Statement of accounts 2020 – 2021

London Fire Commissioner

LFB
LONDON FIRE BRIGADE

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1. THE LONDON FIRE BRIGADE

The London Fire Brigade (LFB) is the busiest fire and rescue service in the country. It is also one of the largest firefighting and rescue organisations in the world, protecting people and property from fire within the 1,587 square kilometres of Greater London.

The LFB is run by the London Fire Commissioner (LFC), a corporation sole and the fire and rescue authority for London.

Our vision is to be a dynamic, forward-looking organisation of fully engaged people at the centre of the communities we serve, adapting to the changing needs of London.

HOW THAT WORKS IN PRACTICE

The LFB's main role as a fire and rescue service is to make London the safest global city. This means working to make sure London has the lowest number of fires, and fewer injuries and deaths caused by fire. The LFB can do this by influencing safety in the 'built environment' – buildings, roads, transport systems and so on – and through education and regulation.

The LFB is a trusted partner, helping to create a safer, healthier London by working with local communities to promote healthier lifestyles. The LFB raises awareness of safety and wellbeing considerations in a whole range of activities, from fire safety and road safety, through to caring for the most vulnerable residents and educating and informing tomorrow's young Londoners.

The LFB will maximise what it can do by working with individuals and businesses to help them identify what they can do for themselves to ensure their own safety and the safety of others. The LFB will continue to provide services to meet the needs of all communities.

In addition to the aims of reducing the risk of fire, LFB will also deliver a wide range of services, information and advice together with emergency partners to contribute to:

- The lowest numbers of deaths and injuries from road traffic collisions
- The highest survival rates in cardiac arrests in the world
- The lowest levels of crime and disorder

2. THE MAYOR OF LONDON

The London Fire Commissioner is a corporation sole and the fire and rescue authority for London. It is a functional body of the Greater London Authority. The Mayor of London sets its budget, approves the London Safety Plan, and can direct it to act. There is a Deputy Mayor for Fire and Resilience.

3. THE LONDON FIRE COMMISSIONER

HOW THE LONDON FIRE BRIGADE IS GOVERNED

The London Fire Commissioner is responsible for providing London's fire and rescue service, ensuring that it is effective and efficient.

All formal decisions about London Fire Brigade are approved by London Fire Commissioner, though some decisions may need to be consulted on with the Deputy Mayor for Fire and Resilience or the Mayor of London.

HOW DECISIONS ARE MADE

The process for decisions is:

i. Reports for decision are taken to a Commissioner's Board

ii. The Commissioner's Board will discuss and agree final recommendations

iii. The London Fire Commissioner will then take final decisions based on recommendations from the Commissioner's Board

iv. Once the formal decision is made by the London Fire Commissioner, the decision and the reports supporting it will be published on our decisions page

EXCEPTIONS TO THE PROCESS

The Mayor can direct that reports/decisions should go to him or the Deputy Mayor for Fire and Resilience. If that is the case, final recommendations will still come back to the London Fire Commissioner for formal decision and publication.

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

The Fire, Resilience and Emergency Planning (FREP) Committee scrutinises how the London Fire Commissioner is exercising its functions.

FREP is a committee of the London Assembly. Six London Assembly Members, agreed by the London Assembly, make up the committee.

London Fire Brigade staff will prepare performance reports, monitoring data and help develop thematic reviews to facilitate the scrutiny work of FREP.

OUR FOUR PILLARS

The best people and the best place to work

LFB people are the London Fire Brigade. We need to have the best possible people working in the best possible organisation if we are going to deliver real transformation.

To achieve that, we need to drive change around: how we lead our people; the culture and behaviours we value at LFB; how we create a diverse and inclusive workforce; and how we manage training, talent and performance with the organisation.

Seizing the future

Real change will only come if we are prepared to continually evolve as an organisation. To achieve this, we will need to: become a true learning organisation; be prepared to challenge the status quo; and learn how to drive continuous improvement and innovation in what we do and how we do it.

Delivering excellence

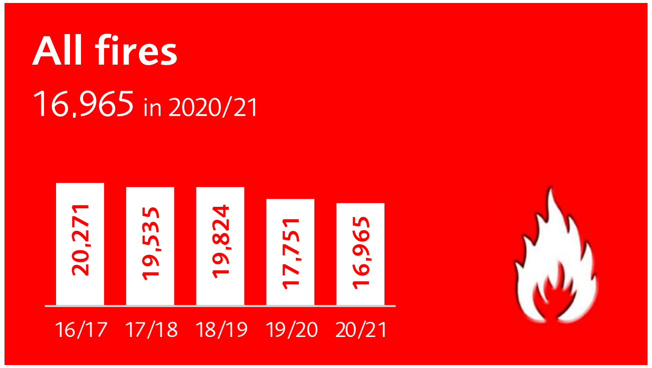
Operational delivery is at the heart of LFB, but to achieve a transformation, we need to be: constantly improving the effectiveness of our service; understanding and communicating risk information to better deliver our services; and improving execution in every part of the organisation

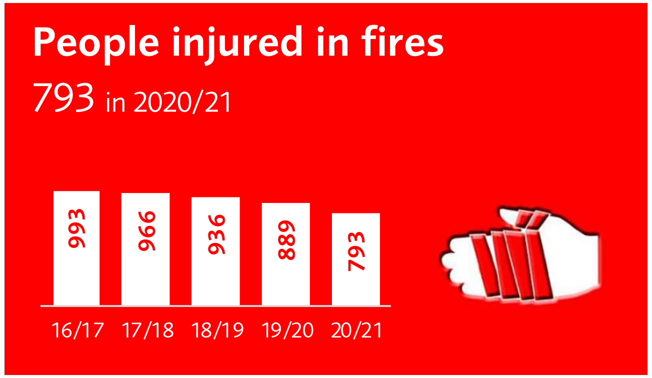
Outward facing

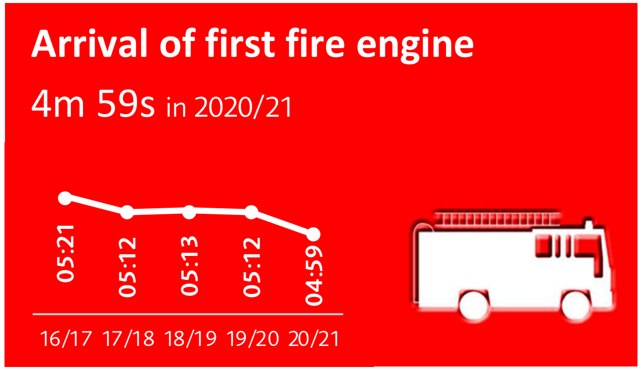
High performing organisations always look outward rather than just inward. They connect effectively with all stakeholders. To achieve transformation in this sense, LFB needs to: become much more central to the communities we serve; increase the levels of trust and confidence we can build with all of our stakeholder groups; and take a lead in generating excellence in the national fire service.

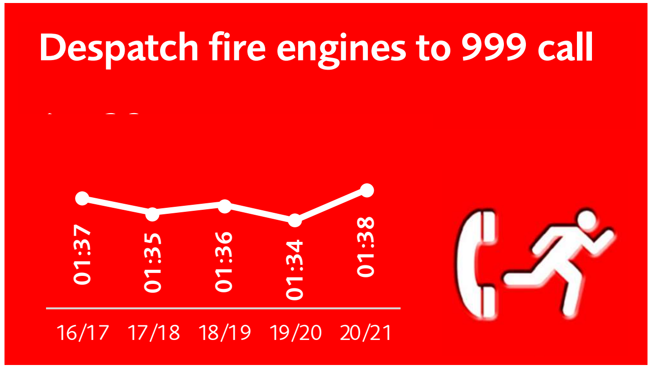
THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2020/21

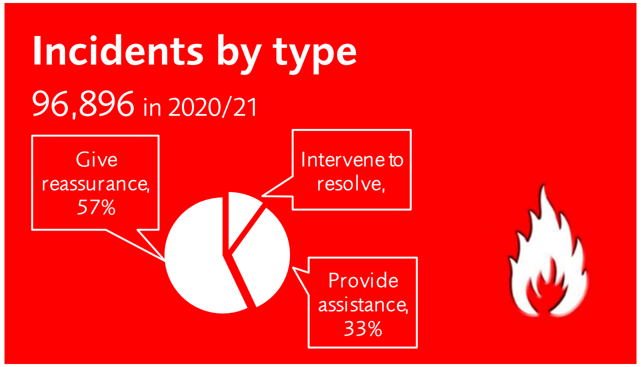
Performance as at year ending 31st March 2021 shows that most performance indicators are meeting their target. Highlights include:











Fire safety audits

9,173 in 2020/21

London Fire Brigade

Largest UK fire & rescue service

102 fire stations, 1 river station

142 fire engines

LFB
LONDON FIRE BRIGADE

Arrival of second fire engine

6m 11s in 2020/21

All incidents attended

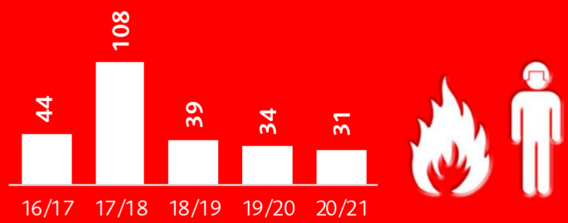
96,896 in 2020/21

Home fire safety visits

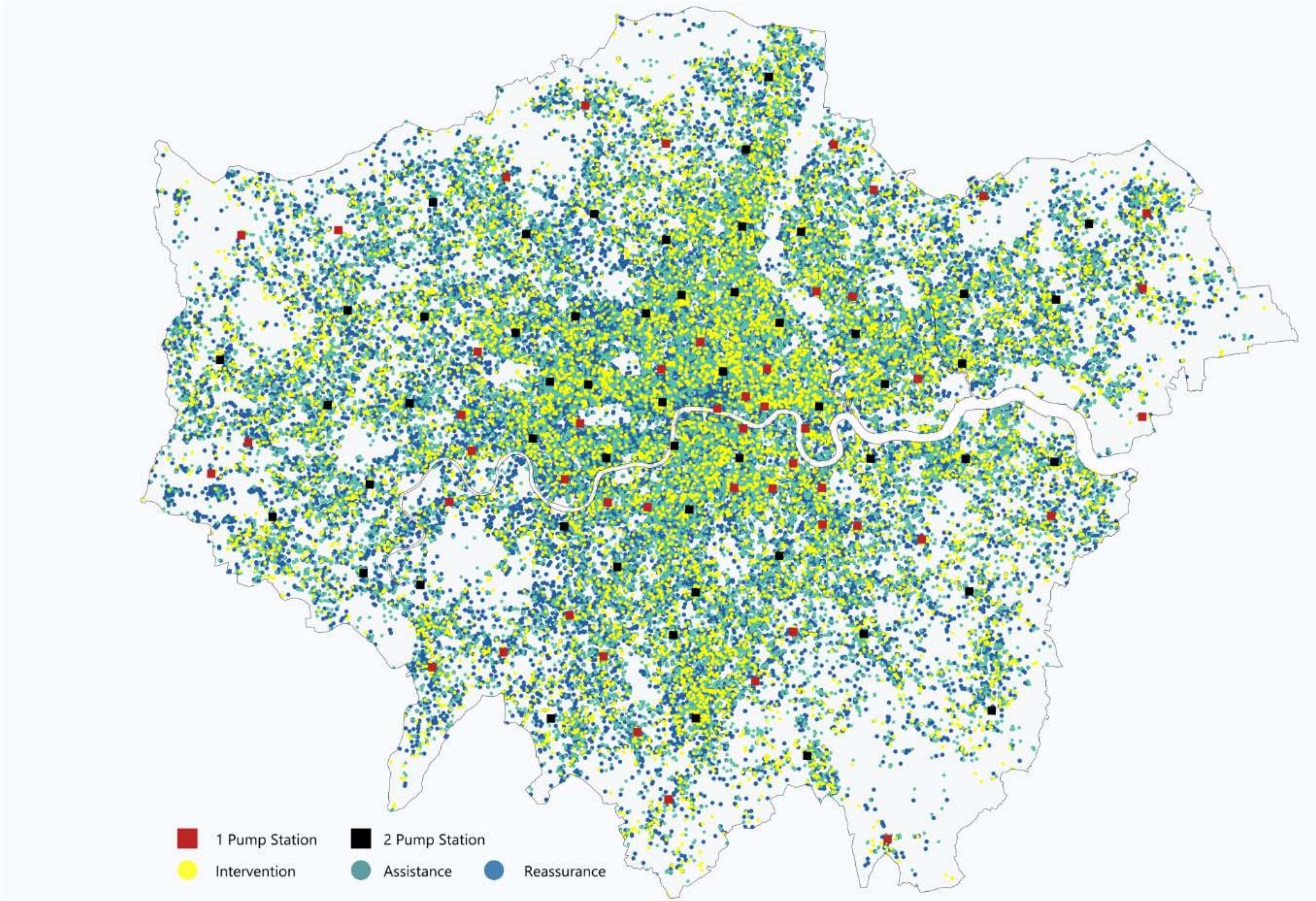
17,349 in 2020/21

People who died in fires

31 in 2020/21



MAP OF FIRE BRIGADE LOCATIONS AND ATTENDANCES



THE BRIGADE'S PERFORMANCE

The Brigade's two main strategic plans are the Transformation Delivery Plan (TDP) and the London Safety Plan (LSP) 2017 which is our Integrated Risk Management Plan (IRMP).

The TDP sets out our priorities for transformation incorporating our response to the Grenfell Tower Phase One Inquiry Report and Her Majesty's Inspectorate for Constabulary and Fire and Rescue Service's (HMICFRS) assessment of LFB. Work is progressing across the entirety of the Transformation Delivery Plan. Of the original 65 actions in the plan, 41 have now been completed, with 10 having completed during quarter four

The report then provides an overview of Brigade activities against the LSP, across prevention and protection, response and resilience, people and resources (Aims 1, 2 and 3), as well as updates on related key performance areas including, indicators, plans, risks and projects. This report also contains a high level financial summary and information on topical issues such as publicity and campaigns and the Grenfell Tower fire.

In terms of performance against the London Safety Plan and the three Corporate Aims, the summary position is on track. The Brigade is meeting most of its targets in terms of delivering against Aim 1 – Prevention and Protection, with 9 out of 12 indicators reporting as green, including fire fatalities, and against Aim 2 – Response and Resilience, with all six indicators reporting as green. Although Aim 3 – People and Resources continues to be affected by long term sickness levels, however diversity targets now being met. The Brigade's strategic risk register currently has six risks which are rated as red. Five key projects are progressing to schedule, however four are amber and one is red.

Performance as at the year ending quarter four 2020/21 shows that a majority of the indicators were meeting their target (21 out of 33).

CORONAVIRUS IMPACT ON DELIVERY

The Coronavirus pandemic has had an uneven impact on our frontline service delivery which is reflected in some of our performance indicators. Appliance attendance times would appear to have improved in part due to the fall in road traffic, data from TfL shows that at the lowest levels, in the week following the lockdown announcement, TLRN (Transport for London Route Network) road traffic vehicle kilometres fell to around 50 per cent of pre-pandemic levels on weekdays and 35 per cent on weekends. Throughout the last year we have complied with social distancing rules and guidance on the need to contribute to reducing transmission rates within London's communities and to mitigate the impact on our local and wider NHS. However, this has negatively impacted our community safety work, resulting in all of our community safety indicators now reporting as red.

BRIGADE'S RESPOSE TO COVID-19

The Brigade rolled out a communications strategy to reassure all Londoners and stakeholders that the fire and rescue service would continue to provide a full emergency response during the pandemic continued. Media activity was carried out showing the Brigade to be ready, willing and able to support the national fight in combating Covid-19, explain role of London Fire Brigade in the joint emergency service response to the pandemic through various partnerships, including firefighters driving ambulances.

To help deliver this awareness we promoted a video diary made by one of the ambulance-driving firefighters – which got good engagement online and was also broadcast on BBC London television news.

We noted the outcome of the HMICFRS inspection looking at the response to the COVID-19 pandemic which found that LFB was quick to review plans, staff wellbeing was a priority and the Brigade was swift to work with others, while continuing to satisfy its core statutory function. Communications activity also celebrated the commendations for staff who took part in Operation Braidwood which saw the Brigade deliver 20 million pieces of PPE, firefighters drove ambulances to more than 110,000 incidents and staff also delivered food and medicine to vulnerable people.

CALLING FOR CHANGE IN THE BUILT ENVIRONMENT

The Brigade continued to push for change in the built environment by through continued conversations with Government on the Fire Safety Bill and the Building Safety Bill. Officers have continued to provide briefing and updates on inspection activity and the built environment in London to support parliamentarians taking part in debates and discussion on these high-profile issues.

CULTURE AND TRANSFORMATION

The Brigade responded to the HMICRFS report against the post-Grenfell Tower Inquiry recommendations in February. The Brigade announced an independent review of its culture, following an internal investigation into the death of firefighter Jaden Francois-Esprit. The announcement was coordinated across internal and external audiences and received significant media interest. Over the coming months, the Brigade will communicate regular updates on the review's progress as it gets underway.

Community engagement pilots were launched in eight London Boroughs and stakeholder engagement, publicity and social media activity supported participation from local communities and stakeholders.

The joint project between Community Safety and Communications to develop a 'Virtual Home Fire Safety Visit (VHFSV)', has continued to progress. After testing and development of the VHFSV, some technical changes were made and the VHFSV is due to launch in May.

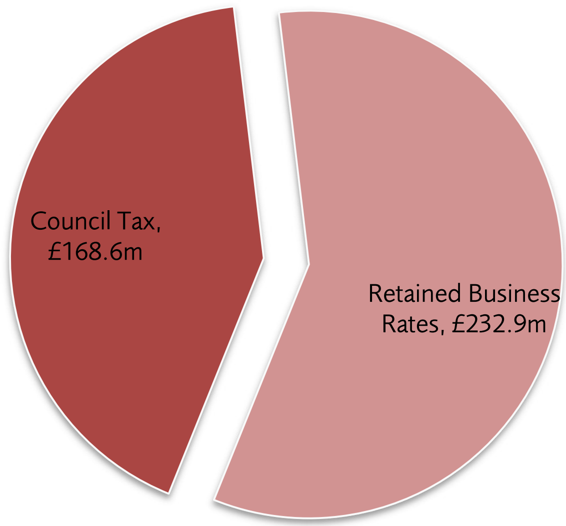
FINANCIAL PERFORMANCE

CORE FUNDING

As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax and retained business rates which provided funding of £401.5m in 2020/21.

For a Band D council tax payer the LFB's element of the their council tax bill was £55.28 in 2020/21, or £1.06 a week.

FUNDING FROM THE GLA

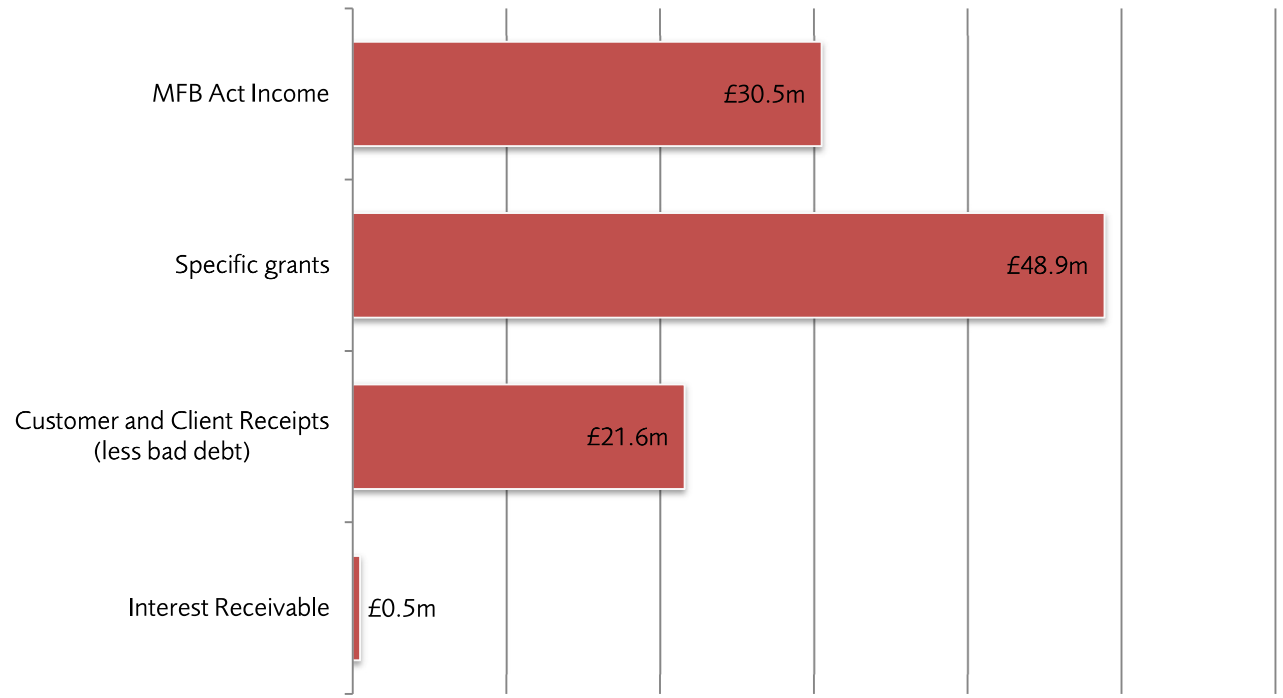


Director of Corporate Services' Narrative Report (continued)

INCOME

The LFC also receives additional income through a range of items, including income under the Metropolitan Fire Brigade (MFB) Act and grants from central government. This additional income totals £101.4m.

