



LONDON FIRE BRIGADE

Report title

Draft Statement of Accounts and Annual Governance Statement 2021/22 - Unaudited

Report to

**Finance and Investment Board (verbal update)
Commissioner's Board**

Date

26 May 2022
08 June 2022

Report by

Assistant Director, Finance

Report classification

For Information

Synopsis of report:

The report sets out the unaudited draft Statement of Accounts and Annual Governance Statement for 2021/22.

Report number – LFC-0714

For Publication

PART I - NON-CONFIDENTIAL FACTS AND ADVICE FOR INFORMATION

Executive Summary

This report presents the London Fire Commissioner's (LFC) draft unaudited Statement of Accounts 2021/22 (which is included as Appendix 1) and the draft Annual Governance Statement (which is included as Appendix 2). Once approved the Annual Governance Statement will be incorporated into the Statement of Accounts document.

The LFC is required under Regulation 7 of the Accounts and Audit Regulations 2015 to approve and publish audited accounts, and for the LFC's statutory Chief Financial Officer, the Director of Corporate Services, to certify draft accounts for audit and public inspection. The deadlines for these have been amended for 2021/22 due to the COVID-19 pandemic. The Audit (Coronavirus) (Amendment) Regulations 2021 extended to 30 September for the approval and publication of the accounts, and to on or before the first working day of August for certification of the accounts for public inspection and audit.

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 (AGS). The AGS for 2021/22 is attached as Appendix 2 to this report and is to be incorporated, following review by Commissioner's Board, into the draft Statement of Accounts ahead of publication and passing to the external auditors.

The draft Statement of Accounts is presented now for information only at this stage, to inform the LFC of the draft unaudited accounts prior to public inspection and the full external audit. A further report will be presented to the LFC following completion of the external audit to approve the Statement of Accounts and Annual Governance Statement and allow publication.

Recommended decisions

The London Fire Commissioner notes:

- i. the draft unaudited 2021/2022 Statement of Accounts, at Appendix 1 to this report, certified by the Director of Corporate Services as presenting a true and fair view of the financial position of the LFC as at 31 March 2022;
- ii. the draft Annual Governance Statement for 2021/22.

Background

1. The LFC is required under Regulation 7 of the Accounts and Audit Regulations 2015 to approve and publish audited accounts, and for the LFC's statutory Chief Financial Officer, the Director of Corporate Services, to certify draft accounts for audit and public inspection. The deadlines for these were amended for 2020/21 due to the COVID-19 pandemic. The Audit (Coronavirus) (Amendment) Regulations 2021 extended the deadline from 31 July to 30 September for the approval and publication of the audited accounts, and to on or before the first working day of August, from 31 May, for certification of the draft accounts for public inspection and audit.
2. The unaudited accounts were certified by the LFC's Chief Finance Officer on 31st May 2022 and will sent to the LFC's external auditor, Ernst and Young, to commence the audit on 13 June 2022. The unaudited Statement of Accounts will also be made available for public inspection from Friday 10 June 2022 to Thursday 22 July 2022, this period being the statutory 30 working days.
3. The accounts include the LFC's Annual Governance Statement, which does not form a statutory part of the accounts however it is published with the Statement of Accounts.
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 AGS reflects on the position for 2021/22 against those principles and identifies any areas of improvement for 2022/23.

Statutory Accounting Framework

6. All local authority accounts are required to adopt 'proper accounting practice' based on either statutory requirements or the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that 'present a true and fair view'.
7. The statutory provisions and the Code determine how the accounts are to be compiled. If there is any conflict between the two then it is the statutory provisions that prevail. Whilst every effort is made to achieve consistency of presentation and inclusion there is scope for differing professional interpretations. It is also important that the costs of individual services are defined in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SERCOP) to ensure consistency of treatment when items such as unit costs are compared between authorities. The statement of accounts is presented in a prescribed format that complies with SERCOP.
8. This report provides LFC with the draft unaudited Statement of Accounts and provides explanations of the figures and key issues in the accounts. It is intended that the report provides the Commissioner's Board with the opportunity to develop its understanding of the accounts and the primary statements included therein, ahead of the final audited Statement of Accounts being presented for LFC approval, assuming the external auditors receive the Grant Thornton assurance letter on the 30th September then the signing off of the Statement of Accounts is expected to take place within a week of this date according to the external auditors.

