



LONDON FIRE
AND EMERGENCY
PLANNING AUTHORITY



STATEMENT OF ACCOUNTS 2013/2014

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Review of the Year

Review of the Year

The London Fire Brigade (LFB) is run by the London Fire and Emergency Planning Authority (LFEPA). We provide services across the whole of the Greater London area serving London's 8.2 million residents as well as those who work in, or visit the city. We cover 33 unitary authorities, all with specific political, social and geographic conditions, and are the only regional fire and rescue service in the country.

Following the implementation of the Authority's fifth London Safety Plan in January 2014, we have 102 land fire stations and one river station. We operate a two shift; four watch system, resulting in over 400 points of service delivery. In 2013/14 we handled just over 178,000 emergency (999) calls and attended some 102,100 incidents in London. These included nearly 21,000 fires, just over 31,000 special services and around 50,100 false alarms.

We are a partner in over 850 individual initiatives ranging from youth engagement through to carrying out home fire safety visits for London's most vulnerable people.

Fifth London Safety Plan (LSP5)

The Authority's core aims and objectives are set out in its London Safety Plan, which is then cascaded to Departmental service plans. The Authority's risk policy statement is included within the Plan, together with the key corporate risks. The fifth Plan covers the period 2013 to 2016 and addresses budgetary requirements for the financial years 2014/15 and 2015/16. The plan can be accessed on the London Fire Brigade website - <http://www.london-fire.gov.uk/lsp5.asp>

In 2013/14 the Authority was required to make savings of £29m. In order to make the savings LSP5 saw the closure of ten fire stations with effect from 9 January 2014. The plan was approved by the Authority at a meeting on 12 September 2013. A judicial review application was made by seven London borough councils and an individual claimant against the Mayor, the Commissioner and the Authority in respect of LSP5. The judicial review hearing took place between 26 and 29 November 2013 at the Royal Courts of Justice. After considering the applications, on 20 December 2013, the judicial review found in favour of the Mayor, Commissioner and the Authority. No appeals were lodged by the claimants

Firefighter industrial action

During the financial year firefighters in the Fire Brigades Union took strike action over the Government's reforms to the Firefighters' Pension Scheme and declared action short of strike until further notice. The Authority's plans to cover the periods when firefighters are on strike were implemented, which saw provision of fire cover by the Authority's retained contractor Securitas. Gross expenditure incurred by the Authority on business continuity during 2013/14 due to strike action was £3.9m. Industrial action is still ongoing, with further strike action taken on three occasions in May 2014.

Review of the Year

Property PFI Scheme

On 1st August 2013, LFEPA 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 at today's prices, to replace and make major improvements to Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell fire stations. Eight of the stations are being completely re-built on their existing sites and one station, Mitcham, will be 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. This £51.5m is extra money for the Brigade.

National Operational Guidance Programme

The National Operational Guidance programme is a partnership between the London Fire Brigade, the Chief Fire Officers Association and the Local Government Association to produce common, national, operational policy platform which local services can base local policies, procedures and training on. The aim of the programme is to develop a new catalogue of national operational doctrine for the UK fire and rescue service to deliver three core benefits:

- to provide the foundation for safe systems of work for firefighters;
- to provide the foundation for interoperability between fire and rescue services; and
- to provide the foundation for interoperability between the UK fire and rescue service and other emergency services.

Completed guidance will be published online in a Wikipedia-style format. This will allow guidance to be easily searched and quickly and easily revised or updated should circumstances change. The first two pieces of new national operational guidance (on environmental protection and water rescue and flooding) were released for consultation with the fire and rescue service and a wide range of stakeholders in October 2013. Following consultation, assessment and review, the completed guidance is intended for publication in 2014.

FIRED-uP Project

During the year London Fire Brigade joined forces with Ghent Fire Brigade in Belgium in an EU funded project designed to make both fire and rescue services greener. The FIRED-uP project is looking for innovative ways of reducing the environmental impact of the cities' frontline fleet of fire engines and other vehicles.

Running until June 2015, the project provides the opportunity to investigate a range of new technologies and processes – from alternative fuels to components and power management to logistics. Following initial research, the Brigade has now identified a number of areas for further investigation. These include on-vehicle data logging systems for fire engines which can track fuel and water consumption, emissions, use of operational systems and equipment; and software which collates and analyses this data.

Review of the Year

How the data can then be applied to vehicle design and use, driver training, the length of time vehicles remain in service and the type of vehicles used across the fleet will also be investigated.

