits set within the Treasury Management Strategy. The appropriate Prudential Indicators can be found at paragraph 14 below, within this report.

8. The table below shows the forecast of funds available for investing, reflecting the expectation that the balance reduces over the year. Depending on how projects progress, the investment balance often changes which can result in a higher level of funding being available for depositing with the agreed counterparties.

Table 1 Reserves and Balances **Reserves and Balances**	**2025/26 Outturn £'000**	**2026/27 Budget £'000**	**2026/27 Revised £'000**
General reserve	4,890	5,190	5,190
Earmarked reserves	36,626	23,790	26,894
Insurance & General Provision	137	137	137
Capital Receipts	9,090	5,916	5,916
Total Core Funds	**50,743**	**35,033**	**38,137**
Working Capital (Deficit)/Surplus	16,140*	- 3,566	3,978
Under-borrowing	- 10,921	- 12,079	- 13,779
Expected Investments	**55,962**	**19,388**	**28,336**

***The Authority's working capital levels were elevated above typical operating norms during 2025/26. This was largely due to the receipt of additional grant allocations from central government in respect of the Matthews firefighters' pensions case.

Investment Portfolio

9. The Authority's primary goal is to safeguard its capital, ensure sufficient liquidity, and achieve a return that aligns with the Authority's risk appetite.

10. The Authority held £58.858m of deposits as of 14 August 2026 (£57.099m on 31 March 2026). A breakdown of the Authority's actual deposits and the average interest rates on 31 March 2026 are compared to actual deposits and actual interest rates as at 14 August 2026 in the table below:-

Table 2 Investments and Average Interest Rates	**As At 31.03.26**		**As At 14.08.26**	
	Total Investment (£000's)	**Weighted Average Rate**	**Total Investment (£000's)**	**Weighted Average Rate**
Debt Management Office (Including Treasury Bills)	7,869	3.81%	4,903	3.99%
RBS Group: Royal Bank of Scotland & NatWest	5,100	3.96%	3,100	4.06%
Barclays Bank plc	5,000	3.80%	5,000	3.80%
Great Yarmouth Borough Council	5,000	4.75%	5,000	4.75%
Lloyds Bank	7,000	4.06%	7,000	4.16%
Santander	7,000	3.80%	7,000	3.92%
Standard Chartered	5,000	3.71%	5,000	3.89%
Aberdeen Liq. Fund	5,000	3.77%	5,000	3.81%
Goldman Sachs Liq. Reserves	5,000	3.70%	2,855	3.74%
HSBC Liq. Fund	130	3.69%	5,000	3.77%
BlackRock Liq. Fund	5,000	3.69%	5,000	3.75%
Landesbank	-	-	2,000	4.01%
SMBC	-	-	2,000	4.00%
Totals	**57,099**	**3.90%**	**58,858**	**3.98%**

11. **Compliance with Treasury and Prudential Limits** - 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. All treasury management operations have been conducted in full compliance with the Authority's Treasury Management Practices.

Borrowing

12. The Authority's capital financing requirement (CFR) at the end of 2025/26 was £11.077m. The CFR denotes the Authority's underlying need to borrow for capital purposes. Currently, the Authority's surplus cash balances have been utilised in lieu of externally borrowing for this amount. This is a prudent and cost-effective approach in the current economic climate.

13. The latest forecast for the CFR for the end of 2026/27 is £13.892m. This figure includes spend on the Ashford Live Fire project and anticipated 2026/27 spend on the Asset Resource Centre project, both of which are now expected to be initially financed through internal borrowing.

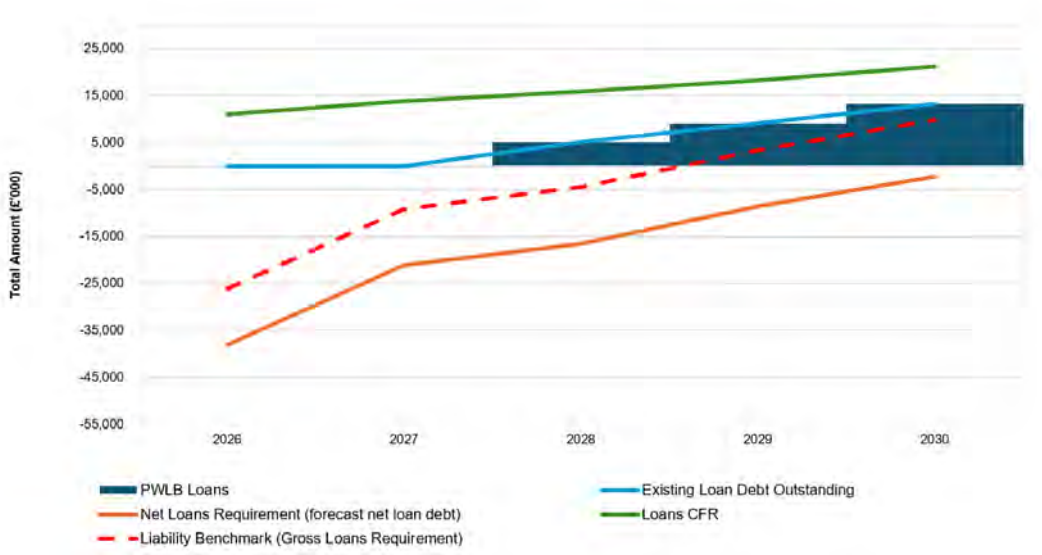
Prudential Indicators

14. A summary of the Prudential Indicators agreed at the Authority meeting in February 2026 are detailed below and shown against the 2025/26 outturn figures and revised projections for 2026/27.

Table 3 **Prudential Indicators for affordability, prudence and capital expenditure**	**2025/26 Outturn £'000**	**2026/27 Original Budget £'000**	**2026/27 Revised Budget £'000**
Revenue Expenditure	96,494	102,717	102,717
Revenue Provision for debt repayment	1,295	1,362	1,362
Capital expenditure	10,730	8,011	9,715
CFR as at 31 March	11,077	13,892	13,892
Total loans outstanding as at 31 March	0	1,700	0
Ratio of Financing Costs to Net Revenue Stream	1.35%	1.33%	1.33%
Treasury Indicators			
Assumed Operational Boundary for external debt	38,500	38,500	38,500
Assumed Authorised Limit for external debt	42,500	42,500	42,500
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%

15. **Debt Liability Benchmark:** is a projection of the amount of loan debt outstanding that the Authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

16. As the Authority is currently operating with a net cash surplus, the indicator is a measure of the forecast net investment requirement and guides the appropriate size and maturity of investments needed. While there is currently no need for external borrowing, such funding may be required in future years for capital financing purposes.