OTHER INCOME SOURCES



REVENUE EXPENDITURE

This combination of core funding from the GLA and other income provided total funds of £501.4m in 2020/21. After including a net payment into reserves of £1.4m this provided for expenditure of £500.0m.

Total expenditure in 2020/21 was £487.2m, £12.8m less than budgeted and the breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£281.7m) and Other Staff (60.9m).

Expenditure increased from 2019/20 levels as a reslt of inflation, recruitment and expenditure against the covid pandemic. This was offset by an increase in grant income and other income, which included cost recovery for the LFC's support as part of the ambulance driver assist response.

	2019/20				2020/21	
Budget £'000	Outturn £'000	Variance £'000	LFC Revenue	Budget £'000	Draft Outturn £'000	Variance £'000
270,131	269,955	(176)	Operational staff	278,364	281,657	3,293
59,911	57,594	(2,317)	Other staff	64,099	60,862	(3,237)
24,028	25,209	1,181	Employee related	24,526	24,016	(510)
20,769	20,878	109	Pensions	21,321	21,162	(159)
39,641	39,885	244	Premises	39,550	39,710	160
16,947	16,645	(302)	Transport	16,972	16,724	(248)
29,538	29,248	(290)	Supplies and services	28,661	32,598	3,937
2,055	1,871	(184)	Third party payments	1,800	1,957	157
9,775	8,959	(816)	Capital financing costs	8,050	8,553	503
123	0	(123)	Central contingency against inflation	178	0	(178)
472,920	470,245	(2,674)	**Total revenue expenditure**	**483,521**	**487,239**	**3,718**
(40,575)	(43,636)	(3,061)	Other income	(42,116)	(52,476)	(10,359)
432,345	426,609	(5,735)	**Net revenue expenditure**	**441,405**	**434,764**	**(6,641)**
(2,476)	(2,476)	0	Use of reserves	1,425	1,425	0.0
429,869	424,133	(5,735)	**Financing Requirement**	**442,829**	**436,188**	**(6,641)**
			Financed by:			
(37,564)	(36,964)	600	Specific grants	(41,329)	(47,507)	(6,178)
(392,305)	(392,305)	-	GLA funding	(401,500)	(401,500)	0
-	(5,135)	(5,135)	**Net Financial Position**	**0**	**(12,819)**	**(12,819)**

Director of Corporate Services' Narrative Report (continued)

CAPITAL EXPENDITURE

Total capital expenditure in the year was £19.2m, of which £1.9m was funded from capital receipts and £1.9m from a capital contribution.

Outturn 2019/20 £'000	LFC Capital	Draft Outturn 2020/21 £'000
623	ICT Projects	996
8,625	Property Projects	5,931
21,558	Fleet and Equipment Projects	11,915
91	Operational Policy	-
-	Communications	176
164	Disposal Costs	138
31,061	**Total capital expenditure**	**19,156**
	Financed by:	
30,428	Capital Receipts	1,911
633	Grants /Contributions	1,865
-	Revenue Contribution to Capital	-
	Use of existing reserves / Borrowing	15,380
31,061	**Total**	**19,156**

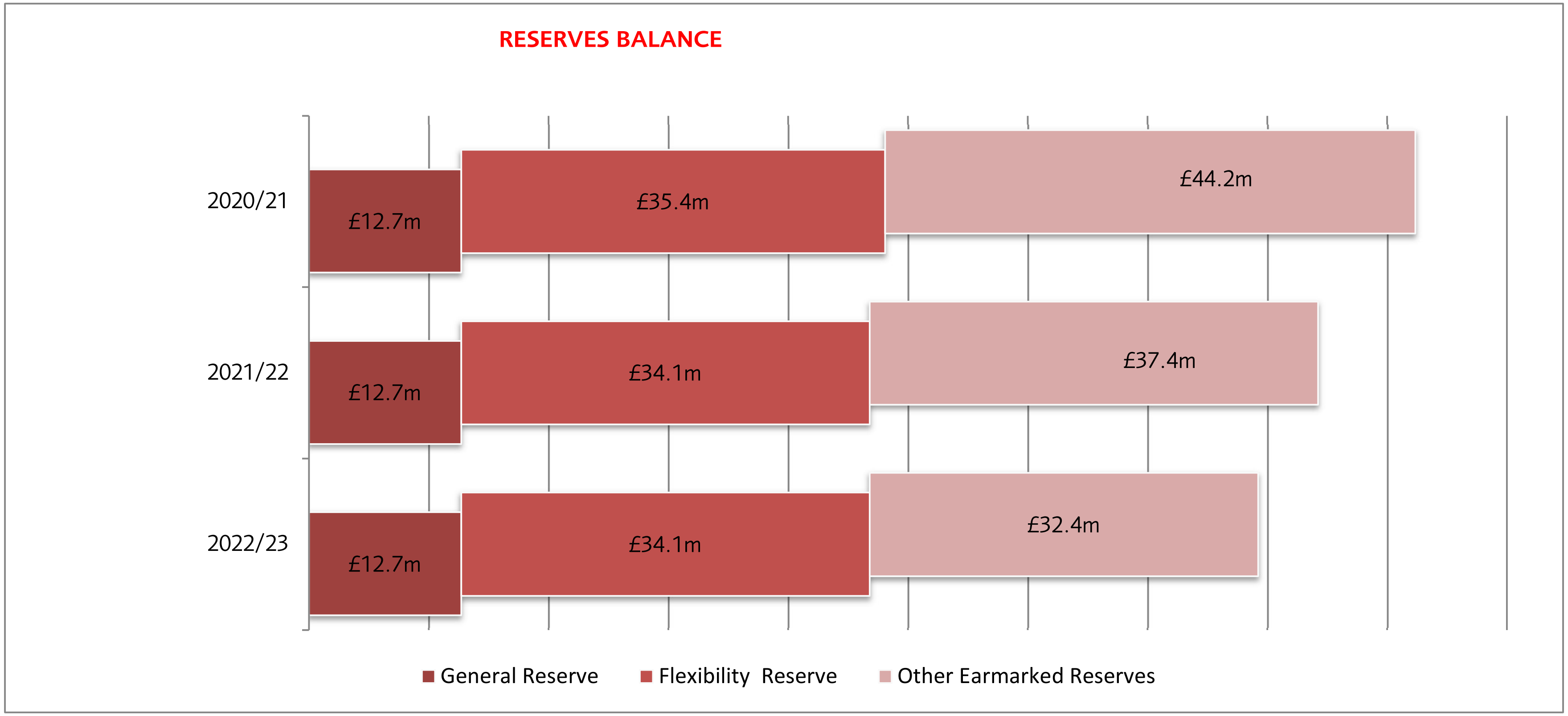
The majority of the capital expenditure (62%) was on the fleet and equipment replacement, which included the roll out of 52 new fire appliances in the year.

Anticipated capital receipts have been delayed until 2021/22 which has meant interim arrangement has to be put in place until this has been realised.

RESERVES

The LFC had total reserves of £92.3m as at 31 March 2021, comprising £12.7m in general reserves and £79.6m in earmarked reserves. The chart shows how earmarked reserves are expected to be consumed over the next two years.

The general reserve is maintained at a minimum of 3.5% of net revenue expenditure of £15.8m, the general reserve will be supplemented by a transfer from the budget flexibility reserve to maintain this. Earmarked reserves also include £35.4m in the budget flexibility reserve as at 31 March 2021, to support the budget in future years. The general reserve would then be expected to remain at £15.8m in each of the following financial years from 2021/22 to 2022/23. These figures are as per the approved published Budget Report for 2021/22.



PLANNED EXPENDITURE FOR FUTURE YEARS

The LFC has set out revenue and capital plans for its expenditure over the next two financial years, as shown in the table.

Revenue Expenditure	2021/22 (£k)	2022/23 (£k)
Operational Staff	275,344	270,448
Other Staff	63,188	64,336
Staff Related	24,508	24,906
Firefighter Pension Scheme	21,644	21,772
Premises	44,807	43,727
Transport	17,640	18,016
Supplies and Services	31,557	31,701
Third Party	1,401	1,327
Financing	8,453	12,083
Contingency	2,227	2,320
Savings to be identified	0	3,413
Income	-41,210	-44,214
Net Revenue Expenditure Total	**449,560**	**449,836**
Reserves		
Use of Earmarked Reserves	-5,349	-4,413
Use of Flexibility Reserve	-800	0
Use of Transformation Reserve	-4,084	-96
Reserves Total	**-10,234**	**-4,509**
Specific Grants	-33,927	-33,927
Budget	**405,400**	**411,400**

Capital Expenditure	2021/22 (£k)	2022/23 (£k)
ICT	4,369	5,703
Property	23,701	25,642
Communications	40	1,120
Fleet and Equipment	22,327	3,614
Operational Policy	8,200	0
Total	**58,637**	**36,079**

The plans show a balanced revenue budget in 2021/22and a budget surplus of £3.4m in 2022/23. These figures are as per the approved published Budget Report for 2021/22 (LFC-0505x).

FINANCIAL CHALLENGE

On the 21 October 2020 the Chancellor of the Exchequer announced that he will conduct a one-year Spending Review in order to prioritise the response to Covid-19. The review was originally meant to set out the budgets for the years 2021/22 to 2023/24, however the government had announced that it would keep plans for the Spending Review under review given the unprecedented uncertainty of Covid-19.

As a result of the announcement of a spending review covering only one year, there is considerable uncertainty in the medium term regarding funding levels.

The budget estimates for 2021/22 and 2022/23 include the impact of an operational recruitment freeze in those years saving £5.9m in the first year increasing to £14.7m in the second. This position will be reviewed as part of budget setting for future years, which will be done alongside the development of a new Community Risk Management Plan and Targeted Operating Model for the Brigade.

RISK MANAGEMENT

As part of the Brigade's transformation, a new approach to risk identification and management has been formulated which requires a refresh of the Risk Management Strategy. The new approach is designed to broaden the breadth of risk identification across the organisation, primarily to help inform decisions about strategic priorities, and to provide the building blocks for the development of the assurance framework and assessment about the effectiveness of the Brigade's key control activities.

The Brigade will move to a 5x5 matrix (from a 4x4 matrix) to standardise its approach to risk scoring in line with good practice. The matrix will allow for greater granularity in risk assessment and enable the Brigade to compare its risks to other organisations (most of whom use a 5x5 matrix) to spot common threats as well as clarity on unique risks to the Brigade.

This strategy will re-introduce risk registers across the organisation at the departmental, directorate and corporate level. Risk identification and creation will occur largely at the departmental level. However, the rating of the risk will inform where the risk is managed in the organisation as follows:

Principal risk themes	Assessments of assurance against key risk themes
Corporate risks (Risk score of 20 and above)	Owned by Commissioner's Board Scrutinised by Deputy Mayor
Directorate risks (Risk score of 10 to 16)	Owned by Director Scrutinised by LFC
Departmental risks (high) (Risk score of 4 to 9)	Owned by Heads of Service Scrutinised by Director
Departmental risks (low) (Risk score of 1 to 3)	Owned by Heads of Service Scrutinised by Director

CORPORATE RISKS

Code	Risk Description	Score
CS1	Cuts in Government funding in part as a result of inability to demonstrate effective utilisation of staff and additional externally driven costs (e.g. COVID, Brexit, legal challenges) result in a financial shortfall reducing the overall size and capacity of the Brigade to effectively deliver BAU and LFB's 'change/transformation' agenda	**20**
TF1	Completion of the TDP and development of the core transformation capabilities (portfolio blueprint, risk and assurance, continuous improvement, CRMP) fail to deliver the change that the Brigade needs to make to thrive as a modern fire and rescue service leading to LFB not fulfilling our mission	**20**
OD1	The increasing complexity of the built environment and lack of capacity to influence Building Regulations Consultations reduces the fire safety of buildings (i.e., compartmentation, cladding) and exposes the safety of our staff, our partners and the public	**20**
OD2	Failure to adequately address concerns about the Brigade's incident command framework (including training) leads to LFB being placed in special measures	**20**
P1	Lack of support afforded to trainees during their apprenticeships leaves trainees isolated from the Brigade and at risk from harm	**20**
P2	Lack of training assurance means we do not know / have evidence to support whether or not our people are competent or safe to effectively undertake their day to day activities	**20**

UPCOMING CHALLENGES

TARGET OPERATING MODEL

The development of the TOM is integral to the development of the CRMP. The CRMP will set out our long term strategic intent for the Brigade and our goals for the next three years. The foundation of that long term intent is the purpose and vision set out in the Transformation Delivery Plan and the cultural shift described in the Togetherness Strategy. The TOM is what will underpin the strategic intent, it will express how we make the CRMP a reality.

There was widespread input to the TOM, which included immersion sessions at stations, at Control and with Fire Safety, seven design workshops with senior managers, interviews with the Commissioner, Directors and the service-focused Assistant Commissioners and some staff engagement with borough and station commanders. Accenture designed a YouGov survey, which received over 800 responses and also ran three community-based workshops. They used the feedback and responses from citizens and the aspirations of our strategic leaders to shape the TOM so that it is truly service-led and citizen-focused.

The work has concluded and officers considered the executive summary report at the last Portfolio and Commissioner's Boards. There is consensus around the strategic pillars and the strategic shifts that are needed to achieve our longer term vision.

The next stage is to create our blueprint for change. This will establish our appetite for change and provide us with choices about where to focus our effort and expenditure over the life of the CRMP.

The high-level TOM provides a platform for this, as it identifies key areas for change, along with the enablers that would support delivery. To inform the blueprint, we are beginning to work with HoS to determine our priority areas and identify the supporting enablers. We are also assessing the capacity and capability requirements for the blueprint stage.

ACCOUNTING STATEMENTS

The LFC's accounting statements that follow have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The Code is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The accounting statements following comprise:

- **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

This sets out the respective responsibilities of the LFC and the Director of Corporate Services for the accounts.

The Core Accounting statements:

- **THE MOVEMENT IN RESERVES STATEMENT**

This shows the movement in year on the different reserves held by the LFC, analysed into `usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/ (Deficit) on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

- **THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **THE BALANCE SHEET**

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the LFC. The net assets (assets less liabilities) are matched by the reserves held by the LFC. Reserves are reported in two categories.

The first category is usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is for those that can not be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line `Adjustments between accounting basis and funding basis under regulations'.

- **THE CASH FLOW STATEMENT**

This shows the changes in cash and cash equivalents of the LFC during the year. The statement shows how the LFC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to 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 LFC.

The Statement of Accounts also includes the following Accounting Statements;

- **THE FIREFIGHTERS' PENSION SCHEMES FUND ACCOUNT**

This shows transactions on the Fund account determined by regulation for the Firefighters' Pension Scheme for England. The Fund is unfunded but the LFC pays an employer's pension contribution based on a percentage of pay into the Pension Fund. The LFC is required by legislation to operate1a Pension Fund and the amounts that must be paid in and out of the Fund are specified by regulation. The transaction with the Fund are balanced to nil at year end by either payment of the excess to, or receiving a top up grant to meet a deficit from, the Home Office (HO).

- **THE EXPENDITURE AND FUNDING ANALYSIS**

This shows how annual expenditure is used and funded from resources by the LFC in comparison with those resources in accordance with generally accepted accounting practices.

- **THE ANNUAL GOVERNANCE STATEMENT (AGS)**

This is also published in conjunction with the Statement of Accounts. In England, the preparation and publication of the Statement is in accordance with the CIPFA/SOLACE publication `Delivering good governance in Local Government framework' and is necessary to meet the statutory requirement set out in Regulation 6 of The Accounts and Audit Regulations 2015 and does not form part of the annual financial statements.

CAPITAL EXPENDITURE

The Local Government Act 2003 provides a prudential framework for capital finance. As part of these arrangements a Prudential Code for Capital Finance in Local Authorities, developed by CIPFA, provides a professional code of practice to support local authorities in taking decisions on capital management. The key objectives of the prudential code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

In 2020/21, total spending on the capital programme for tangible and intangible assets was £19.2m. Spend included the rebuilding and modernising of fire stations and other buildings (£5.9m), upgrading ICT equipment (£1.0m) and the purchase of fleet vehicles and equipment (£11.9m). Capital expenditure on assets (£19.2m) is to be financed in accordance with the Prudential Code, funded by a capital contribution of (£1.9m), capital receipts (£1.9m) and borrowing (£15.4m)

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2020/21 totalled £5m. As a result, as at

31 March 2021, the level of outstanding principal debt totalled £55.73m. The average interest payable on outstanding loans as at 31 March 2021 was 4.73% (4.71% at 1 April 2020).

The former fire station at St Columba was sold during the year, resulting in a capital receipt of £0.80m. There were no other property disposals during the year.

INCOME AND EXPENDITURE FOR THE YEAR

The income and expenditure relates to monies collected and spent on the day to day running of the LFC's services, such as employees, premises, supplies and services costs, and income from levies and services we supply. The balance of expenditure that exceeds our income is funded by grant from the Greater London Authority (£401.5m) made up of the following elements; Retained Business Rates (£232.9m) and Council Tax (£168.6m).

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 28), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2020/21, was £500m against a budgeted net expenditure sum of £487m. The outturn position after application of reserves and grants was £13m less than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance decreased by £3.113 m from £15.811m as at 1 April 2020 to £12.699 m as at 31 March 2021 and the LFC's earmarked reserves increased by £17.360m from £62.280m as at 1 April 2020 to £79.639m as at 31 March 2021.

The £12,9m underspend in year was a combination of under and overspends as set out in the table on page 13 which provides a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the LFC's funding requirements through GLA grant.

ASSET VALUATIONS

The valuation of specialist assets has been changed as at 31 March 2020 to use the Modern Equivalent Asset (MEA) depreciated replacement cost methodology in accordance with the CIPFA code.

Land valuations have also been reviewed as at 31 March 2020.

PENSION FUND

The LFC participates in four pension schemes that meet the needs of particular groups of employees. There are three firefighter pension schemes known as the 1992 Firefighters' Pension Scheme, the 2006 Firefighters' Pension scheme, and the 2015 Firefighters' Pension Scheme, for which only operational firefighters are eligible. The other scheme is the Local Government Pension Scheme, which all other employees may join. The schemes provide members with defined benefits related to pay and service.

The Net Pensions Obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2021, is £7.16bn (31 March 2020 £6.52bn). This is the sum of the LFC's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the LFC.

The movement in the pension liability between years, a increase of £640m relates mainly to the long term liability for the firefighter schemes, as assessed by the LFC's actuary. The decrease relates to a re-measurement of the schemes net defined liability taking into account the changes in demographic and financial assumptions.

FURTHER INFORMATION

Further information concerning the accounts is available from:

Director of Corporate Services, London Fire Brigade Headquarters, 169 Union Street, London SE1 0LL.

Sue Budden CPFA
Director of Corporate Services and Chief Financial Officer
2 July 2021

Statement of Responsibilities for the Statement of Accounts

THE LONDON FIRE COMMISSIONER RESPONSIBILITIES

The London Fire Commissioner (LFC) is required:

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

DIRECTOR OF CORPORATE SERVICES RESPONSIBILITIES

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

- In preparing this Statement of Accounts, the Director of Corporate Services has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

THE DIRECTOR OF CORPORATE SERVICES HAS ALSO:

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

CERTIFICATION OF THE DIRECTOR OF CORPORATE SERVICES

I hereby certify that the Statement of Accounts on pages 33 to 134 gives a 'true and fair view' of the financial position of the LFC at the reporting date and of its expenditure and income for the year ended 31 March 2021.

Sue Budden CPFA
Director of Corporate Services

Dated 2 July 2021

Audit Opinion and Certificate

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Statement of Accounting Policies

ACCOUNTING POLICIES

Individual specific accounting policies are included within the relevant financial note to the accounts.

GENERAL PRINCIPLES

The Statement of Accounts summarises the LFC's transactions for the financial year and its position at the year-end of 31 March 2021. The Financial Statements provide information about the LFC's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the LFC's management and for making economic decisions. The LFC has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

The accounting convention adopted in the accounting statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS OF INCOME AND EXPENDITURE

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 LFC 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 LFC.

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

- 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.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- 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 income 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.

- Accruals are recognised where the value exceeds £5,000 per transaction.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- Amortisation of intangible assets attributable to the service

The LFC is not required to raise funding for depreciation, revaluation and impairment losses or amortisations. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the LFC in accordance with statutory guidance).

Depreciation, revaluation, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

PRIOR PERIOD ADJUSTMENT

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected retrospectively in the Statement of Accounts when required by proper accounting practice, by restating both the opening balances and the comparable figures for the prior year, together with a disclosure note detailing the reasons for such restatement. Material errors in prior period figues are also corrected retrospectively in the same way.