Statement of Accounting Policies

9. The accounting policies form part of the Statement of Accounts and are included in the external audit. The policies are the principles, bases, conventions, rules and practices applied by the LFC that specify how the effects of transactions and other events are to be reflected in its financial statements. The use of such policies effectively secures consistency in the financial figures being reported year on year.

Provisional Outturn Position - Capital Expenditure

10. In 2021/22, total spending on the capital programme for tangible and intangible assets was £17.066m. The breakdown of this is shown in the table below.

Capital Expenditure	£m
Rebuilding and modernising of fire stations and other buildings	8.036
Upgrading ICT equipment	1.308
Purchase of fleet vehicles and equipment	7.722
Total Capital Expenditure	17.066
Funded by	
Capital receipts	16.400
Borrowing	0.666
Total Funding	17.066

11. The LFC took out temporary borrowing to fund capital programme and took no new long-term external borrowing during the year. Settlement of maturing principal debt during 2021/22 totalled £3m. As a result, as at 31 March 2022, the level of outstanding principal debt totalled

£52.725m. The average interest payable on outstanding loans as at 31 March 2022 was 4.7% (4.73% at 31 March 2021).

12. The former fire stations at Clerkenwell and Shooters Hill were sold during the year and several vehicles were also sold, resulting in total capital receipts of £16.703m.

Provisional Outturn Position - Service Income and Expenditure

13. The Statement of Accounts includes accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK. These provide for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see Statement of Accounts core statement note 28), depreciation – (Note 9), impairment (Note 17) and revaluation charges (Note 17).
14. The unaudited figure for net service expenditure for 2021/22, shown in the table below excludes these accounting adjustments, as they do not impact on the LFC budget. The outturn position after the application of reserves and grants was £3.8m less than the approved LFC budget.
15. Following movements between the general fund and reserves, the unaudited general fund balance increased by £8.1m from £12.7m as at 31 March 2021 to £20.8m as at 31 March 2022 and the earmarked reserves decreased by £7.7m.

Unaudited Service Expenditure and Income 2021/22

LFC Revenue	2021/22		
	Budget	Unaudited Outturn	Variance
	£'000	£'000	£'000
Operational staff	270,883	283,096	12,213
Other staff	66,613	63,690	(2,923)
Employee related	23,976	26,139	2,163
Pensions	21,644	20,659	(985)
Premises	44,903	42,029	(2,874)
Transport	17,550	17,236	(315)
Supplies and services	31,409	32,065	656
Third party payments	1,364	2,068	705
Capital financing costs	8,953	9,810	857
Central contingency against inflation	1,880	713	(1,167)
Total revenue expenditure	489,175	497,503	8,329
Other income	(43,041)	(53,942)	(10,900)
Net revenue expenditure	446,133	443,562	(2,572)
Use of reserves	(4,245)	(4,245)	0
Financing Requirement	441,888	439,317	(2,572)
Financed by:			
Specific grants	(36,485)	(37,732)	(1,247)
GLA funding	(405,400)	(405,400)	0
Net Financial Position	3	(3,815)	(3,819)

Balance Sheet

16. The net Pensions Deficit, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes (FPS) is £7.2bn as at 31 March 2022. This is the sum of the LFC's liabilities in both schemes arising from pension benefits earned 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.
17. The land and buildings valuations have been reviewed during 2021/22 for all fire stations. The process was carried out to ensure that the LFC's valuations are completed in line with the CIPFA code which requires specialised assets, in this case fire stations, to be valued on a depreciated replacement cost based on a modern equivalent asset. As a result of the valuations work the building and land valuations have increased by £30.6m overall. This change in asset values does not have any impact on the net revenue position or the usable reserves.
18. The Debtor balance increased at the end of the year by £16.2m to £71m which equates to a 18.2% increase. The increase was largely within Central government and Local Authority grants. There is no expectation that these funds will not be recovered.
19. Cash and Cash Equivalents increased during the year by £72.1m to £116.4m and the movement relates to timing difference of cash receipt during the year.