IMPACT ASSESSMENT

17. All financial implications associated with servicing the Authority's loans can be contained within the overall budget.

CONCLUSION

18. Members are requested to:

    18.1 Note the contents of this report.

Item No: C2

INTERNAL AUDIT PROGRESS REPORT
September 2026

Authors:
Louise Taylor (Deputy Audit Manager)
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&
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1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place, within the Authority, is effective and supports Audit and Governance Committee in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within Kent and Medway Fire and Rescue Authority (KMFRA) that are most at risk of impacting on the KMFRA's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

2. Key Messages

- 88% of the 2026/27 Audit Plan has commenced, with audits currently progressing through the planning and fieldwork stages.
- No audits have been completed at this stage due to agreed changes to the timing of two audits, requested by KFRS management to allow policy developments to be progressed before audit review.
- The change to timings of the two audits will not impact on delivery of the Internal Audit plan and there are currently no material concerns regarding delivery of the Audit Plan by 31 March 2027.
- Revised Key Performance Indicators, agreed as part of the Service Level Agreement updated in April 2026, are set out in **Appendix A** and are intended to further strengthen the monitoring and delivery of the Internal Audit service.

3. 2026/27 Internal Audit Plan Progress

This report also provides an update on the work undertaken between April 2026 and September 2026. Audit Plan progress is currently slightly below target. This is due to the rescheduling of two audits at the request of KFRS management to allow policy changes to be progressed before audit review. Based on the revised schedule, there are no material concerns regarding delivery of the Audit Plan by 31 March 2027, with progress forecast to accelerate during the second half of the year.

Graph 1 – Internal Audit Plan Progress

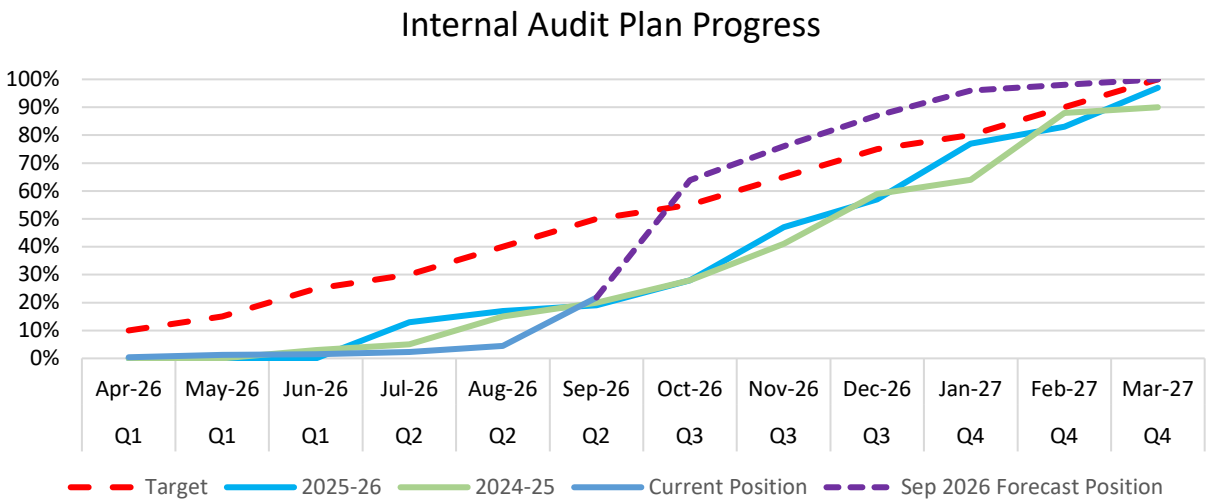

Table 1- Audit Plan Status

Status	Number of Audits	%
Not Started	1	13%
Planning	4	50%
Fieldwork	3	38%
Draft Report	0	0%
Final Report	0	0%
Removed/ Deferred	0	0%
Total	8	

3. 2026/27 Internal Audit Plan Progress

Table 2 below provides an update on our progress against the 2026/27 Audit Plan:

Ref	Audit	Status
FS01	Quality Assurance (QA) on Home Fire Safety Visits (HFSVs)	**Fieldwork**
FS02	Supporting Attendance at Work	**Planning – fieldwork commencing 5th Oct**
FS03	Project Management consultancy	**Fieldwork**
FS04	Decision Making Process including People Impact Assessments (PIAs)	**Fieldwork**
FS05	Cyber Security	**Planning**
FS06	Ethical Standards, Bullying and Harassment – Reporting Processes	**Planning**
FS07	ICT - Supply Chain Security	**Planning**
FS08	Community Risk Management Plan (CRMP)	**Not Started**

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4. Issue Implementation

This is a position statement setting out the open medium and high risk actions from audits undertaken. There are currently 15 open issues which are either partially implemented or not due for implementation. There are currently no overdue Management actions.

The status of implementation agreed management actions is summarised below:

Table 3 - Status of Open Agreed Management Actions (page 1 of 2)

Ref	Audit	Audit Date	Assurance Opinion	Issue	Priority	Original Date	Revised Date	Status
FS02-2025	Disaster (Cyber Security) Recovery and Back-up Arrangements	2 July 2025	Adequate	Issue 1 – Disaster Recovery Plan	Medium	Aug-26	Jun-27	Not Due
FS02-2025	Disaster (Cyber Security) Recovery and Back-up Arrangements	2 July 2025	Adequate	Issue 2 – Recovery Time Objectives	Medium	Aug-26	Jun-27	Not Due
FS02-2025	Disaster (Cyber Security) Recovery and Back-up Arrangements	2 July 2025	Adequate	Issue 3 – Cyber Incident Response Plan	Medium	Mar-26	Dec-26	Not Due
FS06-2024	Climate Change *(target for carbon neutrality amended from 2030 to 2050 since audit)*	1 March 2024	Substantial	Issue 2 – Devising a Plan for Funding Arrangements	Medium	Feb-25	Dec-26	Partially Implemented

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Table 3 continued – Status of Open Tracked Agreed Management Actions (page 2 of 2)