FAIR VALUE MEASUREMENTS

Fair values of financial instruments measured at amortised cost are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;

- In the absence of a principal market, in the most advantageous market for the asset or liability

The LFC must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The LFC uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the LFC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

FOREIGN CURRENCY TRANSLATION

When the LFC has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

VALUE ADDED TAX

Income and expenditure excludes any amounts related to Value Added Tax, as all VAT collected on income is payable to HM Revenue and Customs (HMRC) and all but very few items of VAT paid on expenditure is recoverable from it. Where VAT is not recoverable from HMRC it is charged to the appropriate area of expense.

Accounting Standards Issued but Not Yet Adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022 following the global pandemic surrounding COVID-19.

CORE ACCOUNTING STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	Note
433,290	(75,599)	357,691	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	429,286	(73,540)	355,746	
		357,691	Cost of services			**355,746**	
1,712	(1,062)	**650**	Other operating expenditure	2,200		**2,200**	3
9,131			Interest payable and similar charges	9,070			10
	(1,239)		Interest and investment income		(534)		10
162,070			Firefighter pensions net Interest on the net defined benefit liability	141,519			28
5,847			Support staff pension net interest on the net defined benefit liability	4,679			28
		175,809	Financing and Investment Income and Expenditure	**155,267**	**(534)**	**154,734**	
	(392,305)		GLA Grant		(401,500)		22
	(3,732)		PFI Grant		(3,732)		22
	(1)		Capital Grant		(1,240)		22
		(396,038)	Taxation and Non-Specific Grant Income		**(406,472)**	**(406,472)**	
		138,112	(Surplus) or Deficit on Provision of Services			**106,208**	18
		(8,712)	(Surplus)/ Deficit on revaluation of non-current assets			(6,777)	4
		(535)	Impairment losses on non-current assets charged to revaluation reserve				4
		(459,830)	Re-measurement of the net defined benefit liability			533,207	4
		(469,077)	Other Comprehensive Income and Expenditure			**526,430**	
		(330,965)	**Total Comprehensive Income and Expenditure**			**632,638**	

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the LFC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the LFC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Grant funding purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfer to or from earmarked reserves undertaken by the LFC.

Movement in Reserves Statement	**General Fund**	**Earmarked Reserves**	**Revenue Grants Applied**	**Capital Grants Applied**	**Capital Receipts Reserves**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**	**Notes**
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Balance as at 01/04/20	**(15,811)**	**(62,280)**		**(830)**	**(679)**	**(79,600)**	**6,173,823**	**6,094,223**	
(Surplus) or deficit on provision of services (accounting basis)	106,208					106,208		106,208	
Other Comprehensive Income & Expenditure							526,430	526,430	4
Total Comprehensive Income and Expenditure	**106,208**					**106,208**	**526,430**	**632,638**	
Adjustments between accounting basis & funding basis under regulations	**(120,464)**			**625**	**679**	**(119,161)**	**119,161**		*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**(14,256)**			**625**	**679**	**(12,952)**	**645,591**	**632,638**	
Transfers (to)/from Earmarked Reserves	17,360	(17,360)	-						7
Increase/(Decrease) in Year	**3,104**	**(17,360)**		**625**	**679**	**(12,952)**	**645,591**	**632,638**	
Balance as at 31/03/21	**(12,708)**	**(79,639)**		**(205)**		**(92,552)**	**6,819,413**	**6,726,861**	

Movement in Reserves Statement (continued)

The following table provides comparative figures for 2019/20:

Movement in Reserves Statement	General Fund £'000	Earmarked Reserves £'000	Revenue Grants Applied £'000	Capital Grants Applied £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
Balance as at 01/04/19	**(23,202)**	**(52,231)**		**(1,461)**	**(30,046)**	**(106,940)**	**6,532,129**	**6,425,188**	
(Surplus) or deficit on provision of services (accounting basis)	138,112					138,112		138,112	
Other Comprehensive Income & Expenditure							(469,077)	(469,077)	4
Total Comprehensive Income and Expenditure	**138,112**					**138,112**	**(469,077)**	**(330,965)**	
Adjustments between accounting basis & funding basis under regulations	**(140,769)**			**631**	**29,367**	**(110,771)**	**110,771**		*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,657)**			**631**	**29,367**	**27,341**	**(358,306)**	**(330,965)**	
Transfers (to)/from Earmarked Reserves	10,049	(10,049)	-						7
Increase/(Decrease) in Year	**7,392**	**(10,049)**		**631**	**29,367**	**27,341**	**(358,306)**	**(330,965)**	
Balance as at 31/03/20	**(15,811)**	**(62,280)**		**(830)**	**(679)**	**(79,600)**	**6,173,823**	**6,094,223**	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the LFC. The net assets of the LFC (assets less liabilities) are matched by the reserves held by the LFC. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the LFC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the LFC is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line `Adjustments between accounting basis and funding basis under regulations'.

I certify that the Balance Sheet gives a true and fair view of the financial position of the authourity at 31 March 2021.

Sue Budden CPFA
Director of Corporate Services

Dated 2 July 2021

31 March 2020			31 March 2021		Note
£'000	**£'000**	**Balance Sheet**	**£'000**	**£'000**	
		Property, Plant & Equipment			
137,984		Land	146,349		
269,496		Buildings	265,710		
47,135		Vehicles, Plant and Equipment	55,637		
21,015		Non Operational Assets – Surplus	22,475		
16,436		Non Operational Assets – Other	11,608		
1,432		Heritage Assets	1,432		
	493,498			**503,211**	9
2,876	**2,876**	Intangible Assets	1,013	**1,013**	9
77	**77**	Long Term Debtors	53	**53**	
	496,451	**Long Term Assets**		**504,277**	
0		Assets Held For Sale	450		9
692		Inventories	654		
34,835		Short Term Debtors	52,588		12
69,733		Cash and Cash Equivalents	44,333		13
	105,260	**Current Assets**		**98,024**	
(5,062)		Short Term Borrowing	(3,043)		10
(47,285)		Short Term Creditors	(47,619)		14
(1,642)		Provisions	(2,094)		15
(1,337)		Short Term Liabilities	(1,375)		26
	(55,326)	**Current Liabilities**		**(54,132)**	
(3,609)		Provisions	(3,088)		15
(56,212)		Long Term Borrowing	(53,169)		11
(6,580,787)		Other Long Term Liabilities	(7,218,773)		25
	(6,640,608)	**Long Term Liabilities**		**(7,275,030)**	
	(6,094,223)	**Net Assets**		**(6,726,861)**	
	(79,600)	Usable Reserves		**-92,552**	16
	6,173,823	Unusable Reserves		**6819413**	17
	6,094,223	**Total Reserves**		**6,726,861**	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the LFC during the reporting period. The statement shows how the LFC 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 LFC are funded by way of grant income or from recipients of services provided by the LFC.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the LFC'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 LFC.

2019/20 £'000	Cash Flow Statement	2020/21 £'000	Notes
138,112	**Net (Surplus) or Deficit on the Provision of Services**	**106,208**	
(138,473)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(106,302)	32
1,988	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	2,472	
1,628	**Net cash flows from Operating Activities**	**2,378**	
29,073	Investing Activities	16,685	34
9,268	Financing Activities	6,337	34
39,968	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**25,400**	
109,701	Cash and cash equivalents at the beginning of the period	69,733	13
69,733	**Cash and Cash Equivalents at the End of Period**	**44,333**	

NOTES TO CORE ACCOUNTING STATEMENTS

Note 1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the LFC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

FORMER BRIGADE HQ 8 ALBERT EMBANKMENT

The LFC has entered into an agreement to develop the former Brigade HQ at Albert Embankment. The new development will include the re-provision of the existing fire station together with the LFB Museum. In January 2017, LFB entered into a lease with the developer for the rear block at the site, to enable the developer to operate from in order to secure a planning consent for the redevelopment of the whole site in accordance with the Development Agreement. In 2017/18, the site was split into two separate assets, the former HQ and fire station and the separate rear block at the site. The former HQ and fire station is an operational property given its continued use as an operational fire station and offices, whilst the rear block was reclassified as a surplus asset in the financial accounts. The planning consent for the redevelopment has been refused by the Secretary of State and LFC is considering the next step.

ASSETS HELD FOR SALE AT FAIR VALUE AND SURPLUS ASSETS

The sites closed following the implementation of the last London Safety Plan that have not been sold and are held as Assets Held for Sale have been valued at 31st March 2021 at the lower of its carrying value and fair value less costs to sell at initial reclassification. Surplus assets have been valued at fair value as per IFRS 13 methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the LFC by Dron & Wright. LFC is satisfied that the figures provided by Dron and Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2020/21.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current carrying value of non-current assets (excluding Assets held for sale) as at 31st March 2021 is £503.2m. A full valuation of all Fire Stations was carried out as at 31 March 2021. The following issues result in heightened estimation uncertainty: • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13. For more details of the assumptions applied and treatments used please refer to Note 9.In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment. This is based on uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the London Fire Brigade.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £6.9m and £13.7m respectively.
Pension Liability	Estimation of the net liability to pay pensions depend 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. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2021 is £7,155m.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 9.0% increase in the pension liability, in the region of £625m. However the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected as a result of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included under Note 28.

Note 2 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Impairment Allowance for Doubtful Debts	As at 31 March 2021, the LFC had an outstanding balance of short term debtors totalling £352.563m. Against this debtors balance, there is an impairment allowance of £0.45m. It is not certain that this impairment allowance would be sufficient as the LFC cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review will need to be susatained in order to reflect the uncertainity of collection rates as a result of COVID-19. If collection rates were to deteriorate then the LFC would need to review its policies on the calculation of its bad debt provision. A 10% increase in debtors would lead to a £45k increase in impairment of bad debts.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict which path will be taken and whether asset values and the pension discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the LFC's assets or change the pension discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing substantial adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Note 3 Material items of Income and Expenditure

The LFC collected £30.2m in the form of a levy placed on the Insurance industry under the Metropolitan Fire Brigade (MFB) Act 1865. This is included as income in the Net Cost of Services against Community Fire Safety and Firefighting and Rescue Operations.

Note 4 Other Comprehensive income and expenditure

The sum shown in the Movement in Reserves Statement for other income and expenditure is shown in the table:

2019/20 £'000	2019/20 £'000	Surplus or deficit on revaluation of non-current assets & Actuarial (gains)/losses on pension assets/liabilities	2020/21 £'000	2020/21 £'000
(22,119)		Gain on the revaluation of Property assets	(16,081)	
12,872		Loss on the revaluation of Property assets	9,304	
	(9,247)	**Surplus on revaluation of non current assets**		**(6,777)**
(428,890)		Actuarial (gains)/losses on Firefighter pension liabilities	460,510	
(30,940)		Actuarial (gains)/losses on LGPS pension assets/liabilities	72,697	
	(459,830)	**Actuarial (gains)/losses on pension assets/liabilities**		**533,207**
	(469,077)	**Total Other Comprehensive Income and Expenditure**		**526,430**

Note 5 Events after the balance sheet date

ACCOUNTS AUTHORISED

The Statement of Accounts were authorised for issue by Sue Budden, Director of Corporate Services on 30 June 2021.

Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the LFC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the LFC to meet future capital and revenue expenditure.

2020/21 - Adjustments between Accounting Basis and Funding Basis under Regulations	**General Fund** *£'000*	**Revenue Grants Unapplied** *£'000*	**Capital Grants Unapplied** *£'000*	**Capital Receipts Unapplied** *£'000*	**Total Usable Reserves** *£'000*	**Total Unusable Reserves** *£'000*
Depreciation, amortisation and impairment of fixed assets	16,388	-	-	-	16,388	(16,388)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital		-	-	(679)	(679)	679
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(7,154)	-	-	-	(7,154)	7,154
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES		-	-	-		
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	106,502	-	-	-	106,502	(106,502)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(1,225)	-		-	(1,225)	1,225
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	(625)	-	(625)	625
Adjustment due to Accumulated Absences, reversal of prior year charge	(4,682)	-	-	-	(4,682)	4,682
Adjustment due to Accumulated Absences, current year charge	10,636	-	-	-	10,636	(10,636)
Total Adjustments	**120,464**		**(625)**	**(679)**	**119,160**	**(119,160)**

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

The following table provides comparative figures for 2019/20:

2019/20 - Adjustments between Accounting Basis and Funding Basis under Regulations	**General Fund** *£'000*	**Revenue Grants Unapplied** *£'000*	**Capital Grants Unapplied** *£'000*	**Capital Receipts Unapplied** *£'000*	**Total Usable Reserves** *£'000*	**Total Unusable Reserves** *£'000*
Depreciation, amortisation and impairment of fixed assets	22,321	-	-	-	22,321	(23,321)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital	(1,062)	-	-	(29,367)	(30,429)	30,429
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(7,167)	-	-	-	(7,167)	7,167
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	1,712	-	-	-	1,712	(1,712)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	124,150	-	-	-	124,150	(124,150)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(1)	-	1	-	-	-
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	(632)	-	(632)	632
Adjustment due to Accumulated Absences, reversal of prior year charge	(3,867)	-	-	-	(3,867)	3,867
Adjustment due to Accumulated Absences, current year charge	4,683	-	-	-	4,683	(4,683)
Total Adjustments	**140,769**	**-**	**(631)**	**(29,367)**	**110,771**	**(110,771)**

Note 7 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance as at 31/03/2019	Transfers Out	Transfers In	Balance as at 31/03/2020	Transfers Out	Transfers In	Balance as at 31/03/2021
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Firefighter Ill Health Pensions	-	-	-	-			
Vehicle Fleet Reserve	2,865	(2,152)	790	1,503	112	970	2,585
London Resilience	1,015	(282)	38	771			771
Sustainability Reserve	235	(235)	235	235			235
Hydrants	462	(95)	-	367		95	462
Compensation	1,000	(713)	-	287	(1,000)	713	
Hazardous Material Protection	-	-	-	-			
Property	-	-	-	-			
Property PFI	-	-	-	-			
Pension Early Release	-	-	-	-		425	425
LSP 2017 Implementation	4,178	(555)	76	3,699	(983)		2,716
Emergency Services Mobile Communication Programme	1,928	(99)	345	2,174	(1,330)		844
Emergency Medical Response	294	-	-	294			294
EU Procurement Projects	210	(70)	-	140	(140)		
Community Safety Fund	-	(11)	11	-			
ICT Development Reserve	1,851	(208)	310	1,953	(31)	361	2,283
New Governance Arrangements	-	(148)	148	-			
Recruitment/Outreach	370	(120)		250			250
Fire Safety & Youth Engagement	715	(24)	316	1,007	(672)	4,594	4,929
Additional Resilience Requirements	767	(337)	192	622	(98)		524
Budget Flexibility	23,111	(467)	7,287	29,931	(10,237)	15,495	35,189
Capital Receipt - GLA	11,745	-	-	11,745			11,745
HMICFRS Inspection Regime	21	(86)	65	-			
LFC Control Centre	959	(230)	-	729			729
Organisational Reviews	505	(494)	316	327	(239)		88
National Operational Guidance Project	-	(45)	792	747	(102)	184	829
Transformation Reserve	-	-	5,500	5,500	(1,422)	2,200	6,278
In Year Savings Reserve						5,000	5,000
Grenfell Infrastructure Reserve					(95)	1,306	1,211
Covid						1,968	1,968
LFB Museum Project	201				(46)	330	284
Total	**52,432**	**-6,371**	**16,421**	**62,281**	**-16,283**	**33,641**	**79,639**

Note 8 Minimum Revenue Provision

The LFC is required by statute to set aside a minimum revenue provision, that it considers prudent, for the repayment of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2020/21 was £7.154m (2019/20 £7.166m), being assessed by the LFC as being prudent.

Note 9 Property Plant and Equipment

ACCOUNTING POLICIES

Assets that have a physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

RECOGNITION

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the LFC and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

MEASUREMENT

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The LFC does not capitalise borrowing costs incurred whilst assets are under construction. A deminimis limit of £20,000 is in place for the capitalisation of expenditure.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the LFC). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the LFC.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction - depreciated historical cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

Note 9 Property, Plant and Equipment (continued)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For 2020/21 the basis of calculation of DRC has been changed to the Modern Equivalent Asset (MEA) methodology.

With non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is an insufficient balance in the revaluation reserve, the revaluation reserve is written down to nil and the remaining amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

- Where there is no balance in the Revaluation Reserve, the whole amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

IMPAIRMENT

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

Where there is an insufficient balance in the revaluation reserve, the revaluation reserve is written down to nil and the remaining amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Note 9 Property, Plant and Equipment (continued)

DEPRECIATION

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Heritage Assets) and assets that are not yet available for use (i.e. assets under construction), surplus assets and assets held for sale.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer

- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. Depreciation is charged the year after a new asset becomes operational and a full years deprecation is charged in the year of disposal.

COMPONENT ACCOUNTING

For assets, where the building value is classed as material (£5 million and above) to the LFC, component accounting is applied. Componentisation is applicable to any significant enhancement and/or acquisition expenditure incurred and revaluations carried out as from 1st April 2010. During 2020/21, the non-current tangible assets of the LFC were revalued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets and it applies where an item of property, plant and equipment asset has major components whose cost is significant (20% or above) in relation to the total cost of the item. In these instances, the components are recognised and depreciated separately according to the useful life.

Category	**Depreciation Rate**
Heritage Assets	Not depreciated
Surplus Assets	Not depreciated
Assets Held for Sale	Not depreciated
Buildings – Structure, roof, plant & services	Estimated life between 10 to 60 years
Vehicles	5 to 25 years
Plant and Equipment	5 to 10 years

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

Surplus assets are those assets that are not being used to deliver services but do not meet the criteria to be classified as either investment properties or non-current assets held for sale. The asset is revalued immediately before reclassification from operational non current assets to surplus assets under the existing use value. Once the asset is reclassified to surplus assets, the asset is revalued under the IFRS 13 fair value measurement methodology. Any revaluation gains or losses are accounted for under the general measurement of non-current assets. Depreciation is not charged on surplus assets.

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell which is deemed to be the estimated disposal proceeds for the site. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Only amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the LFC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserves Statement.

A loss on disposals is not a charge against LFC revenue funding, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Note 9 Property, Plant and Equipment (continued)

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the non current assets needed to provide the service passes to the PFI contractor. As the LFC is deemed to control the services that are provided under its vehicle PFI scheme, the LFC carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these vehicles is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Non-current assets recognised on the Balance Sheet are depreciated in the same way as property, plant and equipment owned by the LFC.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for vehicles arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

Lifecycle replacement costs – recognised as additions to property, plant and equipment when vehicles are purchased.

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's Non Current Assets during 2020/21:

Movement in Balances 2020/21	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Heritage Assets £000**	**Assets held for sale £000**	**Total £000**
Cost or Valuation							
As at 1 April 2020	**410,384**	**119,890**	**24,819**	**13,755**	**1,432**		**570,280**
Additions	5,724	7,707	73	5,568			19,072
Revaluation increases / (decreases) recognised in Revaluation Reserve	6,771		6				6,777
Revaluation increases / (decreases) recognised in the CIES	(6,620)		(5)				(6,625)
Derecognition – Disposals	(1,247)	(11,023)	(1,124)				(13,394)
Other movements in cost or valuation	975	7,584	(1,294)	(7,715)		450	
As at 31 March 2021	**415,987**	**124,158**	**22,475**	**11,608**	**1,432**	**450**	**576,110**
Accumulated Depreciation and Impairment							
As at 1 April 2020	(2,904)	(72,755)	(1,124)				(76,783)
Depreciation charge for 2020/21	(5,485)	(6,768)					(12,253)
Derecognition – disposals	21	11,003	1,124				12,148
Write out of accumulated depreciation	4,440						4,440
As at 31 March 2021	**(3,928)**	**(68,520)**					**(72,448)**
Net Book Value:							
As at 31 March 2020	407,480	47,135	23,695	13,755	1,432		493,497
As at 31 March 2021	412,059	55,638	22,475	11,608	1,432	450	503,661

Note 9 Property, Plant and Equipment (continued)

The table below shows the comparative movements in the Authority's Non Current Assets during 2019/20:

Movement in Balances 2019/20	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Assets Under Construction**	**Heritage Assets**	**Assets held for sale**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
As at 1 April 2019	**410,098**	**104,533**	**26,511**	**3,465**	**1,347**	**500**	**546,454**
Additions	4,059	13,331	483	12,718			30,591
Revaluation increases / (decreases) recognised in Revaluation Reserve	(2,562)		(1,124)		85		(3,601)
Revaluation increases / (decreases) recognised in the CIES	(1,211)						(1,211)
Derecognition – Disposals		(402)	(1,035)			(500)	(1,937)
Other movements in cost or valuation		2,428	(16)	(2,428)			(16)
As at 31 March 2020	**410,384**	**119,890**	**24,819**	**13,755**	**1,432**		**570,280**
Accumulated Depreciation and Impairment							
As at 1 April 2019	(3,816)	(65,754)	(1,124)				(70,694)
Depreciation charge for 2019/20	(11,936)	(7,242)					(19,178)
Derecognition – disposals		241					241
Write out of accumulated depreciation	12,848						12,848
As at 31 March 2020	**(2,904)**	**(72,755)**	**(1,124)**				**(76,783)**
Net Book Value:							
As at 31 March 2019	406,282	38,779	25,387	3,465	1,347	500	475,760
As at 31 March 2020	407,480	47,135	23,695	13,755	1,432		493,497

Note 9 Property, Plant and Equipment (continued)

BASIS OF VALUATIONS

OPERATIONAL PORTFOLIO

For the whole of the LFC operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used to determine EUV, as there are no market transactions for this type of asset.