Flood response

With the wet weather in the UK in February 2014 ,flooding affected many areas of the country, London Fire Brigade sent help and resources to assist other UK fire and rescue services. The Brigade sent three fire engines, three fire rescue units and a Command Unit to Berkshire where it helped to carry out water rescues in flood stricken areas. It has also sent specialist senior officers to assist Oxfordshire and Surrey fire and rescues services who are advised on flood rescues and moving water.

Firefighters attended the water treatment works in Kenley, Croydon which was under threat of flooding. The brigade was pumping 24,000 litres of water a minute away from the affected waterworks. The facility supplies water to 47,000 properties in the area. Twelve fire engines and over 80 firefighters were at the scene, along with three high volume pumps, as part of an inter-agency response, working round the clock to protect the waterworks from flood water. A high volume pump is capable of pumping 480,000 litres of water an hour.

New Fire Safety Campaign - `Do you know your fire plan?`

In March 2014, the Brigade launched a new campaign aimed at increasing fire safety awareness for housing providers and people who live in purpose-built blocks of flats and maisonettes.

`Do you know your fire plan?' has been developed in response to a recommendation made by the Coroner after the Lakanal inquest to increase fire safety communications. A website 'www.knowtheplan.co.uk' has been created that asks people to get to know their building and to have a plan in case of fire. The site holds information and advice for tenants about how to act safely in their homes to prevent fires and who to go to for fire safety advice. You can access further information on the Brigade's website.

<http://www.knowtheplan.co.uk/>

Explanatory Foreword

Introduction

The London Fire and Emergency Planning Authority (LFEPA) is part of a unique government arrangement of organisations operating under the umbrella of the GLA, which includes this Authority, the core GLA, the Mayor's Office for Policing and Crime, the Metropolitan Police Service and Transport for London

The London Fire Brigade is run by LFEPA. The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chairman of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees. The Authority sets the strategy and policies for the provision of fire and rescue services in London and it has adopted structures and processes to ensure that it is regularly able to scrutinise performance against its strategies and priorities.

The Mayor has the power to give LFEPA directions and guidance, including the manner in which the Authority is to perform any of its duties or to conduct any legal proceedings. However, any direction or guidance given by the Mayor must be consistent with the Fire and Rescue National Framework and fire safety enforcement guidance. The Mayor and Assembly are responsible for setting the Authority's budget requirement.

The Authority's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, this 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 that follow comprise:

- **The Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Authority and its Director of Finance and Contractual services for the accounts.

The following Core Accounting statements:

- **The Movement in Reserves Statement** which shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Explanatory Foreword

- **The Comprehensive Income and Expenditure Account**, which 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**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 is those that the Authority 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'.
- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents of the Authority during the year. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The Statement of Accounts also includes the following Accounting Statement;

- **The Firefighters' Pension Schemes Fund Account**, which shows transactions on the fund account determined by regulation for the Firefighters' scheme for England. The Fund is unfunded but is no longer on a pay as you go basis as far as Fire Authorities are concerned. The Authority no longer meets the pension outgoings directly: instead it pays an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid in and out of the Fund are specified by regulation. The fund is 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 Department for Communities and Local Government (CLG).

Explanatory Foreword

The Annual Governance Statement (AGS) 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 4 of the Accounts and Audit (England) Regulations 2011.

The AGS sets out the governance framework within which the Authority operates. It comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Income and Expenditure for the year

The income and expenditure relates to monies we collect and spend on the day to day running of the Authority'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 (£400.8m) made up of the following elements; Revenue Support Grant (£163.5m), Retained Business Rates (£108.9m) and Council Tax (£128.4m).

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 31), depreciation, impairment and revaluation charges, the figure for net service expenditure for 2013/14, shown in the table below, was £415.5m against a budgeted net expenditure sum of £416.6m. The outturn position after application of reserves and grants was £52k less than the approved Authority budget. (0.01%). After the net movement from general fund and reserves (£3.3m), the Authority's General fund balance decreased from £13.5m as at 31 March 2013 to £10.2m as at 31 March 2014 and the Authority's earmarked reserves increased from £9m as at 31 March 2013 to £9.2m as at 31 March 2014.

The £52k under spend in year was a combination of under and over spends as set out in the table below. Business Continuity costs incurred during the year were unbudgeted and relate to the cost of the provision of fire cover whilst firefighters undertook industrial action.

Set out in the table below is a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the Authority's main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the Authority's funding requirements through GLA grant.