Ref	Audit	Audit Date	Assurance Opinion	Issue	Priority	Original Date	Revised Date	Status
FS06-2025	Incident Command Training	16 June 2025	Substantial	Issue 4 – Kronos Skills and Rotas	Medium	Aug-26	Oct-26	Partially Implemented
FS06-2025	Incident Command Training	16 June 2025	Substantial	Issue 5 – Records tracking command hours	Medium	Jul-26	Oct-26	Partially Implemented
FS06-2026	Management of Grants	2 January 2026	Substantial	Issue 3 - End of Funding	Medium	Mar-26	Dec-26	Not Due
FS08-2026	Channel Tunnel	19 January 2026	Adequate	Issue 1 – Policy and Procedure Review	Medium	Apr-26	Jan-27	Partially Implemented
FS08-2026	Channel tunnel	19 January 2026	Adequate	Issue 2 – Training	High	Jun-26	Jan-27	Partially Implemented
FS07-2026	Resource Management (Flexible Rostering at Whole-time stations)	10 April 2026	Adequate	Issue 1 - Policies, Procedures and Guidance	Medium	Mar-27	N/A	Partially Implemented
FS07-2026	Resource Management (Flexible Rostering at Whole-time stations)	10 April 2026	Adequate	Issue 2 - Lack of Clarity and Resilience in Rostering Roles	Medium	Jun-26	Oct-26	Not Due
FS07-2026	Resource Management (Flexible Rostering at Whole-time stations)	10 April 2026	Adequate	Issue 3 - Access to Specialist Skills Data	Medium	Mar-27	N/A	Not Due
FS07-2026	Resource Management (Flexible Rostering at Whole-time stations)	10 April 2026	Adequate	Issue 4 - Insufficient Monitoring of Rostering Effectiveness and Off the Run Data	Medium	Mar-27	N/A	Not Due
FS09-2026	Mental Health	8 April 2026	Substantial	Issue 1 - Demobilise and Defuse (D&D) Process	Medium	Jun-26	Oct-26	Partially Implemented

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Performance Indicators

Appendix A - Key Performance Indicators

4. Counter Fraud

A review of the Fraud Register held by management has been completed, with management noting spear phishing attempts and a minor purchase card irregularity. This is consistent with the current fraud risk profile experienced by organisations of a similar size and structure.

A review of the Anti-Fraud & Corruption Framework along with the Action Plan has been completed, with recommendations made to review processes relating to gifts and hospitality recording and monitoring.

5. Resources

In accordance with the Global Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

Recruitment

- Interim arrangements for the Head of Internal Audit and the Head of Counter Fraud remain in place.
- A trainee Auditor has been successfully recruited into the team. One contractor with previous experience within the team has been brought into the service temporarily to support delivery of current Audit Plans.
- One Principal Auditor will be leaving the team in September and currently options are being explored

Professional Qualifications

- The Internal Audit Team currently has 13 Officers with a professional qualification in Audit or Finance.
- 3 members of the Audit Team are currently undertaking professional qualifications.

Budget

- Overall, the level of resource available is sufficient to deliver the audit coverage required to provide a robust Annual Opinion.

Technology

- Audit Management software development and enhancements to Internal Audit processes are ongoing and gathering momentum.
- Technology available to support the completion of the Rolling Internal Audit Plan is being utilised. This includes data analytics tools such as Power Bi and data-driven assurance (continuous auditing).
- The use of Artificial Intelligence is actively being explored and is already generating efficiencies and enhancing delivery

5. Performance Indicators - 2026-27

As part of the updated Service Level Agreement between KCC and KFRS, signed in April 2026, the Key Performance Indicators (KPIs) were reviewed to ensure they remain relevant, meaningful and effective in measuring service performance.

The revised KPIs cover timeliness, training and continuous professional development, client satisfaction, and continuous improvement. These are set out in **APPENDIX C**.

Performance against the revised KPIs will be reported to the Committee in January 2027.

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Appendix A – Internal Audit & Counter Fraud Key Performance Indicators

Timeliness	Measure	Target
Audit Plan completed by 31st March	Percentage of audits completed by 31st March as calculated using the formula on the tracking spreadsheet.	90%
	The percentage of final reports issued by the date specified on the final Engagement Plan will be monitored and reported at liaison meetings so KFRS can track progress.	
	KPI reporting to Audit and Governance Committee will include narrative on the cause of any delays against the original Audit Plan and, if required, the final Engagement Plan for each audit.	
Average number of working days between issuing the final Engagement Plan and issuing the draft audit report.	As specified. Audit timeframes will be measured against the dates specified in the final Engagement Plan.	85% - 45 working days or less
Average number of days to complete each audit	As specified.	10 days

Continuous Improvements	Measure	Target
Management Actions	a) % of high priority/risk issues agreed	a) 100%
To determine if there has been actual improvement/reduction of risk from the Internal Audit reviews.	b) % of high priority/risk issues implemented	b) 100%
	c) % of all issues agreed	c) 85%
	d) % of all issues implemented	d) 85%

Appendix A – Internal Audit & Counter Fraud Key Performance Indicators

Client Satisfaction	Measure	Target
Client liaison meetings	All agendas and supporting documents (progress tracker etc) are emailed to KFRS at least one week before the meeting date.	100%
How satisfied are you with the overall value provided by the Audit?	Perceived trust and worth of the Audit function	85%
How satisfied are you that the Audit assisted in achieving the Authority's objectives and management of risk?	Stakeholder feedback on effectiveness.	85%

Training & Continuous Development	Measure	Target
Number of Qualified Audit Employees within the Audit Team	Number of Qualified Auditors within the Audit Team	80% with Internal Audit Professional Qualifications such as CMIIA, CIA, ACCA, CISA or equivalent.
An annual declaration will be provided to the Audit and Governance Committee confirming that all internal audit staff have completed the required Continuing Professional Education (CPE) for the reporting year	This is usually 40 hours per year for qualified auditors.	100%
Conformance with the Global Internal Audit Standards in the UK Public Sector	Self Assessment annually and External Quality Assessment every 5 years.	Generally Conforms

Item Number: C3

By:	Interim Head of Internal Audit
To:	Audit and Governance Committee - 24 September 2026
Subject:	INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT OUTCOME
Classification:	Unrestricted

FOR INFORMATION

SUMMARY

This Report summaries the outcomes of the External Quality Assessment (EQA) and the conformance of the Internal Audit Service against the new Global Internal Audit Standards (GIAS).

CONCLUSION

Members are requested to:

1. Consider and note the content of the report.

The Audit and Governance Committee note the outcomes of the External Quality Assessment (EQA) of the Internal Audit Function, and the action plan developed against suggested opportunities for future development.

LEAD/CONTACT OFFICER: Interim Head of Internal Audit – Russell Smith
CONTACT DETAILS: T: 0300 041 6707 | E: russell.smith@kent.gov.uk
BACKGROUND PAPERS:
None

COMMENTS

Background

1. The Global Internal Audit Standards (GIAS) came into effect from January 2025. In December 2024 a UK Public Sector Application Note was issued by the institute of Internal Auditors (IIA), which sets out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector.