In accordance with UK Valuation Standard 1.15 of the Red Book the figures reported below using DRC methodology are subject to the prospect and viability of the continued occupation and use of the properties by the LFC.

The DRC has been assessed on the basis of the existing properties.Deductions are based on a blended approach of the age and obsolescence of the property. Where a property has physically deteriorated the property would be revalued as and when it is known.

All fire stations are categorised into groups of similar build, structure and age for valuation purposes. Not all the properties within the LFC's estate were visited in the preceding 12 months, although a sample was assessed from each category in order to ensure that the valuations provided are satisfactory for the purposes of the financial statements.

The DRC assets are required to be assessed taking into account the 'Modern Equivalent Assets' (MEAs) valuation. We have assessed them by using the basis of existing properties and then adjusted them to include any under utilisation in the operational portfolio . An exercise was undertaken to account for any identified excess space and the DRC valuations have been reduced accordingly.

LFC believes that it has satisfied the CIPFA Code and Red Book requirements by ascertaining the 'service requirement' of the operational portfolio and addressed any over capacity within the operational estate.

THE FORMER LFEPA HEADQUARTERS

The LFC had entered into an agreement to develop the former Brigade HQ at Albert Embankment. The new development will include the re-provision of the existing fire station together with the LFC Museum. In addition, a meanwhile use lease has been signed with the developer for the use of the separate rear block at the site, to enable the developer to operate from the site in order to secure a planning consent for the redevelopment of the whole site in accordance with the Development Agreement. However this development has been refused by the Secretary of State.

Previously the site has been valued as one asset but due to the above the site has been spilt into two separate assets, the former HQ and fire station and the separate rear block at the site. The former HQ and fire station is considered to be an operational asset and as such has been valued as a specialised asset. Whilst the rear site is a non operational asset and has been classified as a surplus asset which has been revalued at fair value (market value) in line with IFRS 13.

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

Once an asset is classified to surplus assets the asset is revalued under the IFRS 13 fair value methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the LFC by Dron & Wright, in connection with the estimated Market Values (MVs).

LFC is satisfied that the MV figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2020/21. On the basis of that advice, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

ASSETS HELD FOR SALE

Assets held for sale are valued at the lower of EUV/DRC and fair value. The methods and assumptions applied to these valuations are the same as noted above for our operational portfolio (EUV/DRC) and surplus assets (fair value). The fair value is represented by the market value of the asset, which is defined at the estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

FREEHOLD AND LONG LEASEHOLD INTERESTS

The freehold and long leasehold interests in the various properties which are owned by the London Fire Commissioner (LFC) were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 31st March 2020, in accordance with the current edition of the RICS Valuation – Global Standards 2017 (The Red Book), included the UK National Supplement, effective from 14th January 2019.

VALUER'S REPORT

In their report, Dron & Wright confirmed that, for the whole of the LFC operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used. Non-specialised operational properties have been valued by reference to sales comparisons and market variables. Special assumptions have been made to disregard the leases which are linked to commercial contracts between LFC and third parties, in the case of the PFI properties (with Blue3) and Ruislip Workshops (with Babcock). Properties which are held for sale have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may be different to the prices which would have been obtainable in the open market for LFC's interests in the properties, if they had been declared surplus to LFC's operational requirements, at the valuation date.

Of the £412.06m net book value of PPE land and buildings subject to valuation, £385m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the London Fire Brigade of replacing the service potential of the assets.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets were mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence existed upon which an opinion of value. For the avoidance of doubt explanatory note has been included by valuer to provide further insight as to the market context under which the valuations were prepared.

Note 9 Property, Plant and Equipment (continued)

The London Fire Brigade therefore concludes that the measurement of its PPE assets is materially accurate as at 31 March 2021 but that the situation will be closely monitored and any changes in value that take place over the coming months will be reflected in the 2021/212 accounts.

In accordance with section 5 of Professional Standard 2 of the Red Book, Dron & Wright have made the following disclosures:-

1. This is the tenth time that the Valuers have been the signatory of the report provided to LFC and LFEPA, (LFC previous incumbent) and the previous valuation dates were 1st April 2003, 1st April 2008, 1st April 2013, 1st April 2014, 1st April 2015 and 1st April 2016, 1st April 2017, 31st March 2018 and 31st March 2019. This is the eleventh time that the Valuer's firm has carried out the valuation instruction, with the first valuation date being 1st April 1999. Although this may be construed as a departure from the recommendations which are contained in the Red Book, we do not consider that it has prevented us from providing LFC with an independent and objective opinion of the values of your various properties.
2. The firm has acted for LFEPA/LFC for a period of over 25 years. During that time, the firm has provided property management, landlord and tenant, agency, building surveying and rating services to LFEPA/LFC, under a series of contracts for the provision of property and estate management functions.
3. In the firm's preceding financial year, the fees payable to the firm by LFC represented a significant proportion of the total fee income of the firm.
4. No material increase is anticipated in the proportion referred to in 3, in the foreseeable future.

LFC are satisfied with the safeguards that the valuers have put in place to ensure independence and objectivity, which includes peer review from a valuer who has no involvement with other services provided by Dron & Wright to the LFC.

VEHICLES

Expenditure on vehicles is part of an ongoing fleet replacement programme over several years.

The LFC have ownership of New Dimension vehicles and equipment, that were previously the property of the Department for Communities and Local Government.

These vehicles are available for national deployment and include specialist vehicles and equipment such as high volume pumps and mass de-contamination equipment.

Note 9 Property, Plant and Equipment (continued)

INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the LFC due to past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the LFC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the LFC will be able to generate future economic benefits or service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
Expenditure on the development of websites is not capitalised if the website is primarily intended to promote or advertise the LFC's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the LFC can be determined by reference to an active market. If intangible assets held by the LFC fail to meet this criterion they are carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.
Intangible Assets represent expenditure on computer software which has been capitalised, but which is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be use to the LFC. The useful lives assigned to the major software suites used by LFC are:

Intangible Assets represent expenditure on computer software which has been capitalised, but which is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be use to the LFC. The useful lives assigned to the major software suites used by LFC are:

	Software Licences	**In-house Software**
7 years	Firelink radio software Wide-Area Network Command Support System	Mobile Work Systems
5 years	All other Intangible assets	

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's Intangible Assets during 2020/21:

Movement in Balances 2020/21	**Operational**			**Under Development (non-operational)**		
	Software licences £'000	**In-house Software £'000**	**Total £'000**	**Software licences £'000**	**In-house Software £'000**	**Total £'000**
Balances at 1st April						
Gross carrying amounts	14,355	12,843	27,198	72	-	
Accumulated amortisation	(14,028)	(10,295)	(24,322)	-	-	
Net carrying amount at 1st April	**327**	**2,549**	**2,876**	**72**	**-**	**-**
Reclassification	-	-	-	-	-	-
Additions	86	-	86	-	-	-
Amortisation for the period	(286)	(1,663)	(1,949)	-	-	-
Net carrying amount at 31 March	**127**	**886**	**1,013**	**72**	**-**	**-**
Comprising:						
Gross carrying amounts	14,441	12,843	27,284	72	-	-
Accumulated amortisation	(14,314)	(11,958)	(26,272)	-	-	-
	127	**886**	**1,013**	**72**	**-**	**-**

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's Intangible Assets during 2019/20:

Movement in Balances 2019/20		**Operational**		**Under Development (non-operational)**		
	Software licences £'000	**In-house Software £'000**	**Total £'000**	**Software licences £'000**	**In-house Software £'000**	**Total £'000**
Balances at 1st April						
Gross carrying amounts	14,355	12,280	27,198	164	-	
Accumulated amortisation	(13,668)	(8,731)	(24,322)	-	-	
Net carrying amount at 1st April	**687**	**3,550**	**2,876**	**72**		
Reclassification	-	94	94	-	-	-
Additions	-	469	469	-	-	-
Amortisation for the period	(360)	(1,564)	(1,924)	-	-	-
Net carrying amount at 31 March	**327**	**2,549**	**2,876**	**72**	**-**	**-**
Comprising:						
Gross carrying amounts	14,355	12,843	27,198	72	-	-
Accumulated amortisation	(14,028)	(10,295)	(24,322)	-	-	-
	327	**2,549**	**2,876**	**72**	**-**	**-**

Heritage ASSETS

Heritage assets are assets that are held by the LFC principally for their contribution to knowledge or culture. These assets are accounted for as a separate item on the balance sheet and are valued on an insured value basis. The Museum at Southwark closed in 2015/16 pending a move to a new site, the collection is in storage until the new site is ready, meanwhile some museum pieces will be placed on display at various sites. The collection can be divided across four main areas: museum exhibits, the art collection, the museum archive and museum library.

Note 10 Financial Instruments

ACCOUNTING POLICY

FINANCIAL LIABILITIES

through a reserve account, with the balance debited or credited to the CIES when the Financial liabilities are recognised on the Balance Sheet when the LFC becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. The LFC has taken loans from the Public Works Loans Board (PWLB) at fixed rates to maturity and the associated arrangement cost of the loans is not material. In these circumstances there is no need to carry out a formal effective interest rate calculation as the instruments carry the same interest rate for the whole term of the instrument.

For most of the borrowings that the LFC has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The LFC has not restructured its borrowing during the year therefore there have been no gains or losses on the repurchase or early

settlement of borrowing resulting from any premiums or discounts.

FINANCIAL ASSETS

Financial assets are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for asset is disposed of.

- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

For most of the loans that the LFC has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The LFC has made a number of loans to employees at less than market rate (soft loans). However the difference in the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal is not material and therefore does not require adjustment to the Comprehensive Income and Expenditure Statement.

Note 10 Financial Instruments (continued)

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2019		31 March 2020		Financial liabilities and Assets at amortised cost	31 March 2020		31 March 2021	
Long Term £'000	Current £'000	Long Term £'000	Current £'000	Borrowings	Long Term £'000	Current £'000	Long Term £'000	Current £'000
60,725	8,000	55,725	5,000	Public Work Loan Board Debt (PWLB)	55,725	5,000	52,725	3,000
543	127	487	62	PWLB Accrued Interest	487	62	444	43
61,268	**8,127**	**56,212**	**5,062**	**Total borrowings**	**56,212**	**5,062**	**53,169**	**3,043**
64,047	1,268	62,711	1,337	PFI and finance lease liabilities	62,711	1,337	61,336	1,375
64,047	**1,268**	**62,711**	**1,337**	**Total Other Long term liabilities**	**62,711**	**1,337**	**61,336**	**1,375**
-	11,159	-	10,164	Creditors	-	10,164	-	6,668
125,315	**20,554**	**118,923**	**16,563**	**TOTAL**	**118,923**	**16,563**	**114,505**	**11,086**

31 March 2019		31 March 2020		Financial liabilities and Assets at amortised cost	31 March 2020		31 March 2021	
Long Term £'000	Current £'000	Long Term £'000	Current £'000	Loans & Receivables	Long Term £'000	Current £'000	Long Term £'000	Current £'000
-	-	-	-	Investments	-	-	-	-
-	-	-	-	Short term investments	-	-	-	-
-	-	-	-	Accrued Interest	-	-	-	-
-	**-**	**-**	**-**	**Total investments**	**-**	**-**	**-**	**-**
62	4,269	77	6,520	Debtors	77	6,520	53	4,839
-	109,701	-	69,733	Cash Equivalents	-	69,733	-	44,333
62	**113,970**	**77**	**76,253**	**TOTAL**	**77**	**76,253**	**53**	**49,172**

Note 10 Financial Instruments (continued)

FINANCIAL INSTRUMENTS GAINS/LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2019/20 £'000	Financial Instruments Income & Expenditure	2020/21 £'000
9,130	Interest expense	9,070
(1,239)	Interest income	(555)
7,891	**Net gain/(loss) for the year**	**8,515**

2019/20 £'000	Financial Instruments Income & Expenditure	2020/21 £'000
3,060	PWLB borrowing	2,735
3,113	PFI lease interest & contingent rentals	3,027
2,957	Merton Lease Payment	3,308
9,130	**Total Interest expense**	**9,070**

FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the balance sheet at amortised cost.
Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments. The fair values calculated are as follows:

The Code of Practice incorporates the adoption of IFRS 13 Fair Value measurement, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in todays terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the LFC's treasury advisor Link Asset Services and PWLB from the market on 31 March 2021, using bid prices where applicable.

The fair value of fixed term deposits includes accrued interest as at the balance sheet date. Interest is calculated using the most common market convention, ACT/365, over the actual number of days in a calendar year. Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date.

The fair value of PWLB debt is based on PWLB valuation and the local authority debt is based on Link Asset Services valuation level 2, who are an independent treasury management service provider to UK public service organisations. Link Asset Services valuation uses the new borrowing rates in their valuation assessment.

31 March 2020 Carrying amount	31 March 2020 Fair value	Liabilities & Assets	31 March 2021 Carrying amount	31 March 2021 Fair value
£'000	**£'000**		**£'000**	**£'000**
60,725	88,704	Public Work Loan Board Debt (PWLB)	55,725	77,549
64,048	64,048	PFI & Other Finance Leases	61,336	61,336
9,659	9,659	Trade and other creditors	6,668	6,668
134,432	**162,411**	**Total Liabilities**	**123,729**	**145,553**
3,439	3,439	Trade and other debtors	4,839	4,839
77	77	Long term debtors	53	53
69,733	69,733	Cash & Cash Equivalents	44,333	44,333
73,249	**73,249**	**Total Assets**	**49,225**	**49,225**

*The value of debtors and creditors reported in the table are solely those amounts meeting the definition of a financial instrument.

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

The LFC's activities expose it to a variety of financial risks. The key risks are:

(i) Credit risk - the possibility that other parties might fail to pay amounts due to the LFC

(ii) Liquidity risk - the possibility that the LFC might not have funds available to meet its commitments to make payments

(iii) Re-financing risk - the possibility that the LFC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

(iv) Market risk - the possibility that financial loss might arise for the LFC as a result of changes in such measures as interest rates movements

OVERALL PROCEDURES FOR MANAGING RISK

The LFC's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the LFC to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the LFC to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The LFC's overall borrowing
    - Its maximum and minimum exposures to fixed and variable rates
    - Its maximum and minimum exposures to the maturity structure of its debt
    - Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance
- These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on the treasury management performance are submitted to the Corporate Services Directorate Board for scrutiny, and then to the LFC.

Note 10 Financial Instruments (continued)

The LFC's daily treasury management function is managed under a shared service arrangement with the Greater London Authority who carry out borrowing, investment and reporting requirements. Investments are managed through a Group Investment Syndicate. The annual treasury management strategy for 2021/22 which incorporates the prudential indicators and investment strategy was approved by LFC on 24th March 2021 and is available on the LFC website.

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2020/21 was set at £245m with an Operational Borrowing Limit of £240m. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary. Updated borrowing limits will be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2021/22 financial year.

(ii) The maximum and minimum exposures to the maturity structure of debt are as per the table.

(iii) No principal sums to be invested for periods longer than one year, subject to review.

The LFC sets these policies and officers maintain approved written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically. Any changes are reported to the LFC for consideration.

Exposure to the maturity of debt	Upper Limit	Lower Limit
Under 12 Months	20%	0%
12 – 24 Months	20%	0%
2 – 5 Years	50%	0%
5 – 10 Years	75%	75%
10 Years and over	90%	25%

CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the LFC's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions on the Approved Counterparty Lending List. Acceptability as an authorised counterparty will be based upon credit ratings issued by credit ratings agencies, advice from the LFC's treasury advisors, Link Asset Services and other financial information sources deemed appropriate by the Director of Corporate Services in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003.The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the LFC's loan portfolio (quantified at the day of lending) are set out in the LFC's investment strategy (FEP2827).

The LFC's Annual Investment Strategy takes a risk averse approach to investment that gives priority to the security of funds over the potential rates of return. As set out in the Strategy Statement for the current year LFC is using the current creditworthiness service from Link Asset Services as a starting point. This method uses credit ratings from all three agencies and a scoring system that incorporates credit default swap rates. It does not give undue prevalence to any one agency's ratings.

The LFC's maximum exposure to credit risk in relation to its investments in banks and building societies 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the LFC's deposits, but there was no evidence as at the 31 March 2021 that this was likely to crystallise.

The major element of the LFC's investments are held and managed in the GLA Group Investment Syndicate (GIS), which is jointly controlled by the GLA, syndicate members including LFC through their respective chief financial officers.

The closing investment position on the GIS, as of 31 March 2021, was £41.3m with a Weighted Average Maturity of 91 days . Including a sum held on a NatWest Call account (£3.5m) the total investment position as at 31 March 2020 was £44.8m. Cumulative performance for the year was 0.53% versus the average 3 Month LIBID benchmark of 0.05% (gross outperformance of 0.48%), and attracted interest of £0.53m. The performance figure is net of fees.

LIQUIDITY RISK

The LFC manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The LFC has ready access to borrowings from the money markets to cover any day to day cash flow needed, and also has access to the PWLB, Local Authority and money markets for access to longer term funds. The LFC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing including investments and non-statutory trade debtors, are due to be paid in less than one year. The maturity analysis of financial liabilities is as follows:

31 March 2020 £'000	Maturity analysis	31 March 2021 £'000
5,000	Within 1 year	3,000
3,000	Between 1 and 2 years	4,000
9,500	Between 2 and 5 years	10,500
16,752	Between 5 and 10 years	14,725
26,500	More than 10 years	23,500
60,725	**Total**	**55,725**

* All trade and other payables are due to be paid in less than one year and are not shown in the table.

REFINANCING AND MATURITY RISK

The LFC maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the LFC relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator provides limits for the maturity structure of debt and on investments of greater than one year in duration. These are the key parameters used to address this risk. The LFC approved treasury and investment strategies address the main risks and the GLA treasury management team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the LFC's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of borrowing is as follows, with the upper and lower limits for
fixed interest rates maturing in each period:

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2020	Actual 31/03/2021
Less than 1 year	20%	0%	8%	5%
Between 1 and 2 years	20%	0%	5%	7%
Between 2 and 5 years	50%	0%	16%	19%
Between 5 and 10 years	75%	0%	28%	26%
More than 10 years	90%	25%	44%	42%

MARKET RISK

INTEREST RATE RISK

The LFC is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the LFC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

(i) Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise

(ii) Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)

(iii) Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

(iv) Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

31 March 2020 *£'000*	**Sensitivity analysis**	**31 March 2021** *£'000*
1,939	Increase in interest payable	2,730
(1,239)	Increase in interest receivable	(530)
700	**Total**	**2,200**

Note 11 Long Term Borrowing

31 March 2020	Long-term Borrowing	31 March 2021
£'000	*The sources are:*	***£'000***
55,725	Public Works Loan Board	52,725
55,725	**Total**	**52,725**
	These loans mature as follows:	
3,000	Between 1 and 2 years	4,000
9,500	Between 2 and 5 years	10,500
16,725	Between 5 and 10 years	14,725
3,000	Between 10 and 15 years	3,000
23,500	More than 15 years	20,500
55,725		**52,725**
487	Add accrued interest	444
56,212	**Total**	**53,169**

Note 12 Debtors

SHORT TERM DEBTORS

These are as the illustrated in the table:

31 March 2020 £'000	Debtors	31 March 2021 £'000
22,714	Central government bodies - Home Office	32,851
2,861	Central government bodies - HMRC	4,426
94	Central Government bodies - Other	3,200
656	Other Local Authorities	601
8,955	Other entities and individuals	11,955
(445)	Less: Impairment Allowance for Doubtful Debts	(445)
34,835	**Total**	**52,588**

IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £445k brought forward from 2019/20 to safeguard against future losses or non-recoveries has been increased, as at 31 March 2021, by £1k to £445k.

The aged debt analysis shows that £7971k (£697k 2019/20) of the total outstanding debt is past its due date for payment. All outstanding debt shown below has been allowed for in the LFC's assessment of bad debt provision. The third party debts are being repaid in instalments.

Aged debt analysis	**Greater than 2 Years** *£'000*	**1-2 years** *£'000*	**120-365 days** *£'000*	**90-120 days** *£'000*	**60-90 days** *£'000*	**30-60 days** *£'000*	**Total**
Sundry debt (ex MFB)	47	109	80	108	15	554	914
Third party claims	5				1	4	10
Metropolitan Fire Brigade (MFB) Act			7047				7047
Total	53	109	7127	108	16	558	7971

Note 13 Cash and Cash equivalents

Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. 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 LFC's cash management.

31 March 2020 ***£'000***	**Cash and Cash Equivalents**	**31 March 2021** ***£'000***
11	Cash held by the Authority	11
(1,796)	Bank current accounts	(4,071)
71,518	Short term deposits held on demand	48,393
-	Short term deposits with maturity of 3 months or less	-
69,733	**Total Cash and Cash Equivalents**	**44,333**

Note 14 Creditors

31 March 2020 *£'000*	**Creditors**	31 March 2021 *£'000*
8,759	Central government bodies – HMRC	10,265
528	Central government bodies – Other	550
386	Other local authorities	184
11,771	Other entities and individuals	8,504
4,683	Accumulated Absences	10,636
21,158	Receipts in advance	17,480
48,507	**Total Creditors**	**47,619**

Note 15 Provisions

PROVISIONS

Provisions are made where an event has taken place that gives the LFC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation. For instance the LFC may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the LFC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the LFC settles the obligation.