Contingent Liabilities

20. During 2021/22 work continued on the McCloud/Sargeant judgement. The impact of the expected remedy is addressed as part of the pension valuation however there is a potential liability for compensation to scheme members. This is therefore included as a contingent liability in the Statement of Accounts.
21. There has been a contingent liability added this year to explain the position with the claims issued against the London Fire Commissioner (LFC). It is that lawyers acting for the bereaved survivors and relatives have issued around 950 claims against the LFC and other core participants in the Grenfell Tower Inquiry. A further 107 claims from firefighters and control room officers, and 36 claims from Metropolitan Police Officers against the same Defendants have also been made. The LFC, together with most other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, alternative dispute resolution (ADR) process to try and resolve matters without the need for litigation. The first stage of the mediation is due to take place over a two-week period, beginning 16 January 2023.

Audit and Public Inspection

22. It has been agreed with the LFC's external auditors, Ernst and Young, that the audit will commence on 13th June 2022. The LFC's accounts are open to public inspection from 10 June 2022 for a period of 30 working days. This means that any person interested may inspect and make copies of the accounts, and any related books, deeds, contracts, bills, vouchers and receipts. An opportunity for electors to raise any objections to the accounts is available during this inspection period. As such the audit cannot be formally concluded until the period for public inspection has closed.

23. Should there be any event that results in a change to the accounts, this is to be discussed with the auditor and any subsequent amendments with the LFC in consultation with the Director of Corporate Services, as the Chief Financial Officer.

Annual Governance Statement

24. The Annual Governance Statement (AGS) for 2021/22 is provided at Appendix 2. The AGS provides an overview of the governance arrangements that were in place for the LFC from 1 April 2021 and during the year 2021/22. The AGS will be included within the Statement of Accounts and passed to EY for external audit.

Finance comments

25. This report is prepared by the Assistant Director - Finance and as such Finance comments have been incorporated into the report.

Workforce comments

26. No Workforce implications have been identified therefore no formal consultation has been undertaken.

Legal comments

27. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
28. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
29. This report seeks the London Fire Commissioner's (LFC's) to note the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.
30. Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.
31. The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
32. Regulation 7 of the Accounts and Audit Regulations 2015 (the "2015 Regulations") provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year.

33. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.
34. 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 (AGS).
35. The AGS for 2021/22 is attached as Appendix 2 to this report and incorporated as part of the Annual Statement of Accounts.
36. The Accounts and Audit (Amendment) Regulations 2021 have amended the dates for compliance with the 2015 Regulations as set out in this report.
37. Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out the how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records.
38. This report together with the enclosed appendices presented for approval will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

Sustainability implications

39. There are no direct sustainability implications arising from this report.

Equalities impact

40. The London Fire Commissioner and the Greater London Authority are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on those with protected characteristics taking this into account and then evidencing how decisions were reached.
41. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
42. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
43. The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
 - a. eliminate discrimination, harassment and victimisation and other prohibited conduct.

- b. advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - c. foster good relations between people who share a relevant protected characteristic and persons who do not share it.
44. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a. remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - b. take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - c. encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
45. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.
46. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a. tackle prejudice, and
 - b. promote understanding.
47. This report relates to treasury management performance and is therefore not considered to have any equalities impact.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents:

Local Government Act 2003

CIPFA Code of Practice on Treasury Management (2017)

CIPFA The Prudential Code (2017)

CIPFA The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018)

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

Financial Regulations

CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities incl Police and Fire Authorities (2018)

Department for Levelling Up, Housing & Communities (DLUHC) Guidance on Local Government Investment	
The DLUHC Capital Finance Guidance on Minimum Revenue Provision	
Proper officer	Director of Corporate Services
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List of Appendices

Appendix	Title	Protective Marking
1.	Draft Statement of Accounts - Unaudited	N/A
2.	Draft Annual Governance Statement	N/A

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – /NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Princess Christian-Iwuagwu has drafted this report and confirms the following:

Assistant Director/Head of Service

Adrian Bloomfield has reviewed the documentation and is satisfied for it to be referred to Board for consideration.

Advice

Legal team has commented on this proposal;

Thomas Davies, Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)

Princess Christian-Iwuagwu, Financial Advisor, on behalf of the Chief Finance Officer