2. The standards require an Internal Audit function to be subject to regular internal and external assessments. The purpose of these assessments is to confirm compliance with the standards and to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively. An Internal assessment must be completed at least annually, and External Quality Assessment (EQA) must be completed at least every five years.

3. The standards require the Chief Audit Executive (Head of Internal Audit) to develop a plan for the EQA and discuss the plan with the governance and audit committee which was undertaken in March 2025 by the previous Head of Internal Audit. It was agreed that for the EQA a **self-assessment validation**, using an independent and experienced assessor would be the option used. This report outlines the outcomes of the EQA.

4. The Assessment was undertaken by John Chesshire of JC Training Limited who met all the necessary requirements of enhanced qualification and experience required of an external assessor in the public sector. They are also the current Chairman of the Internal Audit Standards and Advisory Board whose role includes oversight of the development and periodic revision of GIAS.

External Quality Assessment Outcome

5. A full copy of the External Quality Assessment – Final Report is provided (Appendix 1), in concluding their conformance opinion, the External Assessor states:

   "I am very pleased to report that the Internal Audit Service generally achieves the GIAS, which represents the global benchmark for internal audit quality. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

   *"This is an **excellent result**, particularly given the recent launch of the GIAS and the team's complex nature as both an in-house and external provider of internal audit services. Some internal audit functions are struggling to conform with aspects of the*

GIAS, and others are not as well advanced in their implementation and maturity. Congratulations to all involved on this outcome."

*"**I am satisfied that the Internal Audit Service appropriately achieves each of the fifteen GIAS Principles. I am very pleased to report that the Internal Audit Service also fully or generally achieves each of the fifty-two Standards.** There are no partial conformances, or areas where the team do not conform with any Standards. Some of my conclusions differ marginally to those of the team in their own IQA. This is to be expected. I am also satisfied that the team achieves the expectations of the associated Application Note."*

Summary of IIA Conformance	Standards	Does not Conform	Partially Achieves	Generally Achieves	Fully Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13	0	0	1	12	13
Governing the Internal Audit Function	9	0	0	6	3	9
Managing the Internal Audit Function	16	0	0	9	7	16
Performing Internal Audit Services	14	0	0	3	11	14
	52	**0**	**0**	**19**	**33**	**52**

6. Within **Appendix 1** (Paragraph 33) the External Assessor references the key achievements of the service. Some of the areas highlighted by the service have been identified as best practice in which in discussions with the assessor is a term in which they do not use lightly and encouraged sharing of these areas across the Internal audit Profession.

7. It is important to note that the External Assessor has made no formal recommendations as part of their assessment, however, the External assessor has made a few suggestions for improvement. The suggestions made by the External assessor have been incorporated into the Action Plan which contains internally identified actions for improvement as a result of the EQA (**Appendix 2**). The Action Plan is proactively being taken forward as a platform for continuous improvement of the service.

IMPACT ASSESSMENT

8. The report provides independent assurance on the effectiveness of the Internal Audit function and supports the Authority's commitment to strong governance, continuous improvement and compliance with the Global Internal Audit Standards.

CONCLUSION

9. Members are requested to:

    9.1 Consider and note the content of the report.

The Audit and Governance Committee note the outcomes of the External Quality Assessment (EQA) of the Internal Audit Function, and the action plan developed against suggested opportunities for future development.

Appendix 1 to
Item No: C3

External Quality Assessment

INDEPENDENT REVIEW
FINAL REPORT

GENERAL ACHIEVEMENT	KENT COUNTY COUNCIL'S INTERNAL AUDIT SERVICE GENERALLY ACHIEVES THE GLOBAL INTERNAL AUDIT STANDARDS AND THE WIDER INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

John Chesshire CFIIA CRMA CIA CISA
JC Audit Training Ltd

23 March 2026

Table of contents

Executive Summary

1. The Institute of Internal Auditors (IIA) launched their new Global Internal Audit Standards (GIAS) in January 2024, providing organisations, and their internal audit functions, twelve months to adapt their governance and operational practices to meet the updated benchmark. The UK public sector delayed formal implementation to align with reporting years, and the GIAS became formally effective across this sector from April 2025.

2. The GIAS comprises five Domains, fifteen Principles, and fifty-two Standards. They replaced the IIA's earlier 2016 version of the International Standards and the associated Public Sector Internal Audit Standards (PSIAS).

3. Kent County Council commissioned this external quality assessment (EQA) in 2025 to assess their Internal Audit Service against the new GIAS, as the very latest, international internal audit practice. The GIAS requires an EQA at least once every five years. The Internal Audit service last had an EQA in 2021.

4. I am an experienced EQA reviewer, a former Head of Internal Audit and Chief Assurance Officer, and current Audit Committee Chair. I have delivered approximately 60 EQA reviews over the last eight years to a variety of clients of all sectors and sizes, across the UK and overseas. I have already undertaken many of these using the new GIAS.

5. I delivered this EQA by undertaking a formal validation of the Internal Audit Service's own internal quality assessment (IQA) over Q4 2025 and Q1 2026. This included examining the team's approach, ways of working, methodologies, document review and analysis, performing a selection of remote team member and stakeholder interviews from across the client base, reviewing a targeted selection of recent internal audit engagement files, evaluation, and the drafting and communication of this report.

6. I am very pleased to report that the Internal Audit Service **generally achieves** the GIAS, which represents the global benchmark for internal audit quality. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

7. This is an **excellent result**, particularly given the recent launch of the GIAS and the team's complex nature as both an in-house and external provider of internal audit services. Some internal audit functions are struggling to conform with aspects of the GIAS, and others are not as well advanced in their implementation and maturity**.** Congratulations to all involved on this outcome.

8. In summary, the Internal Audit Service, and their key stakeholders, have established an effective governance and management framework over their activity that includes:

    - Well-established Governance and Audit Committee oversight, appropriate functional and administrative reporting lines, documented in a recently updated and approved Internal Audit Charter. This aligns to the expectations within the GIAS.

- A respected Interim Head of Internal Audit leads the Internal Audit Service and is growing into the role. They are supported by three Audit Managers, two Deputy Audit Managers, and fourteen team members, including a small IT audit cohort. A separate counter fraud team reports to the Interim Head of Counter Fraud.

- Key stakeholders are very positive about the Internal Audit Service, and the team's delivery approach and model are working well in practice. The team are trusted, valued and respected for their professionalism and have a diverse range of experience and skills to meet stakeholder expectations and assurance needs.