Short Term Provisions 2020/21 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	1,042	-	-	-	525	75	-	1,642
Increase in provision during the year	1,789	-			(106)	-		1,683
Utilised during the year	(1,042)	-			(189)	-		(1,231)
Closing Balance	**1,789**	**-**	**-**	**-**	230	**75**	**-**	**2,094**

Long Term Provisions 2019/20 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	338	-	-	1,003	1,612	510	146	3,609
Increase in provision during the year	(43)				525			482
Utilised during the year				(1003)				(1003)
Closing Balance	**295**	**-**	**-**	**-**	**2,137**	**510**	**146**	**3,088**

Short Term Provisions 2019/20 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	1,011	6,178	295	-	691	75	-	8,250
Increase in provision during the year	1,042	-	-	-	93	-	-	1,135
Utilised during the year	(1,011)	(6,178)	(295)	-	(259)	-	-	(7,743)
Closing Balance	**1,042**	**-**	**-**	**-**	**525**	**75**	**-**	**1,642**

Long Term Provisions 2019/20 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	474	-	-	660	1,285	510	146	3,075
Increase in provision during the year	338	-	-	343	472	-	-	1,135
Utilised during the year	(474)	-	-	-	(145)	-	-	(619)
Closing Balance	**338**	**-**	**-**	**1,003**	**1,612**	**510**	**146**	**3,609**

Note 16 Usable Reserves

Usable reserves consist of the LFC's general fund and a range of earmarked reserves for specific purposes. Movements in the LFC's usable reserves are detailed in the Movement in Reserves Statement.

Note 17 Unusable Reserves

ACCOUNTING POLICY

The LFC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

31 March 2020 *£'000*	Unusable Reserves	31 March 2021 *£'000*
(180,457)	Revaluation Reserve	(185,451)
(165,889)	Capital Adjustment Account	(160,968)
6,515,486	Pensions Reserve	7,155,196
4,683	Accumulated Absences Account	10,636
6,173,823	**Total Unusable Reserves**	**6,819,413**

REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the LFC arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The balance of the Revaluation Reserve 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.

2019/20		Revaluation Reserve	2020/21	
£'000	***£'000***		***£'000***	***£'000***
	(175,364)	Balance as at 1 April		(180,457)
(22,119)		Upward revaluation of assets	(15,810)	
13,407		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,033	
	(8,712)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(6,777)
2,085		Difference between fair value depreciation and historical cost depreciation	1,194	
-		Accumulated gains on assets sold or scrapped	590	
	2,085	Amount written off to the Capital Adjustment Account		1,784
	(180,457)	**Total Unusable Reserves**		**(185,451)**

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 LFC as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the LFC. The Account also contains revaluation gains accumulated on Property, Plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2019/20		Capital Adjustment Account	2020/21	
£'000	***£'000***		***£'000***	***£'000***
	(149,075)	Balance at 1 April		(165,889)
22,321		Charges for depreciation and impairment of non current and intangible assets	16,394	
1,712		Amounts of non current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	650	
	24,033			**17,044**
(30,430)		Use of Capital Receipts to finance new capital expenditure	(3,776)	
-	-	Capital Expenditure Charged Against The General Fund	-	-
(2,619)		Adjusting amounts written out to the Revaluation Reserve	(1,194)	
-		Capital grant and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	-	
(631)		Application of grants to capital financing from the Capital Grants unapplied Account		
(7,167)		Statutory provision for the financing of capital investments charged against the General Fund	(7,154)	
	(40,847)			**(9,932)**
	(165,889)	**Balance at 31 March**		**(160,969)**

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 LFC 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. However, statutory arrangements require benefits earned to be financed as the LFC makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the LFC 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.

2019/20 ***£'000***	**Pensions Reserve**	**2020/21** ***£'000***
6,851,167	Balance at 1 April	6,515,486
(459,830)	Actuarial (gains) or losses on pensions assets and liabilities	533,207
314,741	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	294,410
(190,592)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(187,907)
6,515,486	**Balance at 31 March**	**7,155,196**

ACCUMULATED ABSENCES ACCOUNT

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the LFC. The most significant benefit covered by this heading is holiday pay.

Employees build up entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the LFC is required to accrue for any annual leave earned but not taken at 31 March each year.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account, which is Included in Unusable Reserves on the Balance Sheet, Until the benefits are used.

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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20		Accumulated Absences Account	2020/21	
£'000	***£'000***		***£'000***	***£'000***
	3,867	Balance as at 1 April		4,683
(3,867)		Settlement or cancellation of accrual made at the end of the preceding year	(4,683)	
4,683		Amounts accrued at the end of the current year	10,636	
	816	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		5,954
	4,683	**Balance as at 31 March**		**10,636**

Note 18 Expenditure and Income Analysed By Nature

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by CIPFA's Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the LFC on the basis of budget reports analysed on a subjective rather than objective format based on available funding through GLA grant. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to depreciation, revaluation and impairment losses, or amortisation. These are charged to services in the Comprehensive Income and Expenditure Statement. The reports do however include external financing costs, which includes debt charges such as interest costs and Minimum Revenue Provision to reflect the cost of repaying debt.

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year as defined by the LFC's actuaries.

- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The LFC receive and approve a budget report in March for the following financial year. During the year they receive quarterly financial and service performance monitoring reports.

2019/20 *£'000*	Expenditure and Income Analysed by Nature	2020/21 *£'000*
498,602	Employee Benefits Expenditure	474,747
36,928	Premises	39,823
16,645	Transport	16,724
29,248	Supplies and Services	32,395
1,871	Third Party Payments	1,957
4,749	Interest Payments	4,706
22,324	Depreciation and Impairment	16,387
610,367	**Total expenditure**	**586,739**
(43,497)	Fees, charges and other service income	(28,979)
(1,239)	Interest and investment income	(534)
651	Gain on disposal of non-current assets	15
(35,865)	Government grants and contributions	(49,533)
(392,305)	GLA Funding	(401,500)
(472,255)	**Total income**	**(480,531)**
138,112	**Surplus or Deficit on the Provision of Services**	**106,208**

The table shows the Deficit on the Provision of Service in a subjective format as presented in end of year outturn management reports. Management reports are available to view on the LFC's website.

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the LFC in comparison with those resources consumed or earned by the LFC in accordance with generally accepted accounting practices.

		2020/21	
Expenditure and Funding Analysis	**Expenditure chargeable to general fund**	**Adjustments between funding and accounting basis**	**Net Expenditure in CIES Statement**
	£'000	***£'000***	***£'000***
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	483,364	(127,618)	355,746
Cost of services	**483,364**	**(127,618)**	**355,746**
Other income and expenditure	(256,692)	7,154	(249,538)
(Surplus) or Deficit on Provision of Services	**226,672**	**(120,464)**	**106,208**
Opening General Fund Balance			731,867
(Surplus) or Deficit on Provision of Services			226,672
Closing General Fund Balance			**958,539**

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2020/21		
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustment for capital purposes**	**Net change for the pensions adjustment**	**Adjustments between funding and accounting basis**
	£'000	***£'000***	***£'000***
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	166,791	(294,409)	(127,618)
Cost of services	**166,791**	**(294,409)**	**(127,618)**
Other income and expenditure from the Expenditure and Funding Analysis	(180,753)	187,907	7,154
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(13,962)**	**(106,502)**	**(120,464)**

Note 18 Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2018/19:

Expenditure and Funding Analysis	Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES Statement
	2019/20		
	£'000	*£'000*	*£'000*
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	504,977	(147,286)	357,691
Cost of services	**504,977**	**(147,286)**	**357,691**
Other income and expenditure	(226,096)	6,517	(219,579)
(Surplus) or Deficit on Provision of Services	**278,881**	**140,769**	**138,112**
Opening General Fund Balance			452,986
(Surplus) or Deficit on Provision of Services			278,881
Closing General Fund Balance			**731,867**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for capital purposes	Net change for the pensions adjustment	Adjustments between funding and accounting basis
	2019/20		
	£'000	*£'000*	*£'000*
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	155,495	(302,781)	(147,286)
Cost of services	**155,495**	**(302,781)**	**(147,286)**
Other income and expenditure from the Expenditure and Funding Analysis	(184,099)	190,616	6,517
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(28,604)**	**(112,165)**	**(140,769)**

Note 19 Members Allowances

The Policing and Crime Act 2017 received Royal Assent 31 January 2017.The Act changed the governance arrangements for the fire and rescue service in London by abolishing the London Fire and Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner (LFC) as a corporation sole and the fire authority for Greater London, discharging the functions described by the Fire and Rescue Services Act 2004. A new London Fire Commissioner (LFC) has been appointed by the Mayor of London. Accordingly, London's fire authority does not have any directly paid elected members.

Under the arrangements, the Mayor has the power to give directions and guidance to the London Fire Commissioner relating to the exercise of their functions. The London Fire Commissioner's appointed statutory deputy is the Deputy Commissioner and Director of Operations. The Mayor has also appointed a Deputy Mayor for Fire and Resilience to exercise some function of the Mayor relating to fire and rescue. The governance changes arising from the Act came into effect on 1 April 2018.

Note 20 Officer Remuneration

SENIOR OFFICERS

Senior officers are defined by the CIPFA Code as those officers whose salary/remuneration is £150k or more, and those whose salary is £50k or more and who meet the criteria of statutory chief officers as defined by Section 2(6) of the Local Government and Housing Act 1989, as amended, and their direct reports. The remuneration paid to the LFC's senior officers is as follows:

London Fire Commissioner and Corporation Sole – Office Holder – 2020/21

2020/21 Post title and Name	Period	Remuneration (including fees and allowances) £	Expense Allowances £	Compensation on loss of office £	Other Compensation payments £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
London Fire Commissioner - Office Holder and Corporation Sole Andy Roe	01/04/20 – 31/03/21	206,040	-	-	-	206,040	59,340	265,380

Note 20 Officer Remuneration (continued)

Senior Officers

2020/21 Post title and Name Directors	Period	Salary (including fees and allowances) £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
Director of Corporate Services and S127 Officer Sue Budden	01/04/20 – 31/03/21	178,838	0		178,838	27,362	206,200
Deputy Commissioner, Director of Operations **Richard Mills**	01/04/20 – 31/03/21	168,165	0		168,165	49,271	217,436
Director for People Tim Powell	01/04/20 – 31/03/21	152,489	0		152,489	13,698	166,187
Director for Transformation **Fiona Dolman**	01/06/20 – 31/03/21	125,000	0		125,000	19,125	144,125
***Director of Communications** Mark Mann	14/02/21 – 31/03/21	24,544	-	-			

**The Director of Communications post was created on a temporary basis. The post is retained by the LFC on an interim basis and paid via an agency arrangement and as such was not salaried.*

London Fire Commissioner and Corporation Sole – Office Holder – 2019/20

2019/20 Post title and Name	Period	Remuneration (including fees and allowances) £	Expense Allowances £	Compensation on loss of office £	Other Compensation payments £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
London Fire Commissioner - Office Holder and Corporation Sole Dany Cotton	01/04/19 – 31/12/19	171,856	-	54,385	-	226,241	44,796	271,037
London Fire Commissioner - Office Holder and Corporation Sole Andy Roe	01/01/20 – 31/03/20	51,510	32	-	-	51,542	14,835	66,377

Note 20 Officer Remuneration (continued)

Senior Officers

2019/20 Post title and Name Directors	Period	Salary (including fees and allowances) £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
Director of Corporate Services and S127 Officer Sue Budden	01/04/19 – 31/03/20	177,927	332	-	178,259	24,447	202,706
Deputy Commissioner, Director of Operations Andy Roe	04/11/19 – 31/12/19	22,418	-	-	22,418	6,456	28,874
Deputy Commissioner, Director of Safety & Assurance Richard Mills	15/04/19 – 31/03/20	139,582	249	-	139,831	19,478	159,309
Deputy Commissioner, Director of Operations Tom George	01/04/19 – 02/11/19	96,982	188	-	97,170	27,221	124,391
Deputy Commissioner, Director of Safety & Assurance Steve Apter	01/04/19 – 14/04/19	5,943	-	-	5,943	2,217	8,160

Note 20 Officer Remuneration (continued)

EMPLOYEES WHOSE REMUNERATION (EXCLUDING EMPLOYER'S PENSION CONTRIBUTIONS) WAS £50K OR HIGHER

The number of employees shown in each band in the table above do not include those senior employees whose remuneration is shown individually in the table:

2019/20 *No.*	Salary Range	2020/21 *No.*
294	£50,000 - £54,999	271
109	£55,000 - £59,999	109
80	£60,000 - £64,999	101
80	£65,000 - £69,999	79
63	£70,000 - £74,999	58
32	£75,000 - £79,999	31
21	£80,000 - £84,999	18
16	£85,000 - £89,999	7
5	£90,000 - £94,999	12
8	£95,000 - £99,999	6
1	£100,000 - £104,999	1
1	£105,000 - £109,999	0
2	£110,000 - £114,999	0
0	£115,000 - £119,999	2
1	£120,000 - £124,999	3
1	£125,000 - £129,999	1
2	£130,000 - £134,999	0
2	£135,000 - £139,999	2
0	£140,000 - £144,999	1

Note 21 Audit Fees

The LFC has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections provided by the LFC's external auditors, Ernst and Young (EY)

2019/20 *£'000*	**Audit Fees**	**2020/21** *£'000*
99	Fees payable to appointed Auditor for External Audit services	80
(6)	Refund audit fees from PSAA	-
93	**Total**	**80**

Note 22 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the LFC when there is reasonable assurance that:

- The LFC will comply with the conditions attached to the payments, and
- The grants/contributions will be received.

Amounts recognised as due to the LFC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or 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.

Note 22 Grants (continued)

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 as shown in the table.

The grants received by the LFC are non-ring fenced and therefore these are unconditional. The 2020/21 £401.5m GLA grant shown in the table is comprised of two elements, grant funding in the form of Retained Business rates £232.8m and GLA Precepts £168.7m.

**The Apprenticeship Levy Grant is a not a cash transaction - this is a notional transaction which is offset by notional expenditure to reflect the use of the Apprenticeship Levy Grant from the Digital Account by LFC's external training provider Babcock.*

2019/20 £'000	Credited to Taxation and Non-Specific Grant Income	Source of Funding	2020/21 £'000
392,305	GLA Grant	Greater London Authority	401,500
3,732	PFI Grant	Home Office	3,732
1	Contributions to Capital	The Metropolitan Masonic Charity	1,240
396,038	**Total**		**406,472**
	Credited to services		
21,732	Fire Pensions Grant	Home Office	21,732
3,059	Fire Control Grant	Home Office	-
3,457	New Dimensions & USAR Grant	Home Office	3,457
-	Fire Covid 19 Grant	Home Office	1,760
217	New Risks grant	Home Office	197
-	Marauding Terrorist Fire-arms Attack	Home Office	-
500	NFCC Building Safety Programme	Home Office	-
-	Fire Safety Grant	Home Office	177
-	Fire Contingency Grant	Home Office	6,157
-	Merton Regional Control	Home Office	2,206
84	Local Resilience Fund	Home Office	160
786	CPO Grants	Home Office	786
32	Mass Fatalities Regional Capacity	Home Office	32
76	Local Resilence Forum	Ministry of Housing Communities and Local Government (MHCLG)	-
-	Building Risk Review	Home Office	5,518
12	Sustainable Development Grant (Hytime)	Department for Transport (Innovate UK / TEC Strategy Board)	-
2,177	Apprentice Grant*	HM Revenue and Customs	-
-	Fire Revenue Fire Link Grant	Home Office	1,073
-	Infrastructure Fund	Innovate UK (formerly Technology Strategy Board)	1,306
32,132	**Revenue Grant Income**		**44,561**
-	Revenue Contributions Received		-
32,132	**Total**		**44,561**

Note 23 Related Party Transactions

MAYOR OF LONDON AND THE GREATER LONDON AUTHORITY (GLA)

The London Fire Brigade is run by the London Fire Commissioner, a corporation sole and the fire and rescue authority for London and is one of the five GLA functional bodies.

The Policing and Crime Act was enacted on 31 January 2017. The Act abolished the LFEPA, and provided for the Mayor of London to take responsibility for fire and rescue services in London. The functions sit within existing Greater London Authority structures, with a Deputy Mayor for Fire and Resilience, a statutory "London Fire Commissioner" and a new Committee of the London Assembly, which provides scrutiny. All Assets, Liabilities and Resources of the LFEPA transferred to the London Fire Commissioner under statute on 1 April 2018.

The Mayor sets and provides the budget for LFC and provides grant funding to support it.

CENTRAL GOVERNMENT

The LFC has relations with and obtains grant funding from Central Government departments. In particular the Home Office has significant influence over the general operations of the LFC – it is responsible for providing the statutory framework within which the LFC operates and provides the majority of its funding via the GLA in the form of various grants. As at 31st March 2021, sums due to and from central government departments are shown in Notes 12 and 14. Grants received from government departments are set out in Note 22.

MEMBERS/OFFICERS

The LFC has direct control over the LFC's financial and operating policies. As of 2018/19 member allowances are no longer paid as detailed in Note 19.

A number of LFC officers were members of the London Fire Brigade Welfare Fund Executive Council. One senior officer is an paid Director of the LFB Enterprises Ltd, the wholly owned trading company.

All LFC officers including senior management except The Fire Commissioner have declared that during the year they nor any member of their close family or household have had any related party transactions with London Fire Commissioner during the period 1 April 2020 to 31 March 2021.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2021, in respect of related party transactions. The LFC has prepared this disclosure in accordance with its current interpretation and understanding of CIPFA's Code of Practice on Local Authority Accounting in the UK. The Code's provisions are based on International Accounting Standard 24 (IAS24).

Note 24 Capital Expenditure and Capital Financing

In 2020/21, total spending on the capital programme for tangible and intangible assets was £19.2m. The spend included the rebuilding and modernising of fire stations and other buildings (5.8m), upgrading ICT equipment (£0.1m) and the purchase of fleet vehicles and equipment (£13.3m). Capital expenditure on LFC assets (£19.2m) is to be financed in accordance with the Prudential Code, Government capital grant (£1.9m), and Capital receipts (£1.9m)

The table shows the movement in the LFC's Capital Financing Requirement (CFR) showing expenditure in year and sources of funding applied.

The capital programme approved by LFC on 3 April 2021 ((LFC-0505) included a total forecast capital spend of £58.6m in 2021/22, £36.07m in 2022/23 and 20.6m in 2023/24.

2019/20 *£'000*	**Capital Expenditure and Financing**	**2020/21** *£'000*
157,195	Opening Capital Financing Requirement	150,028
17,391	Tangible Operational Assets	13,431
13,201	Tangible Non Operational Assets	5,640
469	Intangible Assets	86
	Sources of finance	
(31,061)	Government grants and other contributions	(3,776)
	Sums set aside from Revenue to Fund Capital Expenditure	
(7,167)	Minimum Revenue Provision	(7,154)
	Other Movements	
150,028	Closing Capital Financing Requirement	158,255
	Explanation of movements in year	
-	Other long term liability PFI and finance lease	-
-	Borrowing from PWLB & Local Authorities in year	-
(7,167)	Increase/(decrease) in underlying need to borrow	(7,154)
	Other movements	
(7,167)	**Increase/(decrease) in Capital Financing Requirement**	**(7,154)**

Note 25 Other Long Term Liabilities

Other long term liabilities shown in the balance sheet comprise of the long term elements of the vehicle PFI and Merton Control Finance lease, with deferred credits and the pensions liability, details of which are shown in the notes that follow.

31 March 2020 *£'000*	Other Long Term Liabilities	31 March 2021 *£'000*	Note
44,285	Long Term PFI Properties	42,911	26
18,425	Long Term Finance Leases	18,425	26
2,592	Deferred Credit	2,244	
6,515,485	Pensions Liability	7,155,194	28
6,580,787	**Total**	**7,218,774**	

Note 26 Service Concession Arrangements, Finance and Operating Leases

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

THE LFC AS A LESSEE

FINANCE LEASES

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the LFC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the LFC at the end of the lease period).

The LFC is not required to raise funding to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PROPERTY PFI SCHEME

The LFC has entered into a PFI agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The PFI project will see the Brigade receive £51.5m index linked from Central Government over the contact period. The new fire stations were opened at Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwel. Eight of the stations were completely re-built on their existing sites and one station, Mitcham, was built on a new site.

PFI provides a way of funding major capital investments, without the public purse having to find all the cost up front. The £51.5m is extra money for the Brigade which is index linked to cover for inflation and is payable over a twenty-five year period.

The LFC will carry the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment. As Non-current assets recognised on the Balance Sheet they will be depreciated in the same way as property, plant and equipment owned by the LFC.

The contract runs for a period of 25 years and in return the Brigade will pay a regular charge on the property, known as the Unitary Charge. Once the agreed repayment period ends, the fire station buildings will be returned to the Brigade in a pre-agreed and acceptable condition, although the buildings always remain the Brigade's property.