Explanatory Foreword

Service Expenditure and Income 2013/14

Service Expenditure & Income	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational staff	261,878	259,950	(1,928)
Other Staff	48,974	48,777	(197)
Employee related	5,574	7,569	1,995
Pensions	20,468	19,735	(733)
Premises	30,150	29,012	(1,138)
Transport	23,634	22,200	(1,434)
Supplies and Services	41,438	41,798	360
Third party payments	1,506	1,452	(54)
Capital financing costs	10,900	10,556	(344)
Central Contingency	1,034	0	(1,034)
Business Continuity	0	3,959	3,959
Revenue Service Expenditure	445,556	445,008	(548)
Income	(28,929)	(29,557)	(628)
Net Service Expenditure	416,627	415,451	(1,176)
Use of General reserves	(523)	(523)	0
Use of earmarked reserves	(2,602)	(2,602)	0
Financing requirement	413,502	412,326	(1,176)
Financed by			
Specific Grants	(12,731)	(11,607)	1,124
Revenue Support Grants	(163,500)	(163,500)	0
Retained Business rates	(108,900)	(108,900)	0
Council tax requirement	(128,371)	(128,371)	0
Total Net Expenditure	0	(52)	(52)

Explanatory Foreword

What we own, money we owe and money owed to us

Our Balance Sheet below shows the value of what the Authority owns, is owed, and what it owes to others as at 31 March 2014.

The Authority's property portfolio, which is located throughout the Greater London area includes 102 operational fire stations (including a River Station), 2 Leasehold Offices, 2 workshops, 1 Stores unit, 4 sites under development, 3 surplus sites, 10 sites held for sale, 3 Radio mast sites and 9 interests in other property (data back up facility, car parking and telecommunication paging sites).

Money owed to us includes cash sums invested with financial institutions on a short term basis totalling £43m.

Summary Balance Sheet as at 31 March 2014	£m
Computer Software	5.5
Land, Buildings, Vehicles & Equipment	302.1
Assets Held for Sale	32.8
Stock	0.5
Money owed to the Authority within the next year	61.8
Money owed to the Authority after one year	0.1
Money owed by the Authority within the next year	(51.3)
Money owed by the Authority after one year	(5,459.8)
Total	(5,108.3)
Unusable Reserves	
Reserves not available for use	194.8
Pension Fund deficit	(5,338.7)
Usable Reserves	35.6
Total Net worth	(5,108.3)

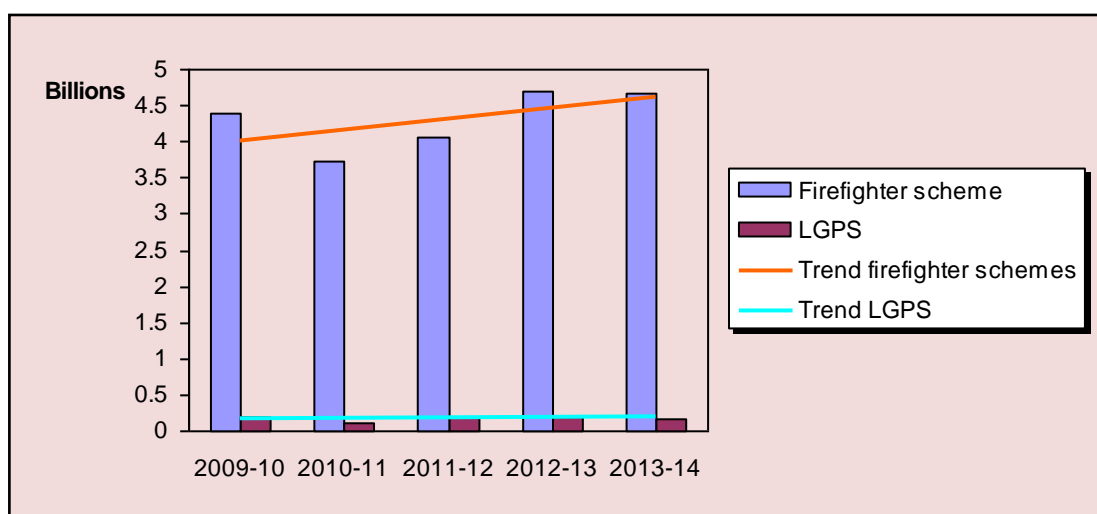
Pension Funds

The Authority participates in three pension schemes that meet the needs of particular groups of employees. There are two firefighter pension schemes known as the 1992 Firefighters' Pension scheme and the 2006 New 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.

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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 2014, is £5.3bn (31 March 2013 £4.9bn). This is the sum of the Authority'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 Authority. The chart below shows the movement in the level of liability in the Firefighter pension schemes and the Local Government Pension scheme (LGPS) over five years.