- The Internal Audit Service's strategic and operational priorities are guided by regular and constructive engagement with key stakeholders, rolling risk-based internal audit plans, and increasingly effective use of supporting technology.

- Revised Internal Audit Service working practices, templates, tools, and an updated internal audit methodology aligned with the GIAS, seeks to deliver effective assurance and advisory services to its key stakeholders.

9. From the EQA results, **I am satisfied that the Internal Audit Service appropriately achieves each of the fifteen GIAS Principles. I am very pleased to report that the Internal Audit Service also fully or generally achieves each of the fifty-two Standards.**

10. I am also very happy to report that there are no Standards that the Internal Audit Service 'partially achieves' or 'does not achieve'. Once again, this is very positive and represents an excellent level of performance against a challenging - and new - set of demanding benchmarks.

11. Given the Internal Audit Service's high level of performance and achievement with the GIAS, I do not make any formal recommendations in this report. To aid continuous improvement, however, I do make several suggestions for further development, some of which the team themselves identified in their IQA.

12. I would like to thank everyone who assisted me in this review, most obviously the Interim Head of Internal Audit, their Business Support Officer, for organising everything, the wider Internal Audit Service, their colleagues, and the key stakeholders I interviewed as part of this EQA process. Thank you all for helping to make the process smooth, straightforward and easy to undertake.

Introduction and approach

13. Kent County Council commissioned this External Quality Assessment (EQA) against the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS). The GIAS forms the key part of the broader IIA International Professional Practices Framework (IPPF) alongside the new Topical Requirements[1].

14. The Chartered IIA state that the GIAS, "guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are fifteen guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing". The GIAS comprises five Domains, fifteen Principles and fifty-two Standards.

15. The GIAS build upon the previous International Standards and the previous UK Public Sector Internal Audit Standards (PSIAS). For the UK public sector, the GIAS are also supplemented by the Global Internal Audit Standards in the UK Public Sector Application Note (Application Note).

16. In local government, the CIPFA Code of Practice for the Governance Internal Audit in UK Local Government (CIPFA Code) also applies to address the 'essential conditions' for the governance of internal audit set out in Domain III of the GIAS. The Code concerns the roles of senior management and the audit committee regarding internal audit. EQAs must also consider the governance of internal audit, which for local government is set out in this CIPFA Code.

17. Where an internal audit function applies a common approach to its working practices for all its clients (e.g. engagement planning and conduct of audits), like the Internal Audit Service, then the EQA assessor may sample across the client base to verify those aspects of the Standards.

18. Where the internal audit provider has a large client base, this may mean the conduct of internal audit engagements at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. I have sampled and considered the Internal Audit Service's work from across its client base and am satisfied that the team adopts a common approach across its clients.

19. The Internal Audit Service comprises an Interim Head of Internal Audit (Chief Audit Executive (CAE)), three Audit Managers, two Deputy Audit Managers, and fourteen team members. The team includes an expanding IT audit capability. A separate counter fraud team reports to the Interim Head of Counter Fraud.

20. The Interim Head of Internal Audit and the team report functionally to the Governance and Audit Committee at Kent County Council (and to equivalent bodies in each of its clients) and administratively to the Corporate Director of Finance.

[1] The IIA states that the Topical Requirements "enhance the consistency and quality of internal audit services, increasing the professionalism of internal auditors' performance. They help strengthen the relevance of internal auditing to address pervasive and evolving risks." The first Topical Requirement on Cybersecurity became properly effective on February 5, 2026. Other Topical Requirements will follow.

21. The Internal Audit Service last had an EQA in 2021, undertaken by Business Risk Solutions. The GIAS, and the previous International Standards, mandate these EQAs at least once every five years.

22. Like many internal audit functions, the Internal Audit Service has reviewed its governance, management and operational practices because of the update and implementation of the GIAS. The team undertook their latest internal quality assessment (IQA) against the GIAS in November 2025, and I have validated this through my review.

23. This EQA examined the Internal Audit Service's overall approach, methodology, processes, remote document review and analysis, in-person and remote interviews with the team and stakeholders, a targeted review of a selection of their recent internal audit assurance engagement files, evaluation and the drafting and communication of this report. I include a list of stakeholder interviewees in Annex A, internal audit interviewees at Annex B, and a sample of stakeholder feedback at Annex C.

24. The EQA primarily involved comparison of working practices against the GIAS. The tried and tested process I followed involved:

- Examining and reflecting upon the requirements of the Purpose of Internal Auditing, the five Domains, the fifteen Principles and the fifty-two Standards. I have also employed the 'Considerations for Implementation' and the 'Examples of Evidence of Conformance'.

- Assessing the key criteria needed to demonstrate appropriate compliance.

- Reviewing the team's IQA, corroborating and recording the necessary evidence to demonstrate the Internal Audit Service's conformance status with each Standard. I have undertaken this through documentation review, thorough validation of the Internal Audit Service's self-assessment, a targeted examination of working papers, discussions with team members and selected interviews (et al), as noted above.

- Comparing the evidence to the key conformance criteria and assessing the degree of conformance. I have employed the standard IIA definitions for this and have provided these in Annex D.

Conformance opinion

25. As noted above, I undertook this EQA review to provide an independent, objective, examination of the Internal Audit Service using the GIAS, as well as considering the team's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

26. **The Internal Audit Service has achieved a very good result of 'generally achieves' in this EQA** in relation to the GIAS. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

27. I include a summary of the Internal Audit Service's conformance to the GIAS, in table one below. Overall, I believe that the team has achieved an excellent result given the breadth and depth of the benchmark established by the new GIAS.

28. **I am satisfied that the Internal Audit Service appropriately achieves each of the fifteen GIAS Principles. I am very pleased to report that the Internal Audit Service also fully or generally achieves each of the fifty-two Standards.** There are no partial conformances, or areas where the team do not conform with any Standards. Some of my conclusions differ marginally to those of the team in their own IQA. This is to be expected. I am also satisfied that the team achieves the expectations of the associated Application Note.