The amounts paid under the PFI finance lease in 2020/21 and 2019/20 is shown below:

Finance Lease Property PFI	**Unitary Charge**	**Deferred liability**	**Income & Expenditure Account**
	£'000	***£'000***	***£'000***
Opening balance as at 1 Apr 2020		45,622	
New finance lease liability in year		0	
Principal sum paid in year	1,337	(1,337)	
Interest	2,937		2,937
Contingent rentals	59		59
Operational expenses	1,352		1,352
Balance as at 31 March 2021	5,684	44,285	4,348
Opening balance as at 1 Apr 2019	-	46,890	-
New finance lease liability in year	-	-	-
Principal sum paid in year	1,268	(1,268)	-
Interest	3,114	-	3,114
Contingent rentals	49	-	49
Operational expenses	1,208	-	1,208
Balance as at 31 March 2020	**5,638**	**45,622**	**4,371**

Note 26 Service Concession Arrangements, Finance and Operating Leases (continued)

The tables show the forecast future payments due under the property arrangement

PFI Property Future Liabilities	**Within 1 Year** *£'000*	**Within 2 to 5 Years** *£'000*	**Within 6 to 10 Years** *£'000*	**Within 11 to 15 Years** *£'000*	**Within 16 to 20 Years** *£'000*	**Within 21 to 25 Years** *£'000*
Lease rental liabilities	1,375	6,175	8,363	11,802	16,569	-
Operating Costs	1,352	6,147	11,067	12,130	12,167	-
Interest Costs	2,937	10,767	11,057	7,841	3,112	-
Contingent Rentals	59	247	(230)	(160)	276	-
Total	5,723	23,336	30,257	31,613	32,125	-

Comparative Figures for 2019/20:

PFI Property Future Liabilities	**Within 1 Year** *£'000*	**Within 2 to 5 Years** *£'000*	**Within 6 to 10 Years** *£'000*	**Within 11 to 15 Years** *£'000*	**Within 16 to 20 Years** *£'000*	**Within 21 to 25 Years** *£'000*
Lease rental liabilities	1,337	5,958	8,141	10,869	15,911	3,406
Operating Costs	1,259	5,765	10,357	12,127	12,600	2,004
Interest Costs	3,027	11,168	11,604	8,582	4,195	164
Contingent Rentals	58	263	(99)	(253)	116	165
Total	**5,681**	**23,154**	**30,003**	**31,325**	**32,822**	**5,739**

FINANCE LEASES

The LFC holds two finance leases as at 31st March 2021, one is for its control centre at Merton and the other is for the nine fire stations being provided under the PFI contract.

The LFC entered into a 25 year finance lease arrangement for the provision of its control function at Merton in March 2011 (currently valued on the balance sheet at £15.4m). The building became operational in February 2012, when control functions transferred from the LFC's site at 2 Greenwich View to Merton. Lease payments of £3,307k were paid during 2020/21. The table below shows the future payments under the lease agreement.

Total value of minimum lease payments as at 31/03/2020 £'000	Present value of minimum lease payments as at 31/03/2020 £'000	Merton Control Centre Finance Lease	Total value of minimum lease payments as at 31/03/2021 £'000	Present value of minimum lease payments as at 31/03/2021 £'000
2,955	665	Not later than one year	3,307	630
13,227	2,000	Later than one year and no later than five years	13,263	1,698
38,655	1,959	Later than five years	35,312	1,630
54,837	**4,624**	**Total**	**51,881**	**3,959**

Total value of minimum lease payments as at 31/03/2020 £'000	Present value of minimum lease payments as at 31/03/2020 £'000	PFI Property Finance Lease	Total value of minimum lease payments as at 31/03/2021 £'000	Present value of minimum lease payments as at 31/03/2021 £'000
4,364	4,082	Not later than one year	4,312	4,034
17,126	13,607	Later than one year and no later than five years	16,942	13,468
62,872	26,835	Later than five years	58,745	25,728
84,362	**44,524**	**Total**	**79,999**	**43,230**

OPERATING LEASES

THE LFC AS A LESSEE

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a rent free period at the commencement of the lease).

OPERATING LEASES AND LIABILITIES

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2021 with future sums committed.

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

THE LFC AS A LESSOR

Where the LFC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and are charged as an expense over the lease term on the same basis as rental income.

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2021 with future sums committed.

The Authority had no subleases or contingent rents during the reporting period.

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

Land and Buildings As at 31/03/2020 *£'000*	Vehicles, Plant and Equipment As at 31/03/2020 *£'000*	Operating lease payments	Land and Buildings As at 31/03/2021 *£'000*	Vehicles, Plant and Equipment As at 31/03/2021 *£'000*
5,239	3,620	Not later than one year	5,239	3,620
19,973	9,497	Later than one year and no later than five years	19,718	9,497
13,519	3,401	Later than five years	8,650	1,195
38,731	**16,518**	**Total**	**33,607**	**14,312**

Note 27 Termination Benefits

ACCOUNTING POLICY

Termination benefits are amounts payable as a result of a decision by the LFC to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the LFC is demonstrably committed either to the termination of the employment of an employee or group of employees, or to making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the LFC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The LFC terminated the contracts of three -employees in 2020/21, incurring liabilities of £0.121m.

Exit package cost band	**Number of compulsary redundancies**		**Number of other agreed departures**		**Total number of exit pakages**		**Total cost of exit packages in each band - £000**	
£'000	***2019/20***	***2020/21***	***2019/20***	***2020/21***	***2019/20***	***2020/21***	***2019/20***	***2020/21***
0 - 20	0	0	0	1	0	1		20
20 - 40	0	0	1	0	1	0		0
40 - 60	0	0	1	2	1	2		101
60 - 80	0	0	1	0	1	0		0
80 - 100	0	0	0	0	0	0		0
100 - 150	0	0	0	0	0	0		0
Over 150	0	0	0	0	0	0		0
Total	**0**	**0**	**3**	**3**	**3**	**3**	**0**	**121**

Note 28 Pensions

Defined Benefit Pension Schemes

POST EMPLOYMENT BENEFITS – ACCOUNTING POLICY

Post-employment benefits can include pensions, life insurance or medical care. Postemployment benefit plans are classified as either defined contribution plans or defined benefit plans. The LFC has no post-employment benefit plans other than pensions.

Pensions are provided for all full-time employees under the requirements of statutory regulations. In certain circumstances these regulations extend to cover part-time employees. The schemes in operation are:

- **THE 1992 FIREFIGHTERS' PENSION SCHEME, THE 2006 FIREFIGHTERS PENSION SCHEME, AND THE 2015 FIREFIGHTERS PENSION SCHEME:**

These are unfunded schemes, which are administered by the LFC in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of the Home Office. These schemes are administered under a shared service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (LLP) on behalf of the LFC. For such schemes as there are no investment assets, IAS 19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The last actuarial review for IAS 19 purposes was dated April 2018.

- **LOCAL PENSION GOVERNMENT PENSION SCHEME (LGPS):**

This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LLP. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the LPFA with advice from the fund's Actuary, based on triennial actuarial valuations, the last review, impacting on 2019/20, being at 31 March 2013. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS 19 purposes was dated April 2019.
Post employment benefits have been included in the LFC's accounts to comply with accounting standard IAS19 - Employee Benefits. The International Accounting Standards Board (IASB) issued a new version of IAS19 in June 2011. This revised standard applies to financial years starting on or after 1 January 2013.

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2019/20.

ACTUARIAL FIGURES ARE INCLUDED IN THE AUTHORITY'S ACCOUNTS ON THE FOLLOWING BASIS:

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.

The assets of the Fund (LGPS only) attributable to the LFC are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions liability is analysed into seven components, being:

- Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the LFC, based on an average of the expected long term return – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Gains/losses on settlements and curtailments – the result of actions to relieve the LFC of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to Pensions Reserve
- Contributions paid to the Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the LFC to the pension fund in the year or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the

Note 28 Pensions (continued)

General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

MCCLOUD/SARGEANT JUDGEMENT

Allowance has been made for the potential impact of the McCloud / Sargeant judgement.

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

The LFC recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the LFC is required to make against council tax funding is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

The firefighter pension actuary figures shown in the tables are the combined figures for the 1992, 2006 and 2015 schemes.

Local Government Pension Scheme 2019/20 £'000	Firefighter's Pension Schemes 2019/20 £'000	Comprehensive Income and Expenditure Statement Cost of Services	Local Government Pension Scheme 2020/21 £'000	Firefighter's Pension Schemes 2020/21 £'000
13,304	123,700	Current Service cost	15,933	131,670
-	(2,000)	Past service costs/(gain)		
		Financing and Investment Income and Expenditure		
5,379	161,930	Net Interest expense	4,835	141,520
468		Administrating expenses	451	
19,151	**283,630**	**Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services**	**21,219**	**273,190**
		Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services		
		Re-measurement of the net defined benefit liability comprising:		
12,685		• Return on plan assets (excluding the amount included in the net interest expense)	(50,208)	
5,964	(208,220)	• Actuarial (gains) and losses arising on changes in demographic assumptions	(5,880)	
(53,032)	(188,320)	• Actuarial (gains) and losses arising on changes in financial assumptions	135,682	652,900
(1,314)	(32,350)	Experience (gains) and losses on defined benefit obligation	(6,897)	(191,990)
4,757		Other		
(11,789)	**(145,260)**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**93,916**	**734,100**
		Movement in Reserves Statement		
(19,151)	(283,630)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(21,219)	(273,190)
11,108	178,560	Employers' contributions payable to scheme	10,457	177,450
948		Benefits paid directly to beneficiaries		
(7,095)	**(105,070)**	**Actual amount charged against the General Fund Balance for pensions in the year.**	**(10,762)**	**(95,740)**

Note 28 Pensions (continued)

The service cost for firefighters and support staff has been allocated to the Comprehensive Income and Expenditure Statement based on individual levels of staff pensionable pay for the year. Details of the LFC's accrued liability in respect of both the firefighters' and the Local Government Pension Schemes are given below. Further information in respect of the Local Government Pension Scheme can be found in the Pension Fund's Annual Report, which is available upon request from:

Local Pensions Partnership

LGPS Number 2019/20	FPS Number 2019/20	Membership of Schemes	LGPS Number 2020/21	FPS Number 2020/21
854	4,417	Actives	854	4,297
721	1,057	Deferred Pensioners	721	1,318
1,435	8,485	Pensioners*	1,435	8,890
282	-	Unfunded Pensioners	282	

** Includes injury pensioners*

LGPS Average Age 2019/20	FPS Average Age 2019/20	Membership of Schemes	LGPS Average Age 2020/21	FPS Average Age 2020/21
48	41	Actives	48	41
49	43	Deferred Pensioners	49	43
71	63	Pensioners	71	63
75	-	Unfunded Pensioners	75	-
-	69	Injury Pensioners	-	69

Retirement Benefits

In accordance with the requirements of IAS19 the LFC has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained above the LFC participates in three firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the Local Pensions Partnership (LPP) on behalf of the LPFA. In addition the LFC has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

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

Local Government Pension Scheme As at 31 March 2020 *£'000*	Firefighter's Pension Schemes As at 31 March 2020 *£'000*	LFC Pensions Obligations	Local Government Pension Scheme As at 31 March 2021 *£'000*	Firefighter's Pension Schemes As at 31 March 2021 *£'000*
534,149	-	Present value of the defined benefit obligation	669,492	-
(347,143)	-	Fair Value of plan assets	(401,926)	-
187,006	**-**	**Net**	**267,566**	**-**
15,300	6,312,780	Present value of the unfunded obligation	18,199	6,869,430
202,306	**6,312,780**	**Net liability arising from defined benefit obligation**	**285,765**	**6,869,430**

Note 28 Pensions (continued)

RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF ASSETS SCHEME (PLAN)

Local Government Pension Scheme 2019/20 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2020/21 £'000
359,664	Opening fair value of scheme assets	347,143
8,737	Interest Income	7,079
	Re-measurement gain/(loss)	
(12,685)	• The return on plan assets excluding the amount included in the net interest expense	50,208
(4,757)	• Other	
12,032	Contributions from employer	10,457
2,906	Contributions from employees into the scheme	3,145
(16,977)	Benefits paid	(15,655)
(1,309)	Settlement prices received/(paid)	
(468)	Other	(451)
347,143	**Closing fair value of scheme assets**	**401,926**

Note 28 Pensions (continued)

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATION)

Funded Liabilities Local Government Pension Scheme 2019/20 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2019/20 £'000		Funded Liabilities Local Government Pension Scheme 2020/21 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2020/21 £'000
585,791	**6,625,040**	**Opening Balance at 1 April**	**585,791**	**6,312,780**
13,328	135,520	Current Service cost	13,328	131,670
14,116	162,070	Interest costs	14,116	141,520
2,906	21,340	Contributions from scheme participants	2,906	23,580
		Re-measurement (gains) and losses:		
5,964	(208,220)	• Actuarial gains/losses arising from changes in demographic assumptions	5,964	
(53,032)	(188,320)	• Actuarial gains/losses arising from changes in financial assumptions	(53,032)	652,900
(1,314)	(32,350)	• Experience loss/(gain) on defined benefit obligation	(1,314)	(191,990)
(948)		Unfunded pension payments	(948)	
-	(2,000)	Past service cost	-	
(16,029)	(200,300)	Benefits paid	(16,029)	(201,030)
(1,333)		Liabilities extinguished on settlements	(1,333)	
549,449	**6,312,780**	**Closing balance at 31 March**	**549,449**	**6,869,430**

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the assets the LFC's share of Fund assets is approximately 5.93%

Based on a bid value to bid value basis the actuary has estimated that the return on the LGPS fund assets for the year to 31 March 2021 to be 16,5%. The actual return on the Fund assets over the year may be different.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

The Firefighter pension schemes have been valued by the Government Actuary's Department and the LGPS fund liabilities have been valued by Barnett Waddingham.

VALUATION METHOD

For both the LGPS and Firefighters' schemes liabilities have been assessed on an actuarial basis using the projected unit credit method, i.e. an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The main assumptions used in the calculations are as per the financial assumptions to follow.

As at 31 March 2020 £'000	Fair Value of Fund Assets	As at 31 March 2021 £'000
187,361	Equiities	223,158
89,439	Target Return Portfolio	92,227
25,293	Infrastructure	34,324
34,458	Property	35,432
10592	Cash	16,785
		-
347,143	**Total**	**401,926**

Note 28 Pensions (continued)

FINANCIAL ASSUMPTIONS

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

These assumptions are set with reference to market conditions as at 31 March 2021.

Local Government Pension Scheme	Firefighter Pension Scheme	Assumptions as at	Local Government Pension Scheme	Firefighter Pension Scheme
31/03/2020	31/03/2020		31/03/2021	31/03/2021
1.90%	2.00%	CPI increases	2.80%	2.40%
2.90%	4.00%	Salary increases	3.80%	4.15%
1.90%	2.00%	Pensions increase	2.80%	2.40%
2.35%	2.25%	Discount rate	2.00%	2.00%

ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In 2020/21 the LFC made an additional employer contribution payment of £676k to the LGPS fund to reduce the LGPS pension deficit. That payment in 2019/20 was in addition to a £1,1316k payment in 2019/20, and a £1,016k payment in 2018/19 by LFEPA. Together these payments have resulted in ongoing savings from 2020/21 against the LFC's past service deficit payments.

The projected future contribution rates do not include any allowance for the impact of the McCould/Sargeant judgement following two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

Employers Contribution	2020/21	2021/22
	£'000	***£'000***
LGPS	10,547	9,683
Firefighters Schemes	51,425	51,426
Total	**61,972**	**61,109**

Note 28 Pensions (continued)

LOCAL GOVERNMENT PENSION SCHEME

The Administering Authority for the Fund is the LPFA. The LPFA Board oversees the management of the Fund whilst the day to day fund administration and investment management is undertaken by LPP. Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Authority to the Fund, the London Pensions Fund Authority, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Should the LFC as an employer decide to withdraw from the scheme on withdrawal from the plan a cessation valuation would be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which would determine the termination contribution due by the Authority, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the LFC as an employer is exposed to a number of risks:

- Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

- Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

- Longevity risk: In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer i.e. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

LGPS – ACTUARIAL ASSUMPTIONS

The actuary's estimate of the employer's past service liability duration is 19 years.

An estimate of the Employer's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.40% p.a. below RPI i.e. 2.80% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between the RPI and CPI is less than assumed at the previous accounting date.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

FIREFIGHTER PENSION SCHEMES ASSUMPTIONS

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2020/21 Pension Disclosures.

The cost of benefits accruing in the period from 1 April 2020 to 31 March 2021 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2019/20 Pension Disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

DISCOUNT RATE

IAS19 requires the nominal discount rate to be set by the reference to market yields on high quality corporate bonds, or where there is no deep market in such bonds then by reference to Government bonds. The currency and terms of the corporate or Government bonds need to be consistent with the scheme liabilities.

The duration of the scheme is around 20 years; this estimate is unchanged from last year and is greater than that of any meaningful AA corporate bond data. We believe that there is insufficient corporate bond data of a sufficiently long duration to directly extrapolate the discount rate from these. A nominal discount rate has been calculated by using gilts plus an additional spread to reflect the difference between the yields on gilts and bonds. Based on this methodology, the nom inal discount rate at 31 March 2020 is assumed to be 2.0% a year.

PENSION INCREASES

The pension increase assumption as at 31 March 2021 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.40%

EARNINGS INCREASES ASSUMPTIONS

It is assumed that there is a long term rate of salary growth of 1.75% above CPI.

The assumed nominal rate of salary growth is therefore 4.15% a year.

RATE OF REVALUATION FOR CARE PENSIONS

A rate of revaluation for CARE pensions of 4.15% a year has been assumed, which is equal to our assumed long term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

ALLOWANCE FOR INJURY PENSIONS

Under paragraph 157 of IAS 19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when that service takes place. As injury awards under the scheme are dependent on service we have valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. The gratuity lump sum paid on injury is not dependent on service and so is recognised as a past service cost when the payment is made.

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2019/20		Mortality Assumptions	2020/21	
LGPS	**Fire Service Pension Schemes**		**LGPS**	**Fire Service Pension Schemes**
Age 65	Age 65	**Average Future Life expectancy as at**	Age 65	Age 65
Retiring today	**Current pensioners**		**Retiring today**	**Current pensioners**
21.7 years	21.3 years	**Male**	22.0 years	21.4 years
23.9 years	21.3 years	**Female**	23.8 years	21.4 years
Retiring in 20 years	**Future Pensioners**		**Retiring in 20 years**	**Future Pensioners**
23.1 years	23.0 years	**Male**	23.2 years	23.1 years
25.4 years	23.0 years	**Female**	25.9 years	23.1 years

MORTALITY ASSUMPTIONS

The post retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

The mortality assumption for the firefighter schemes is based on the S2NMA/S2DFA tables, published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession, with future improvement in line with the population actual then ONS 2018 based principal population projection.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables 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 change that the assumption analysed changes while all the 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 credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 28 Pensions (continued)

SENSITIVITY ANALYSIS

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Local Government Pension Scheme	***£'000***	***£'000***	***£'000***
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	675,044	687,691	700,589
Project service cost	19,175	19,823	20,490
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	689,057	687,691	686,336
Project service cost	19,834	19,823	19,812
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	699,110	687,691	676,484
Project service cost	20,483	19,823	19,181
Adjustment to discount rate	**+1 year**	**None**	**-1 year**
Present value of total obligation	721,569	687,691	655,485
Project service cost	20,714	19,823	18,965

FIREFIGHTERS' PENSION SCHEMES

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out in the table;

Change in financial assumption at year ended 31/03/2021	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	-9.00%	-625,000
1 year increase in member life expectancy	3.50%	249,000
0.5% increase in the salary increase rate	1.50%	112,000
0.5% increase in the salary increase rate (CPI)	8.00%	542,000

Comparative figures at year ended 31/03/2020:

Change in financial assumption at year ended 31/03/2020	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	(9.5%)	(602,000)
1 year increase in member life expectancy	3.0%	191,000
0.5% increase in the salary increase rate	1.5%	103,000
0.5% increase in the salary increase rate (CPI)	7.5%	462,000

Note 29 Contingent Liabilities and Assets

CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the LFC a possible obligation whose existence will only be confirmed by the occurrence or other of uncertain future events not wholly within the control of the LFC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

GLA GRANT

In 2018/19, LFC received a one off grant (Business Rates) from the GLA for £11.745m in respect of the sale of the former Southwark fire station and training centre. The grant was provided to LFC with the provision that should the sale of the former Headquarters at 8 Albert Embankment complete, the grant would be repaid to the GLA. At this time, planning approval for the redevelopment of 8 Albert Embankment has not been secured and it is not possible to state if or when the grant will be due to be repaid. LFC has created an earmarked reserve for this item.

FIREFIGHTERS' PENSION SCHEME

The implications of the remedy in the McCloud/Sargeant judgement on trasitional protection are reflected in the pensions valuations. However there is a potential additional liability in relation to compensation that may be claimed by scheme members. A judgement in this area is still awaited.

CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the LFC a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the LFC.

Contingent assets are not recognised within the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. As at 31 March 2021 the LFC had no contingent assets.