Summary of IIA Conformance	Standards	Does not Conform	Partially Achieves	Generally Achieves	Fully Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13	0	0	1	12	13
Governing the Internal Audit Function	9	0	0	6	3	9
Managing the Internal Audit Function	16	0	0	9	7	16
Performing Internal Audit Services	14	0	0	3	11	14
52		0	0	19	33	52

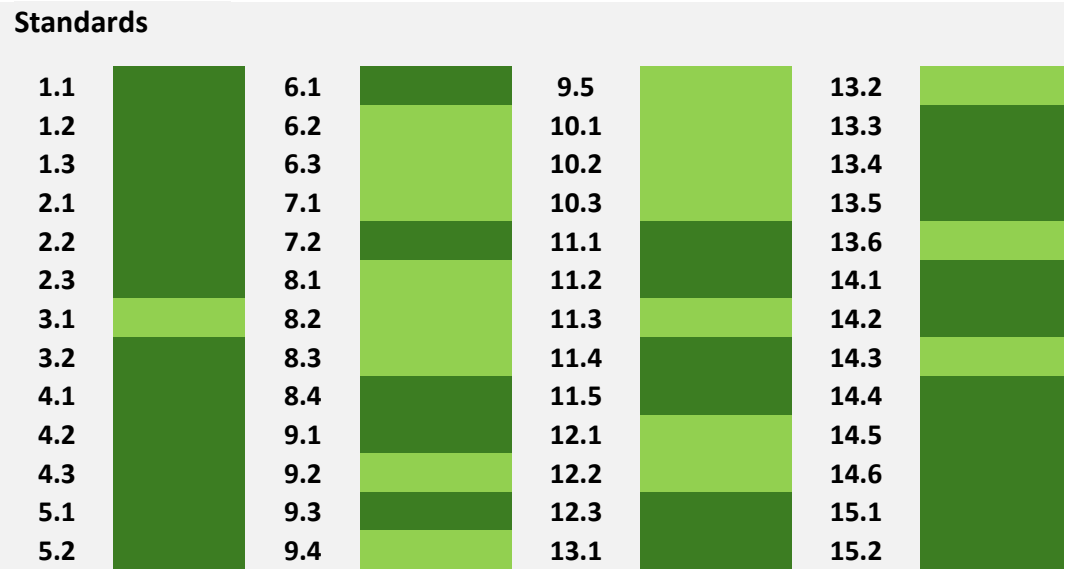
Table One: Summary of the Internal Audit service 's conformance to the GIAS

29. Given that the GIAS remains 'comply or explain' in nature, any internal audit function can reasonably decide that some elements are not necessary to fully achieve, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. I summarise the results further with light green showing the 'generally achieves' results and

dark green colour-coding indicating 'fully achieves' outcomes covering each of the 15 Principles:

Principles	
1	Demonstrate Integrity
2	Maintain Objectivity
3	Demonstrate Competence
4	Exercise Due Professional Care
5	Maintain Confidentiality
6	Authorised by the Board
7	Positioned Independently
8	Overseen by the Board
9	Plan Strategically
10	Manage Resources
11	Communicate Effectively
12	Enhance Quality
13	Plan Engagements Effectively
14	Conduct Engagement Work
15	Communicate Engagement Conclusions and Monitor Action Plans

30. For the Internal Audit Service's conformance with the fifty-two Standards, the summary results are:



Deliverables

31. In addition to this report, I have provided the Internal Audit Service with a briefly annotated version of their own Internal Quality Assessment (IQA) which I have validated through this EQA. This helps succinctly evidence my view and validation of the team's own IQA.

32. I make several suggestions to help further promote the Internal Audit Service's ongoing development and continuous improvement. I have included these on pages 10-14 below. I aim these suggestions at Standards that the team already achieve, and some repeat the team's own identified actions resulting from their IQA. As these are suggestions rather than formal recommendations relating to areas of non- or partial achievement in respect of particular Standards, I do not seek or expect a formal response to these.

Key achievements

33. I believe that the Internal Audit Service performs effectively in much of its own governance, risk management and internal audit practices. I was particularly impressed with the following:

- The Internal Audit Service delivers an effective, independent, and objective assurance and advisory service, covering Kent County Council and its other clients' diverse, complex, public sector and commercial business activities.

- The team's own governance framework is mature, with active Governance and Audit Committee (or equivalent) and senior management engagement, oversight, reporting and regular communications. Regular communication and dialogue add value and enable a more focused service in respect of key priorities.

- The Internal Audit Service's recently updated and approved Internal Audit Charters align with the good practice detailed in the GIAS. They appropriately detail the team's mandate, purpose, authority, and accountability.

- A respected Interim Head of Internal Audit leads the team, supported by able colleagues with a wide range of knowledge, skills and experience. The team has clear knowledge of Kent County Council, its sector and context, and has diverse expertise, backgrounds, and capabilities. The team's expertise, awareness and understanding in respect of its diverse clients is expanding.

- The Internal Audit Service are trusted and respected for their professionalism by key stakeholders. Key Governance and Audit Committee, and senior management value the service, its approach and how it operates in practice. Feedback throughout this review was positive. Quality is primarily about meeting customer needs, and the team achieve this.

- The team has put considerable effort into developing an overarching skills matrix, supported by individual competency assessments and a service-wide review to identify and address gaps. This represents best practice. Internal Audit Service members undertake an appropriate range of professional learning and continuing professional development (CPD)

activities to gain, maintain and enhance knowledge, skills, and experience. Professional certifications, such as the CIA and CISA, have been obtained, are being obtained, and are planned to commence.

- An Internal Audit Strategy has been drafted for each client and rolling Internal Audit Plans include a diverse range of engagements, These include future engagements based upon key risks, client priorities, other sources of assurance and the team's own views and judgement. The plan template is clear and professional. The Governance and Audit Committee (or equivalent), senior management and other key stakeholders are appropriately involved in the planning and approval process.

- The team have introduced a suite of new Key Performance Indicators (KPIs) for their work with Kent County Council. These are clear, modern and focused on the delivery of outcomes. This represents best practice.

- Other assurance providers are engaged, and the team have developed another best practice methodology for coordination and reliance that will be properly embedded in the year ahead. The team also maintains a broader Relationship Management Strategy that is effective and adds value.

- The Internal Audit Service employ K10 as their Audit Management Software application and are seeking to further develop its functionality to further underpin service delivery. Use of other technology tools, AI and data analytics to enhance efficiency and effectiveness is expanding. The team has a small, but growing IT Audit capability and contingent to assist in delivering assurance over the challenging technology and cyber risk landscape.

- The Internal Audit Service have updated aspects of their own methodology, procedures, templates and working practices in line with the GIAS. Quality assurance is supported by K10, and the team are formalising a more systematic approach to the periodic internal quality assessments.

- The team's report template and engagement reporting also warrant particular mention. The template has been updated, is effective, fresh and clearly structured. Engagement reports are clearly written and relatively concise.

- It is clear from the EQA that the Internal Audit Service is trusted and valued by key stakeholders. Feedback was positive about the service, its evolution, the quality of work and its overall delivery, both at Kent County Council and for its clients.

Suggestions for further improvement

34. As highlighted above, I make several suggestions to help further promote the Internal Audit Service's ongoing development, performance and continuous improvement, linking these to the relevant elements of the GIAS.