Note 30 Self Insurance

The LFC generally insures against all material risks with policies to meet the cost of losses over and above predetermined limits, i.e. by policies subject to an excess or to a deductible. Significant excesses to be met from within the LFC's own resources for any one claim are:

As at 31/03/2020 Amount (£)	Category insured	As at 31/03/2021 Amount (£)
10,000	Property (All Risks of Physical Loss or Damage)	10,000
25,000	Property – Terrorism	25,000
850,000	Combined Liabilities	850,000
850,000	Officials Indemnity	850,000
500,000	Professional Indemnity	500,000
25,000	Airside Liability	25,000
250,000	Fidelity Guarantee	250,000
10,000	Computer	10,000
250,000	Motor Operational Fleet	250,000
100	Motor Leased Vehicles	100
6,500	Marine Hull and Machinery – Lambeth River Station	6,500
1,500	Marine Hull and Machinery – Vessels	1,500
500	Marine Protection and Indemnity	500

Note 31 Going Concern

Introduction

These accounts have been prepared on a going concern basis, assuming that the LFC will continue in operational existence for at least 12 months from the date the accounts are approved.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which fire authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. LFC carries out functions essential to the local community. If an authority were in financial difficulty, the prospects are thus that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that services will continue to operate for the foreseeable future.

Assessment of Going Concern

The LFC has again undertaken a more detailed assessment of going concern, building on the experience from 2019/20, in view of the Covid-19 pandemic and the impact this has had on expenditure and future funding. The costs of responding to the pandemic, which have been partly offset by additional funding and cost recovery, did put additional pressure on the LFC's finances during 2019/20, however this in-year pressure was largely relived by the year-end by decisions on additional funding.

The impact of the pandemic will also be felt in future financial years. The Mayor's Budget Guidance 2021/22 set out funding reductions for functional bodies including the LFC, however the Mayor's final budget 2021/22 provided additional funding for 2021/22 and future that helped to significant address the reductions set out in the Guidance, however significant future funding uncertainty remains. The Mayor's Budget Guidance 2022/23 is unexpected to still outline funding challenges, and with the Spending Review still awaited.

The impact of the costs of the Covid-19 response were reported as part of the regular financial position reports, which are published on a quarterly basis, and this showed and forecast significant overspend at Q1 with a £10.1m overspend together with a £10m in-year funding reduction. Action was taken to address the forecast overspend with specific corporate initiatives on operational overtime and FRS staff recruitment, as well as action to pursue additional funding. These allowed the forecast overspend to be reduced as the year progressed with a and underspend achieved at outturn, with significant impact from the workstreams on overtime and recruitment as well on additional impacting in the final quarter of the financial year.

There were other significant pressures in the financial year in particular the delivery of the Transformation Delivery Plan, which included addressing the Grenfell Public Inquiry recommendations as well as recommendations from the HM Inspectorate of Constabulary and Fire & Rescue Services. The Budget Submission 2021/22 to the Mayor considered a number of risks to the budget in the coming year, with specific focus on areas such as the pandemic, counter terrorism, the built environment and transformation. The Final Budget 2021/22 included key savings to support the financial position including a recruitment freeze, and noted that future budget requirements are to be considered alongside the development of the LFC's Community Risk Management Plan (CRMP).

The Mayor's Budget Guidance 2022/23 is expected to be published in July 2021. This will set out requirements to be addressed in the Budget Submission in November 2021. This will set out indicative funding for future years, and possibility with some scenarios on this to address the significant uncertainty that remains in place. Work has now started on the LFC budget process for 2022/23, and this will be developed alongside work on the CRMP.

Covid-19

The Covid-19 pandemic created additional pressure on the LFC budget. For the 2020/21 financial year there was a substantial additional cost, of £12.5m, to manage the response to the pandemic. Work to manage the costs as well as securing additional funding allowed these costs to be fully funded by the year end.

The Covi-19 response costs incurred by the LFC were reported on a regular basis during the final year, both as part of the regular financial reporting as well as specific Covid costs reports. The costs were also reported into the National Fire Chiefs Council (NFCC) which in turn supported reporting to the Home Office. This regular reporting was key in supporting the additional made available to the Fire Sector and supported the LFC having its residual costs met in full by the final claim to the Home Office.

The does expect to have some Covid response costs that will continue into 2021/22. Key elements include additional fire station cleaning and continued support to the London Ambulance Service (LAS) on Ambulance Driver Assist (ADA). The additional station cleaning is continuing into 2021/22 and the approved budget included growth of £2.1m to fund this, with this now just being for one year and will be reviewed during 2020/21. The ADA support is continuing into 2021/22, but with arrangements in place to recover the costs of this from the LAS.

The final claim to the Home Office on Covid costs not only met the LFC residual costs in full, but also provided a further funding allocation to distribute the balance remaining on the Home Office Fund. This funding at £2.0m was transferred to an earmarked reserve and will be used to meet future Covid costs.

The pandemic has also impacted on the funding available to the LFC. The Mayor's Budget Guidance 2021/22, set out three scenarios for funding reductions for functional bodies, including for the LFC a reduction of £15m for 2021/22 as well as an in-year reduction of £10m for 2020/21. The subsequent Mayor's consultation letter confirmed that £5m of the in-year funding reductions would be met from GLA reserves. The Mayor's Final Budget 2021/22 provided an additional funding of £15.0m for 2021/22 as well confirming that the £5.0m funding reduction for 2020/21 would be recovered in future years from 2021/22. The Mayor's Budget Guidance 2022/23 will include further consideration of the impact of Covid-19 on the funding available to the Mayor, and is expected to set out requirement reflecting the ongoing uncertainty on future funding.

Reserves

The LFC holds a General Reserve (GR) to help manage unexpected costs and the Chief Finance Officer deems that a minimum level of £15.5m should be maintained on this reserve. The LFC has a Budget Flexibility Reserve (BFR) that has been established to help manage budget uncertainty/deficit in the short term, in particular in the period before the results of the Comprehensive Spending Review were known. The GR and BFR are part of the total reserves held by the LFC.

The latest position on the LFC reserves was set out in the Provisional Outturn 2020/21. This included balances on reserves at 31 March 2021 of £95.0m. The balance on reserves was increased with the progress made in 2020/21 on reducing costs and securing additional funding and the underspend at provisional outturn allowed further resources to be set aside in the BFR. The additional Government funding secured, particular in relation to the Built Environment/Protection which will meet costs over a number of future years, has further increased reserve balances.

Cashflow

The LFC cashflow is monitored on a daily basis to ensure that sufficient funds are available to meet LFC commitments as they fall due. To support the consideration of the impact of Covid-19 on the going concern assessment a further.

forecast cashflow has been prepared to consider the position for at least 12 months from the approval of the Statement of Accounts. The LFC had a cash balance of £41.2m at the end of March 2021, and it is forecasting a cash balance of £43.0m as at March 2023. The movement in the cash balance between years sems minimal, however there is significant in-year movement from the impact of the profile of funding for the Firefighter Pension Scheme which is paid as one amount in Q2 to cover costs for the whole financial year, and in 2021/22 has a value of £93.6m.

The cashflow forecast includes an assumption of external borrowing to fund the capital programme, which has not been necessary over recent use with the availability of capital receipts.

The forecast cashflow has been prepared on the basis of the estimates included in the Budget 2021/22. The position will be reviewed as part of the budget process for 2022/23 which will include addressing the requirements set out in the Mayor's Budget Guidance as well development on the CRMP.

LFC remains confident in its ability to maintain sufficient cash for its services throughout the 12 months from the approval of the Statement of Accounts.

Conclusion

The LFC has taken action to mitigate the financial challenges presented, including those from the Covid-19 pandemic. The Final Budget 2021/22 provided additional funding from the Mayor than had been set out in his Budget Guidance, and action taken to address overspending and secure additional funding during 2020/21 allowed an underspend to be delivered, and these increase future financial flexibility. Considering all of the above, there are no material uncertainties that cast significant doubt upon the LFC's ability to continue providing the current level of services and that the organisation will remain a going concern 12 months from the approval of these financial statements.

Note 32 Cash flow statement Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements

2019/20 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2020/21 £'000
(19,177)	Depreciation of Non Current Assets	(12,253)
(1,211)	Impairment, Impairment Reversal and Revaluation of Non Current Assets	(2,185)
(1,937)	Assets de-recognised during year	(1,247)
(1,934)	Amortisation of Intangible assets	(1,949)
(1,244)	(Increase)/Decrease in impairment for provision of bad debts	(452)
133	Increase/(Decrease) in inventories	(39)
1,815	Increase/(Decrease) in debtors	17,729
3,167	(Increase)/Decrease in creditors	(333)
6,074	(Increase)/Decrease in provisions	521
(124,149)	Pension Fund costs adjustment	(106,102)
(10)	Other Non cash items	8
(138,473)	**Net cash (inflow)/outflow from operating activities**	**(106,302)**

Note 33 Cash Flow Statement – Operating Activities

2019/20 £'000	Operating Activities	2020/21 £'000
(1,241)	Interest received	(534)
3,181	Interest paid	2,735
6,070	Interest element of finance leases	6,335
8,010	**Total**	**8,536**

Note 34 Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities

2019/20 £'000	Investing Activities	2020/21 £'000
31,061	Purchase of property, plant and equipment, investment property and intangible assets	19,157
(1,987)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,232)
(1)	Capital grants received	(1,240)
29,073	**Net cash flows from investing activities**	**16,685**

2019/20 £'000	Financing Activities	2020/21 £'000
-	Cash Receipts of Short and Long term borrowing	-
1,268	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	1,337
8,000	Repayments of Short and Long term borrowing	5,000
9,268	**Net cash flows from financing activities**	**6,337**

FIREFIGHTERS' PENSION FUND ACCOUNT AND NOTES

Firefighters' Pension Fund Account Notes

2019/20 £000	£000	Firefighters' Pension Schemes Fund Account	2020/21 £000	£000
		Contributions receivable		
		- from employer		
(51,893)		- normal	(51,425)	
(958)		- early retirements	(1,201)	
(52,851)			**(52,626)**	
(22,862)		- from members	(22,854)	
	(75,713)			(75,480)
		Transfers in		
	(734)	- individual transfers in from other schemes		(836)
		Benefits payable		
148,078		- pensions	152,972	
31,162		- commutations and lump sum retirement benefits	27,100	
-		- back dated commutations	-	
262		- lump sum death benefits	222	
	179,502			**180,294**
		Payments to and on account of leavers		
-		- refunds of contributions	-	
154		- individual transfers out to the other schemes	-	
709		- other - interest due on back dated lump sums	800	
-		- interest due on back date commutations lump sums	-	
	863			**800**
	103,918	Deficit/Surplus for the year before top up grant receivable/amount payable to central government		104,778
	(103,918)	Top up grant receivable from/amount payable from central government		(104,778)
	-	Grant received from central government for back dated commutations		-
	-	**Net amount payable/receivable for the year**		**-**

As at 31/03/2020 £000	Net Assets Statement	As at 31/03/2021 £000
31	- Recoverable overpayments of pensions	57
21,845	- Top up receivable from/(payable to) Government	28,470
(21,876)	- other current liabilities	(28,527)
-		-

Firefighters' Pension Fund Account Notes

1. THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

There are three firefighter pension schemes the 1992, 2006 and 2015 schemes. The Firefighters Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. The Scheme changed on the 1st April 2015 from a Final Salary Scheme to a Career Average Revalued Earnings Scheme (CARE). Members starting after the 1st April 2015, and members of the 1992 and 2006 Final Salary Schemes moved into the new 2015 Scheme, unless protections applied.

The funding arrangements for the Firefighters' Pension Scheme in England were introduced on 1 April 2006 by regulation under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. Prior to 1 April 2006 the firefighter scheme did not have a percentage of pensionable pay type of employer's contribution, the LFC was responsible for paying pensions of its former employees on a pay-as-you-go basis.

Under new funding arrangements the schemes remain unfunded but will not be on a pay-as-you-go basis as far as the LFC is concerned. Apart from the costs of injury awards the LFC no longer meets pension outgoings directly, instead it will pay an employer's pension contribution based on a percentage of pay into the Pension Fund.

The LFC is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the fund are specified by regulation. The Pension Fund is managed by the LFC and the day to day administration of the scheme is provided under contract by the London Pensions Fund Authority. The supplementary fund statement does not take account of any liabilities to pay pensions or any other benefits after the year end; it purely details pension transactions for the year. Note 28 to the accounts provides details of the assessed pension liabilities and the corresponding entries in the main statements.

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

It was confirmed that affected FFPS 1992 members would receive a refund of contributions following the challenge brought by the Fire Brigade Union against the Government regarding pension contributions paid by firefighters' employed before age 20 who have served for over 30 years before reaching the minimum retirement age of 50.

The Home Office issued guidance and provided funding for implementing the employee contributions holiday for members of the 1992 Scheme. The LFC made the majority of payments to eligible members by the end of March 2017.

ACCOUNTING POLICIES

The LFC's accounting policies apply to the fund and are prepared on an accruals basis, apart from transfer values which are accounted for on a cash basis. Transfer payments between English Fire Authorities were repealed by Regulation 36 of Statutory Instrument 1810/2006. Therefore any transfer payments which arise relate to firefighters transferring to/from Welsh and Scottish authorities or transferring out of the Firefighters Pension Scheme entirely.

The Pension Fund has no investment assets and is balanced to nil at the end of the financial year. This is achieved by either paying over to HO (Home Office) the amount by which the amounts receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from HO equal to the amount by which the amounts payable from the fund exceeded the amounts receivable.

Details of the LFC's long term pension obligations can be found under notes to the core Accounting Statements Note 28.

CONTRIBUTIONS

Employees and employers contribution levels are set nationally by CLG and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighters pension regulations the employers contribution rates as a percentage of pensionable pay were 21.7% for the 1992 scheme, 11.9% for the 2006 scheme and 14.3% for the 2015 scheme for 2018/19, and increased following the 2016 valuation to 37.3% for the 1992 scheme, 27.4% for the 2006 scheme and 28.8% for the 2015 scheme from 2019/20 . Employee contributions, as a percentage of pensionable pay, depend on the level of earnings for the different schemes as shown in the tables.

Ill health contributions, for firefighters who retired due to ill health, were also paid into the pension fund.

2019/20			2020/21	
2006 Scheme %	1992 Scheme %	Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
10.4	14.2	More than £21,852 and up to and including £31,218	10.4	14.2
10.9	14.7	More than £31,218 and up to and including £41,624	10.9	14.7
11.2	15.2	More than £41,624 and up to and including £52,030	11.2	15.2
11.3	15.5	More than £52,030 and up to and including £62,436	11.3	15.5
11.7	16.0	More than £62,436 and up to and including £104,060	11.7	16.0
12.1	16.5	More than £104,060 and up to and including £124,872	12.1	16.5
12.5	17.0	More than £124,872	12.5	17.0

2019/20 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2020/21 2015 Scheme %
11.0	Up to and including £27,818	11.0
12.9	More than £27,819 and up to and including £51,515	12.9
13.5	More than £51,516 and up to and including £142,500	13.5
14.5	More than £142,501	14.5

ANNUAL GOVERNANCE STATEMENT

London Fire Commissoner - Annual Governance Statement 2020/21

London Fire Commissioner

ANNUAL GOVERNANCE STATEMENT 2020/21

Introduction

1. Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement.

2. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a London Fire Commissioner Governance Direction 2018 in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for Fire and Resilience's consent and those on which the Deputy Mayor for Fire and Resilience needs to be consulted. It also requires the LFC to follow the Greater London Authority (GLA) practice on staff political restrictions, based on those in the Local Government and Housing Act 1989. In addition, the functions of the LFC shall be exercised by the office holder to fulfil the commitments given by LFEPA as a signatory to the GLA Group Corporate Governance Framework Agreement.

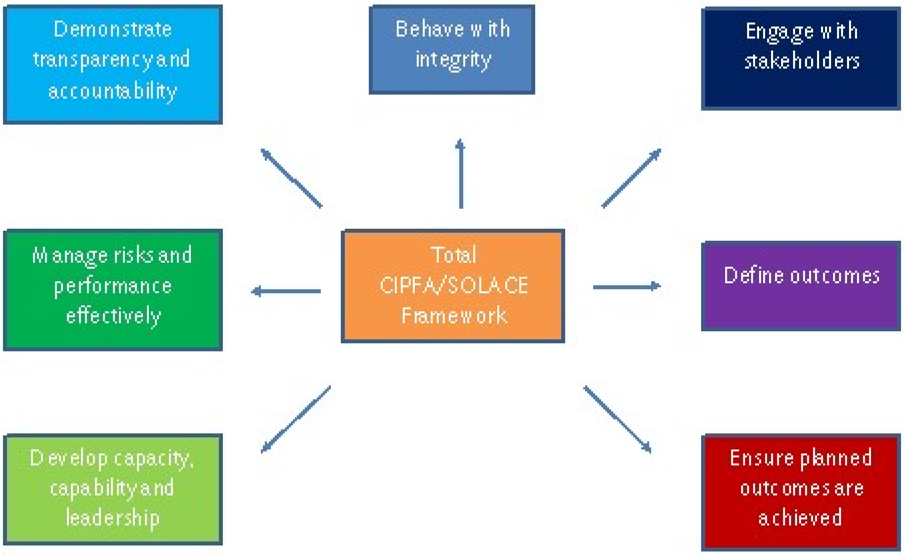
3. This Annual Governance Statement for 2020/21 reflects the governance arrangements in place under the LFC.

4. The LFC's governance framework is based on the CIPFA/SoLACE *Delivering Good Governance in Local Government Framework 2016* which requires the LFC to be responsible for ensuring that:

    - business is conducted in accordance with all relevant laws and regulations
    - public money is safeguarded and properly accounted for
    - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

5. The CIPFA 2016 review promotes writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style; striking a balance between providing the right amount of information to satisfy transparency while not being too onerous for users to understand. This statement has been produced with those considerations in mind.

6. The "core principles" underpinning the CIPFA/SoLACE Framework are set out below:



7. The key elements of the LFC's governance framework at the London Fire Brigade (LFB) are set out below against these core principles.

Table 1: How the LFC meets the principles under the CIPFA framework

London Fire Commissoner - Annual Governance Statement 2020/21

CIPFA Principle	How the LFC meets the principle
Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law	• Behaving with integrity through leadership is provided by the LFC, the Commissioner's Board (CB), Directorate Boards (DB), Portfolio Board, the Top Management Group and senior officers • Behavioural framework outlining the behaviours expected of all employees in the organisation at all levels, following the leading self, leading the function and leading the service model. The Behavioural framework focusses on compassion, togetherness, accountability and the Togetherness Strategy and action plan formulated in 2021 focusses in part on leadership skills and behaviours. This is supported by a scheme of governance which is reviewed annually (last reviewed March 2021), anti-fraud measures, and whistleblowing procedures which are reviewed as and when required, and not less than every three years • Director of Corporate Services is the Head of Paid Service and is responsible for all LFC staff • Director of Corporate Services is the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration • Decision making framework and scrutiny and review arrangements (see para 8 below) • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements

CIPFA Principle	How the LFC meets the principle
Principle 2 – Ensuring openness and comprehensive stakeholder engagement	• Public consultation on London Safety Plan, which is the Brigade's integrated risk management plan detailing how the Brigade will address risk in the community • Multi-agency working arrangements on the incident ground and through day to day business with partners to improve community safety, including Ambulance Driver Assist during the COVID-19 pandemic • Community safety youth programmes including Education Team, Fire Cadets,) and Juvenile Fire setters Intervention Scheme (JFIS) and community engagement programmes working with local/emergency service partners – These have all been impacted during 2020/21 by the pandemic • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with NFCC, London Resilience Group and the Government, including co-ordination in relation to the pandemic • Utilising online digital communication channels such as Twitter, Facebook and YouTube to promote engagement with the service
Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits	• LFC's Transformation Delivery Plan setting out the LFC's purpose, vision and strategy for the Brigade • Current IRMP (London Safety Plan) - extended for one year in 2020 - with specific commitments and performance indicators for key service areas. • LFC's Sustainable Development Strategy and Togetherness Strategy which are specific strategies focussing on inclusion, social impacts, sustainability and the environment • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety • Equality impact analyses and sustainable development impact assessment procedures

CIPFA Principle	How the LFC meets the principle
Principle 4 – Determining the intervention necessary to achieve intended outcomes	• Operational Improvement Process Oversight Panel, Operations Professionalism Board and Brigade Portfolio Board • Quarterly corporate performance report tracks the performance of all the Brigade's activities in terms of key performance indicators and commitments against the London Safety Plan. The report also highlights remedial actions being taken where slippage does occur. • Monitoring of performance against the Transformation Delivery Plan, HMICFRS and Grenfell Tower Fire action plans which combined set a clear vision, strategy, and action plan for the Brigade's priorities • The LFC, via the Commissioner's Board, the Deputy Mayor, and the London Assembly (via the Fire Resilience and Emergency Planning Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • Transformation Delivery Plan setting a clear vision, strategy, and action plan for the Brigade's priorities • Monitoring of performance through the Togetherness Board, against the Togetherness Action Plan which drives activity outlined in the Togetherness Strategy.

CIPFA Principle	How the LFC meets the principle
Principle 5 – Developing capacity, including the capability of leadership and individuals within the Brigade	• Investment in training, Learning Management System and Big Learning (an online learning portal) • Training partnership with Babcock Training Limited • Talent and performance framework to effectively manage the performance of our people helping us to achieve our targets, goals and priorities by developing our employees and fully utilising their knowledge, skills, as part of our department plans and Transformational Delivery Plan • Reflective learning from operational incidents or exercises (operational staff) • Maintenance of skills through development and maintenance of operational professional (DaMOP) • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way including national arrangements such as National Interagency Liaison Officers (NILOs).

CIPFA Principle	How the LFC meets the principle
Principle 6 – Managing risks and performance through strong internal control and financial management	• Corporate risk register identifies strategic risks • Review of strategic risks as part of the quarterly performance reporting cycle • Strategic risk register refresh work undertaken during November 2020 through to March 2021 • Budgetary control systems and monthly budget reporting to Commissioner's Board and approval by LFC • Scheme of delegation • Monitoring financial spend and outcomes/profiling of departments • Scrutiny by newly established Audit Committee
Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Information Risk Officer (SIRO) and Data Protection Officer roles • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls • Held to account by Deputy Mayor • Fire, Resilience and Emergency Planning Committee review and scrutiny of LFC decisions and can challenge policy • External audit of Brigade's systems of internal control • Assurance via appointment of independent Operational Assurance Advisor

Decision-making framework and scrutiny

8. The London Fire Commissioner has seven distinct stages of decision-making:

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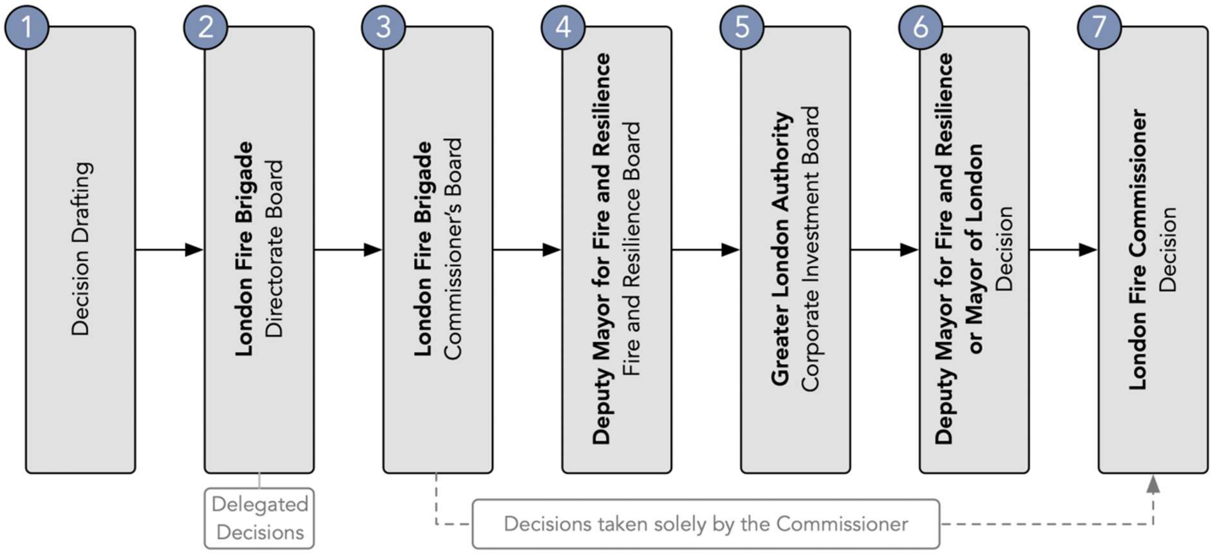

9. Steps five and six are Greater London Authority (GLA) stages, required for a formal decision of the Mayor or Deputy Mayor for Fire and Resilience (DMFR) where the London Fire Commissioner has been required to consult or seek prior consent by the Mayor's London Fire Commissioner Governance Direction 2018. Step four is required by the DMFR to ensure that only approved business proceeds to the GLA for consideration. Steps 5 and 6 are not needed in matters that require prior consultation, as opposed to prior approval.

10. Scrutiny of the decision-making framework is exercised through the LFC's Commissioner's Board, the Deputy Mayor's Fire and Resilience Board, and the London Assembly via the Fire, Resilience and Emergency Planning Committee (FREP).

Review of effectiveness

The LFC uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements in reviewing effectiveness, is the annual report and opinion of the external auditors. Another significant element is the internal audit function conducted on behalf of the LFC by the Mayor's Office for Policing and Crime (MOPAC). MOPAC is fully compliant with Public Sector Internal Audit Standards (PSIAS). Internal audit covers key governance processes, risk management and internal controls. During 2020/21, MOPAC reported on several areas, including all key financial systems. The internal auditors' opinion for 2020/21 was that, based on the areas audited, the LFC's control framework is adequately designed although some controls are not operating effectively to mitigate key system risks. The end of year report detailing the work conducted by MOPAC can be located here.

11. Corporate governance processes have been operating as intended throughout the year. A summary of the governance outcomes is shown below:

Issues identified	Performance in 2020/21
Formal reports by Section 127 or Monitoring Officer	None issued.

Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	No significant issues or breaches of officer conduct have occurred.
Proven frauds carried out by members of staff	No fraud cases have been identified in 2020/21, although any potential cases raised are investigated with support from internal audit as necessary
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2020/21, nor were there any previous authorisations that continued into 2020/21.
Complaints/compliments received from members of the public	A total of 98 complaints were received. These have been actioned accordingly. In addition, a total of 243 compliments were received during 2020/21.
Number of whistleblowing cases	There were two (2) cases which qualify as whistleblowing items during 2020/21. (1) Whilst not received directly through the whistleblowing process, the referral by the family of matters pertaining to the tragic death by suicide of a young fire fighter is regarded as falling within the terms of the policy. An internal review followed which made recommendations which form the basis of an action plan and also incorporate the recommendations of the Coroner following an Inquest. The proposed culture review will also consider matters arising from this tragic event. (2) An anonymous referral made via City Hall in relation to health and safety for fire fighters in the context of training during the COVID-19 pandemic. The report concluded that LFC are delivering training critical to the effective operation of the Brigade and that risks to staff from COVID in all training delivered to LFC staff are being effectively controlled, as far as is reasonably practicable.

12. Last year's Annual Governance Statement highlighted delivery against the Transformation Delivery Plan (TDP) as the key area of improvement, especially in terms of delivering risk critical incident command and leadership training, and a longer term goal of delivering on cultural change to drive the Brigade towards being an agile and learning organisation. A number of actions from the TDP have now been completed and in terms of progress against the items above, all level 1 incident commanders are on track to have been trained by December 2021.

13. Deeply embedded cultures take time to change; although monitoring and evaluation suggests cultural change is occurring there remains some ingrained issues. While the Brigade has launched progressive initiatives including the Togetherness Strategy, Wellbeing Strategy and a performance and talent framework, an internal investigation into the Brigade's culture following the death of a trainee firefighter has resulted in the outcome that there should be a Brigade wide review of LFB culture across staff groups. The work to deliver this and subsequent actions will take place during the next financial year. As a result, these key areas of improvement will also be carried forward.

14. The previous statement also highlighted two recommendations from a governance review, namely the creation of a Transformation Board to oversee the transition of the Brigade so that it meets the LFC's vision for the service and the appointment of an audit committee to provide external scrutiny. Both of these functions came into being during 2020/21.

15. A further governance review will take place during 2021/22 to focus on the re-design of board functions, structures and memberships. This is intended to provide better focus on strategic priorities, outcomes and assurance.

The Brigade's Transformation Blueprint

16. Last year's statement identified the LFC's Transformation Delivery Plan (TDP) as the vehicle to ensure delivery against the Grenfell Tower Inquiry and HMICFRS recommendations, as well as transform the Brigade. However, the TDP is only the start of the journey. The appointment of a Director for Transformation and establishment of the Transformation Board has led to the development of a transformation blueprint and identification of specific capabilities so that the Brigade is enabled and empowered to deliver and sustain transformative change. The key capabilities are:

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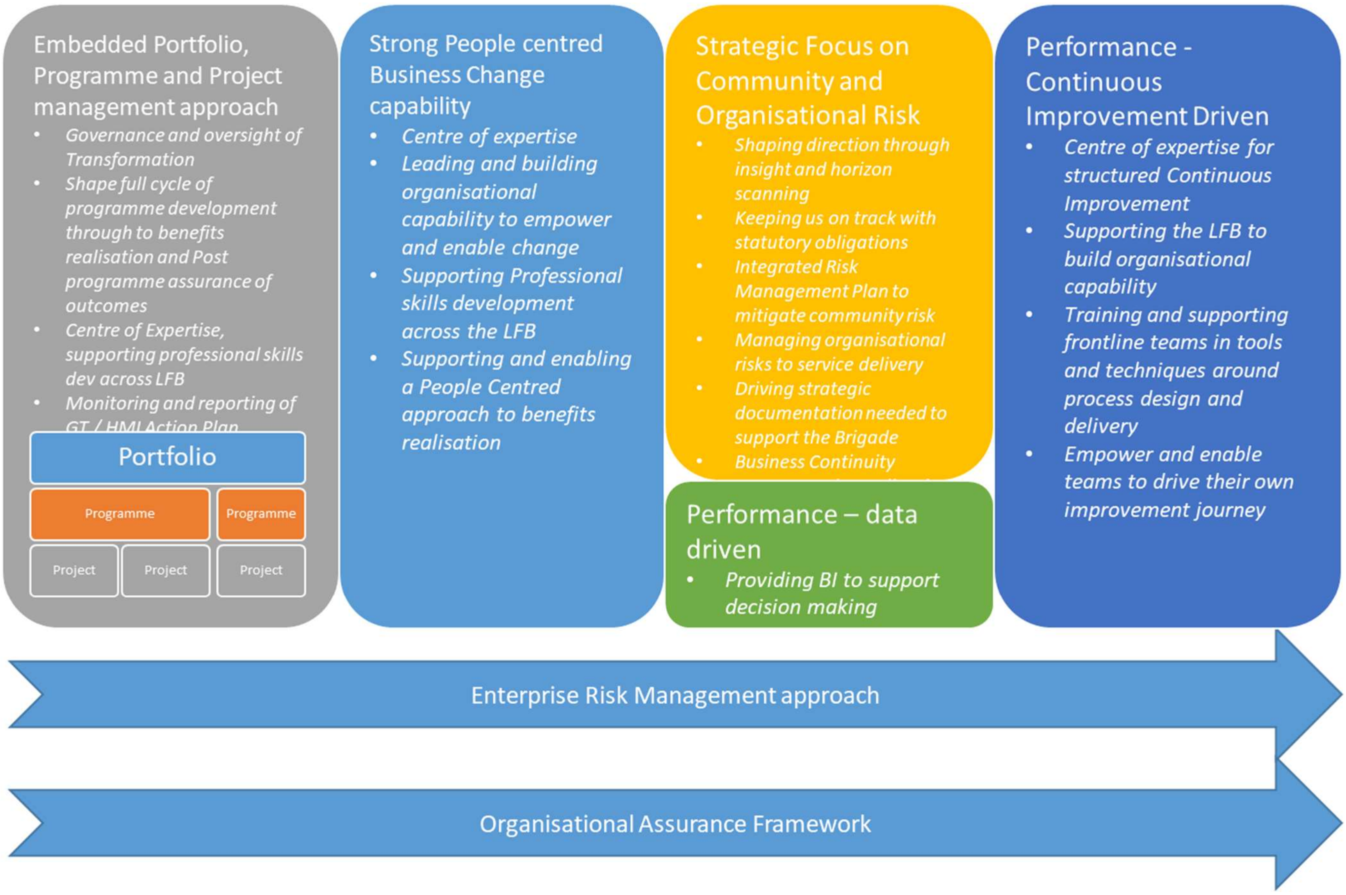
Transformation Blueprint



17. Work on the portfolio approach, risk management refresh, and community risk focus (through the Community Risk Management Plan – formerly known as London Safety Plan) is well advanced and expected to deliver in 2021/22. These in turn will be core components of an assurance framework and the establishment of a business change/continuous improvement function. The assurance framework is expected to inform future governance improvements and reviews of effectiveness.

18. Accordingly, delivery against the transformation blueprint also features as a key area of improvement for the following year (2021/22).

Key areas of improvement for 2021/22	**Planned action**
Carried forward from 2020/21: *Risk critical*: Incident command, leadership training, reconnecting with London's communities.	Effective and timely delivery of the Transformation Delivery Plan (TDP), including delivery of the HMICFRS and Grenfell Tower Inquiry action plans. New - Delivering the culture wide review and acting on subsequent improvement actions.

Key areas of improvement for 2021/22	Planned action
Longer term: Cultural change, becoming an agile and learning organisation, driving innovation in the fire and rescue service	
New for 2021/22: Progress and delivery against the transformation blueprint	Expected delivery of: - Portfolio approach - Risk strategy and register refresh - Community Risk Management Plan - Assurance framework
Governance review	Development of Audit Committee workplan Improved Board functionality, structure and memberships

The continuing impact of CoVID-19 during 2020/21

19. The coronavirus disease (COVID-19) which emerged towards the end of the previous financial year has continued to have an impact on Brigade operations and the community throughout 2020/21.

20. Throughout the disruption the Brigade has managed to operate at a steady state with all critical activities (i.e. those activities necessary for the delivery of key Brigade services) have continued to be managed as per our Business Continuity arrangements. Our capacity to respond to incidents and maintain our response time has been mostly unaffected and degradation strategies have been put in place to manage any impact on our staffing numbers.

21. In-line with our Strategic Response arrangements (SRA) the Commissioner's Continuity Group (CCG) has convened on a regular basis throughout 2020/21 to provide strategic management of the incident and ensure that the LFB remains prepared for any potential impacts of COVID-19 spread in London. Liaison with the National Fire Chiefs' Council has also continued to ensure sharing of best practice and information across the country and to ensure that the Brigade is aligned with the national position. This approach has allowed us to maintain continuity of service through the various government tiers and national lockdowns.

22. We have adopted an approach limiting some activities in-line with Governments 'social distancing' strategy. However, we have continued to provide our full emergency fire and rescue service response, maintaining operational assurance at simultaneous / waking watch provision, Fire Safety Inspecting Officer activity with additional pre appointment screening, alleged fire risk inspections again with additional pre appointment screening, operational risk database visits, premises risk assessment including high rise information gathering, and petroleum visits / hydrant inspections.

Partnership working

23. As well as ensuring our own critical activities are managed we have been able to assist our partner agencies through the Local Resilience Forum by providing staff and resources to support the pan London response with staff trained and deployed to assist the London Ambulance Service deliver its front line service, pandemic multi-agency response teams (PMART), and logistical support to the NHS.

Forward look and recovery

24. The Brigade has a dedicated Recovery Group which has assisted in plotting the path to recovery by prioritising the resumption of critical/important activities through risk assessments and aligning these to best support the governments social distancing relaxation plans. Lessons learnt have also been captured to inform organisational improvements in efficiency, effectiveness and minimise the impact on our staff and their wellbeing.

Financial and governance implications of coronavirus on the Brigade

It is likely that the impact of the coronavirus will feature as a long-term factor on the Brigade's finances. It is hard to be certain about the overall financial impact, but the Brigade has incurred additional costs owing to the pandemic (especially the use of pre-arranged overtime to maintain operational readiness). It is hard to forecast the exact final financial impact on the Brigade as the COVID-19 situation continues to evolve, and whilst additional funding has been made available to meet costs so far, the impact on future funding is yet to be determined.. Additionally, costs for providing Ambulance Driver Assistance are now being recovered from the London Ambulance Service. The existing financial controls provide the mechanism to regularly review these costs and their impact on the budget position.

25. In terms of the impact on governance arrangements, there continues to be minimal impact. Governance and decision-making meetings are being conducted virtually through Microsoft Teams which ensures that decisions and business as usual can progress.

26. As the Brigade transitions to a post-COVID environment, it is likely that blended working arrangements will become common place using a mix of station-based staff, office and home locations to provide the full range of Brigade services.

Equalities considerations

27. The Brigade, under the leadership of the LFC, takes the Public Sector Equality Duty very seriously. The LFC's approach is embodied in the 'Togetherness' Strategy, which has a dedicated externally-facing pillar which includes a number of strategic objectives and actions directly relating to how we advance equality of opportunity, foster good relations and eliminate discrimination in the communities we serve and protect. These are important deliverables in terms of how the Brigade governs itself.

Equality in the community

Normally, LFB carries out around 80,000 Home Fire Safety Visits (HFSVs) annually and in addition to reducing fire risk, crews also ensure that referrals are made to specialist services such as safeguarding and to the Metropolitan Police (MPS) and/or London Ambulance Service (LAS) depending on the issue. COVID-19 has significantly impacted the number of face-to-face HFSVs that can be conducted, with visits reduced to those of a risk-critical nature, and performance for 2020/21 shows that 17,321 visits have been completed. Nevertheless, the development of a 'virtual' HFSV package will help to mitigate this going forward and provide new opportunities for engagement with our communities. Additionally, LFB have started a new pilot, working in 9 boroughs to take a deliberative approach in engaging seldom heard communities to shape local community engagement across London. This work will enable the Brigade to better understand and deliver services ensuring they are accessible and shaped by the diverse community we serve.

The LFB, LAS and MPS also work together to support vulnerable young people through joint delivery where possible at a borough and pan London level through cadets, junior citizens, "prison me no way" and youth boards. However, schools visits and other community initiatives have been seriously impacted by COVID-19 this year. Local Intervention Fire Education (LIFE) has been suspended for the whole of 2020/21 and will be discontinued from April 2021 with resources permanently diverted into fire cadets and community safety.

Equality for our staff

The first pillar of the Togetherness Strategy relates to the Transformation Delivery Plan pillar of 'the best people and the best place to work', with a number of strategic objectives and actions to support LFB to achieve best practice in recruitment, training, representation, retention and staff experience. The Brigade supports eight Equality Support Groups who act as a support and consultative mechanism for decisions, where these may affect different groups of staff.

The Brigade actively promotes its Equality Impact Assessments (EIAs) process to staff to conduct this analysis on their decisions and policies, and to support them through the governance process – including completing the 'Equality Implications' sections of Board reports.

The Brigade's Counselling and Trauma Service provides input into planning and implementing interventions to improve workforce mental wellbeing to supplement pre-existing interventions on physical wellbeing. A desktop computer-based training programme is available to all employees to raise awareness and understanding of all mental health conditions.

Equality in recruitment

One of the Brigade's key priorities is to increase the number of women and BAME members of the community joining the Brigade as trainee firefighters. The Brigade has undertaken research to understand the barriers that exist for people joining the service. LFB has an Outreach Team who are engaging with these target groups through community and partner-based activities, to increase attraction rates. The successful 2020 recruitment campaign has continued to deliver results with the trainee firefighter intake meeting corporate indicator targets for both firefighter appointments from women (54 appointments– 23 per cent) and BAME (79 appointments– 33 per cent) applicants.

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Conclusion

I am satisfied that this Statement describes the internal systems of control that were and are in place with regards to the LFC's governance arrangements, and that adequate processes were and are in place to ensure compliance with its Corporate Code of Governance.

Andy Roe

London Fire Commissioner

Dated: 2 July 2021

Glossary of Terms

ACCRUALS

Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.

ACT/365

is a day count convention which calculates the actual days in a time period, over the actual number of days in a calendar year. Used to determine how interest accrues over time.

BUDGET

A statement defining the Authority's policies over a specified time in terms of finance.

CAPITAL EXPENDITURE

Spending on the acquisition or construction of assets. This would normally be assets of land, buildings or equipment that have a long term value to the Authority.

CAPITAL RECEIPTS

Proceeds from the disposal of land or other capital assets. Capital receipts can be used to finance new capital expenditure, but cannot be used to finance revenue expenditure.

CONTINGENCY

Sums set aside to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT ASSET/LIABILITY

A possible source of future income (asset) or liability to future expenditure (liability) at the balance sheet date dependant upon the outcome of uncertain events.

CORPORATE AND DEMOCRATIC CORE (CDC)

The costs attributable to CDC are those costs associated with corporate policy making and member based activities.

CREDITORS

Sums owed by the Authority for goods and/or services received, but for which payment has not been made by the end of the accounting period.

DEBTORS

Sums due to the Authority but not received by the end of the accounting period.

DEPRECIATION

An accounting adjustment to reflect the loss in value of an asset due to age, wear and tear, deterioration or obsolescence. This forms a charge to service departments, for use of assets, in the Comprehensive Income and Expenditure Statement.

EARMARKED RESERVES

Amounts set aside for a specific purpose to meet future potential liabilities, for which it is not appropriate to establish a provision.

IMPAIRMENT

An accounting adjustment to reflect loss in value of a fixed asset caused either by a consumption of economic benefits or by a general fall in price. The loss is a charge to the Comprehensive Income and Expenditure Statement when a consumption of economic benefits or, if due to revaluation, where there is insufficient balance held in the Revaluation Reserve against the particular asset.

MINIMUM REVENUE PROVISION

The minimum amount that must be set aside from the Authority's Revenue account each year for principal repayments of loans and credit liabilities.

PROVISIONS

Sums set aside to meet future expenditure. Provisions are for liabilities or losses which are likely or certain to be incurred, but for which the sum is not known.

PUBLIC WORKS LOANS BOARD

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

REVENUE EXPENDITURE

The day to day costs incurred by the Authority in providing services.

INVENTORIES

The amount of unused or unconsumed goods held for future use within one year. Stocks of goods held by the Authority are valued at the end of each financial year and carried forward to be matched to use when required.