35. These relate to areas that appropriately meet the expectations of the GIAS, and me as the EQA assessor. They **do not** represent shortcomings or failures in respect of conformance with the GIAS. Several have been identified by the team themselves through their recent IQA. These observations and suggestions do not require a formal response.

- The Internal Audit Service fully achieves Standard 1.1 Honesty and Professional Courage, Standard 1.2 Organisation's Ethical Expectations and Standard 4.3 Professional Skepticism.

  The Internal Audit Service intends to embed Honesty and Professional courage in 2026/27 Performance Objectives and Evaluations. I support this. Going forward, the team could usefully consider including further practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning and ongoing CPD activity in these areas. This could usefully build upon the session held at the Kent Audit Conference.

- The Internal Audit Service generally achieves Standard 3.1, Competency, and fully achieves Standard 3.2, Continuing Professional Development, and Standard 10.2 Human Resource Management.

  While many of the team are highly skilled, knowledgeable and experienced, other team members continue to gain competence and confidence. The team does not always have deep, specialist expertise in everything they may be asked to deliver assurance over, such as AI as a topical example. Staying up to date with IT and cyber security changes and associated developments are a real, but common challenge for any internal audit function.

  The Internal Audit Service actively supports team members as they gain experience, has identified overall learning priorities, and has commenced implementing solutions to address these learning needs. I support these initiatives.

  The Internal Audit Service's leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, may well be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning across the team may be necessary to help add value, insight and foresight in respect of the likely, associated change and transformation.

- The Internal Audit Service generally achieves Standard 6.2, Internal Audit Charter, and 7.1, Organisational Independence.

The Internal Audit Charter could usefully be updated to more explicitly reference the Interim Head of Internal Audit's counter fraud responsibilities and cover more clearly how assurance may be provided over these. The recent peer review is a good example of how this will be provided.

- The Internal Audit Service generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction.

  The team intends to introduce a consistent approach for meeting Governance and Audit Committee members before formal Committee meetings in 2026 to support open communication and reinforce the Committee's role in championing the internal audit function. I support this. The team could usefully consider implementing similar arrangements with their other clients.

- The Internal Audit Service generally achieves Standard 8.3, Quality.

  The team intends to embed the revised Quality Assurance and Improvement Programme (QAIP) and ensure internal quality assessments and reviews are carried out consistently, with the results reported to the Governance and Audit Committee periodically. I support this. The team could usefully consider implementing similar arrangements with their other clients.

- The Internal Audit Service generally achieves Standard 9.2, Internal Audit Strategy and Standard 12.2 Performance Measurement.

  The team has agreed a succinct three-year Internal Audit Strategy with each of its main clients, These include a Vision, four or five key priorities, and supporting narrative. The team has also developed an interesting and innovative set of Key Performance Indicators for reporting to the G&A Committee (or equivalent) and senior management,

  Going forward, the Internal Audit Service are upgrading these Internal Audit Strategies using the requirements detailed in Standard 9.2. SMART Objectives are defined and appropriate implementation plans developed for each objective. Progress tracking, ideally using relevant KPIs, and reporting on the implementation of improvements to the G&A Committee (or equivalent) and senior management should also occur for each client.

  Revisiting the links between the Internal Audit Strategy, priorities, supporting actions, KPIs and stakeholder reporting should add value and demonstrate a clear internal audit golden thread. I am pleased to see this in train and understand the updated Internal Audit Strategy will be presented at the May 2026 Governance and Audit Committee meeting.

- The Internal Audit Service generally achieves Standard 9.4, Internal Audit Plan.

  Future Internal Audit Plans must include additional detail – ideally bespoke for each client – on the rationale for not including an assurance engagement in a high-risk area or activity. It is clear in the current plan when a key risk is not being examined by the team, but the rationale for this is less explicit.

- The Internal Audit Service generally achieves Standard 9.5, Coordination and Reliance.

The team are embedding and operationalising their (very well-designed) methodology for coordinating assurance provision across client organisations to improve alignment, reduce duplication, and enhance governance assurance. I support this initiative.

- The Internal Audit Service generally achieves Standard 10.3, Technological Resources.

  The team should consider updating their useful Data Analytics Strategy, by developing SMART objectives, and relevant SMART supporting actions. This Strategy could be extended to also encompass use of AI and be linked more explicitly to the Innovative Approaches to Auditing section of the Internal Audit Strategy.

- The Internal Audit Service generally achieves Standard 11.3, Communicating Results and Standard 14.3, Evaluation of Findings

  The team are seeking to implement a more systematic approach to identifying and communicating root causes in their internal audit reports. K10 is being used to facilitate this with the inclusion of root cause analysis categories. From the sample of earlier internal audit reports I reviewed, there was a mixed approach undertaken, with some identifying root causes clearly and others not explicitly including them.

  In addition, there are further opportunities for the Internal Audit Service to deliver insights into common root cause categories and themes across the assurance and advisory work that they undertake. The results will subsequently support further coverage of common themes in the Interim Head of Internal Audit's Annual Report and related communications. I support this.

- The Internal Audit Service generally achieves Standard 13.2, Engagement Risk Assessment, and Standard 13.6 Work Program

  The team have now designed and are implementing a standardised Risk and Control Evaluation Template to enhance consistency and rigor in assessing control design. There are no 'standard' Templates for this promoted by the IIA or other professional bodies for this, so an approach that best suits the team, aligns with the methodology and integrates with K10 feels like the best way forward. This action will be complete once use of the standardised template is properly embedded following additional team training in May 2026.

- The Internal Audit Service generally achieves Standard 13.4, Evaluation Criteria. The Application Note states that Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (Evaluation Criteria).

  The team intends to deliver a targeted training session to reinforce the importance of incorporating value for money considerations into audit scoping and planning, ensuring auditors consistently apply this principle across all engagements. I support this initiative.

Annex A – Stakeholder Interviewees

Interviewee	Position
Amanda Beer	KCC, Chief Executive
John Betts	KCC, S151
Michael Brown	KCC, Chair of Governance and Audit Committee
Sally Richards	GCSG, Director of Assurance and Quality
Nick Hunter	GCSG, Audit Lead
Ceri Richards	GCSG, Chair of Audit and Risk Committee
Ann Millington	KFRS, Chief Executive
Barrie Fullbrook	KFRS, S151
Vince Maple	KRFS, Chair of Audit Committee
Kathryn Beldon	Canterbury Cathedral, Receiver General
Julie Wood	Canterbury Cathedral, Director of Finance and Planning
Helen Wiseman	Canterbury Cathedral, Chair of Audit Committee
Damian Roberts	TMBC, Chief Executive
Paul Worden	TMBC, S151
Robert Cannon	TMBC, Chair of Audit Committee

Annex B – Internal Audit Interviewees

Khailam Anup	Trainee IT Auditor
Hannah Barton	Principal Auditor
Debbie Chisman	Audit Manager
Karen Herbert	Deputy Audit Manager
Lee Jones	Audit Manager
Ewelie Lifanje	Auditor
Daniel Mees	Auditor
Amanda Palmer	Interim Audit Manager
Andy Shade	Principal IT Auditor

Annex C - Selected Interview Feedback

“We picked Kent County Council Internal Audit for their sensitivity. They have gained our trust, they are here to help, and I haven’t heard a single complaint about them.”

“The Head of Internal Audit comes across very well at Committee. He has experience and knowledge of our organisation, and we are really happy with the service that we get from them.”

“The internal audit documentation that the Committee receives is very well received and everything is well written and produced.”

“I have found them to be objective, candid and open.”

“They are always well-prepared for the Committee’s questions. They are open, honest and always very willing to engage with members.”

“I am certainly getting sufficient assurance from the internal audit team at the present time.”

“The quality of what we have seen as the Committee is consistently high.”

“Internal audit are pretty well engaged with us and have a good understanding of the nature of our organisation.”

“They always attend our audit committee and are well-prepared. Members are satisfied with the answers they give and the internal audit service as a whole.”

“Internal audit have been very flexible. We have built new audits into the plan and have delayed others, and they coped well with this.”

“The internal audit team are great value for money. They are trying their hardest to present themselves very well and are succeeding.”

“There have been a small number of delayed audits this year, but the team are working to resolve these.”

“They work really well with us now. They are sensible, pragmatic and understand our organisation is different to the County Council. They have worked really hard to learn about us and they add value.”

“They are very professional and very good at showing us what best practice looks like. We are keen to learn from them and to improve.”

“We take internal audit very seriously and internal audit help us survey the whole governance and risk landscape.”

“They are very thorough and always handle themselves very professionally.”

“I have a slight concern about their resourcing and how they keep up with new and evolving areas of risk, particularly around technology.”

“Overall, they are very good and one of the best partnerships we have.”

“Our internal audit contact has a good understanding of the organisation, and we have regular catch ups to keep on top of progress and any changes.”

“The quality of the internal audit reports are very high. We are extremely positive about these, and they have improved considerably over the last three and a half years.”

“The team’s approach is good and helps set a positive culture about internal audit. They are seen as constructive and very much a partner.”

“We have an excellent relationship with internal audit and are able to use internal audit effectively for assurance. They help us look at the things we are really worried about.”

“Internal audit tends to stay fairly quiet in the audit committee meetings. Sometimes we have to ask them for their opinion.”

“Internal audit now is much better than it was when we first brought them onboard. I can definitely say that we get a good service from internal audit and they are very collaborative.”

“They are learning to be more agile and are flexible when we do want to change things.”

“Pre-engagement meetings help ensure that the scopes are properly shaped and achievable.”

“They have listened to feedback, definitely improved and are very collaborative – I’d strongly recommend them.”

“Overall, I am extremely satisfied with the internal audit service that we get.”

“There has been turnover within their team, but today I’m very happy. The level of engagement is very positive. They have a good mix of skills given the capacity of being a larger team.”

“They push back when it is right to do so and their service compares very well compared to my experiences elsewhere.”

“I like the fact that the internal auditors are enthusiastic and like to make a positive difference.”

“The advisory help is always welcome and encourages a high degree of openness and trust.”

“The quality of information they provide is good and the quality of audit work is good too.”

“When it comes to delivering the programme of work, they have always been clear and transparent about the reason for any delays.”

“They are really good and have developed an excellent rapport with officers and members. I have nothing bad to say about them!”

Annex D - External Quality Assessment Ratings

Quality Rating	Total Opinion	Principle Opinion	Standard Opinion
Full achievement The HIA can state that all internal audit activities were performed in full conformance with the Global Standards.	The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the Standards related to the Principle and the Principle's intent.	The internal audit function is fully conforming with all requirements of the Standard and the Standard's intent.
General achievement The HIA can state that internal audit activities were performed in general conformance with the Global Standards.	The internal audit function is achieving the Purpose of Internal Auditing however it is not fully achieving at least one Principle or aspect of Domain I.	The internal audit function is achieving the Principle's intent. However, it is not fully achieving at least one Standard.	The internal audit function is achieving the intent of the Standard but not fully conforming with at least one requirement of the Standard.
Partial achievement The HOIA may not state that all internal audit activities were performed in conformance with the Standards but may be able to depending on the activity.	The internal audit function achieves some Principles. However, it is not fully achieving at least one Principle and one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as partially achieving.	The internal audit function achieves some Standards. However, it is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as Partially achieving the principle.	The internal audit function achieves some requirements of the Standard. However, it is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as partially conforming.
Nonachievement The HIA may not state that internal audit activities were performed in conformance with the Standards.	The internal audit function fully achieves some Principles; however, it is not fully achieving more than one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as not achieving.	The internal audit function is not fully conforming with more than one Standard, and the impact is significant enough to rate the function as not achieving the Principle's intent.	The internal audit function is not fully conforming with more than one requirement, and the impact is significant enough to rate conformance with the standard as not achieving the Standard's intent.

Appendix 2 to
Item No: C3

Title	Actions	Estimated Date	Status
Improve Audit Charter	EQA2, EQA3, EQA4, EQA21	30/09/2026	3 Complete 1 in Progress
Reporting Improvements	EQA1, EQA31, EQA32, EQA35, EQA36, EQA37	30/06/2027	1 Complete 5 in Progress
Stakeholder Engagement	EQA9, EQA10, EQA16, EQA19, EQA33, EQA34	30/09/2026	2 Complete 4 in Progress
Auditor Objectives, Competencies & Training	EQA7, EQA12, EQA17, EQA23, EQA25, EQA26	30/09/2026	6 in Progress
Audit Methodology	EQA5, EQA8, EQA11, EQA20,	30/09/2026	2 Complete 2 in Progress
System & IT	EQA6, EQA22, EQA27, EQA28	30/09/2026	2 Complete 2 in Progress
Risk Assessments / Assurance Mapping	EQA13, EQA14, EQA15	30/09/2026	3 in Progress
Strategy	EQA24, EQA30	30/09/2026	2 in Progress
Quality Assurance	EQA18, EQA29	30/09/2026	2 in Progress