Firefighter schemes and Support staff (LGPS) Pension obligation 2009/10 to 2013/14



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 code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

During 2013/14, total spending on the capital programme was £9.9m. The spend included the rebuilding and modernising of fire stations and other buildings (£6.6m), upgrading equipment (£2.8m) and software (£0.5m). Capital expenditure on Authority assets (£9.9m) is to be financed in accordance with the Prudential Code from Government capital grant (£6.9m), capital receipts applied (£1.2m) and Local Authority borrowing (£1.8m). Further details of the grants received in year are contained in the notes to the core statements.

The Authority took £9m of external borrowing during the year. Settlement of maturing principal debt during 2013/14 totalled £11.25m. As a result, as at 31 March 2014, the level of outstanding principal debt totalled £101.725m. The average interest payable on outstanding loans as at 31 March 2014 was 4.52% (4.72% 31 March 2013).

Explanatory Foreword

Disposal of property during the year resulted in £1.2m of capital receipts.

Further Information

Further information concerning the accounts is available from the Director of Finance and Contractual Services, London Fire Brigade Headquarters, 169 Union Street, London SE1 0LL.

Formal approval and adoption of the Accounts by the Authority

I confirm that these accounts were approved by the Authority's Governance, Performance and Audit Committee at the meeting held on 15 September 2014.

Signed on behalf of the London Fire and Emergency Planning Authority



Councillor Maurice Heaster OBE

Chairman of Governance, Performance and Audit Committee

Dated 15 September 2014

Statement of Responsibilities for the Statement of Accounts

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Contractual 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 Finance and Contractual Service's Responsibilities

The Director of Finance and Contractual Services is responsible for the preparation of the Authority'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 Finance and Contractual 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 Finance and Contractual 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 Finance and Contractual Services

I hereby certify that the Statement of Accounts on pages 15 to 104 gives a 'true and fair view' of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2014.

Signed



Sue Budden CPFA
Director of Finance and Contractual Services

Dated 15 September 2014

Audit Opinion and Certificate 2013/14

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON FIRE AND EMERGENCY PLANNING AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of London Fire and Emergency Planning Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 37 and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 1. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of London Fire and Emergency Planning Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Contractual Services and auditor

As explained more fully in the Statement of the Director of Finance and Contractual Services' Responsibilities set out on page 11, the Director of Finance and Contractual Services is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Contractual Services; and the overall presentation of the financial statements.

Audit Opinion and Certificate 2013/14

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Fire and Emergency Planning Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

Audit Opinion and Certificate 2013/14

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, London Fire and Emergency Planning Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Neil Harris

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

15th September 2014

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 Authority's transactions for the financial year and its position at the year-end of 31 March 2014. The Financial Statements provide information about the Authority's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the Authority's management and for making economic decisions. The Authority has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 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 Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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

Statement of Accounting Policies

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.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates or Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current or future years affected by the changes, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information about the effect of a transaction, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting to opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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 Authority 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 Authority in accordance with statutory guidance).

Statement of Accounting Policies

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 are 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 are 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.

Foreign Currency Translation

When the Authority 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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as a part of Net Expenditure on Continuing Services.

VAT

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

Statement of Accounting Policies

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2014.

The following standards have issued but not yet adopted:

- IFRS 10 Consolidated Financial Statements – Identifies control as the basis for consolidation
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in associates and Joint Ventures
- IAS 32 Financial Instruments Presentation – Offsetting Financial assets and Financial Liabilities
- IAS 1 Presentation of Financial Statements

These changes are not considered to have a significant impact on the Authority's Statement of Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 authority.

Movement in Reserves Statement									
	Usable Reserves					Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	General Fund	Earmarked Reserves	Revenue grants Unapplied	Capital Grants Unapplied	Capital Receipts Reserve				
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at 1/4/12	40,902	20,036	3,243	1,000	0	65,181	(4,069,894)	(4,004,713)	
Restated - Surplus or (deficit) on provision of services (accounting basis)	(200,586)	0	0	0	0	(200,586)	0	(200,586)	
Restated - Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(446,785)	(446,785)	4
Total Comprehensive Income and Expenditure	(200,586)	0	0	0	0	(200,586)	(446,785)	(647,371)	
Restated - Adjustments between accounting basis & funding basis under regulations	162,196	0	(338)	1,000	0	162,858	(162,858)	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(38,390)	0	(338)	1,000	0	(37,728)	(609,643)	(647,371)	
Transfers (to)/from Earmarked Reserves	11,028	(11,028)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(27,362)	(11,028)	(338)	1,000	0	(37,728)	(609,643)	(647,371)	
Balance as at 31/3/13	13,540	9,008	2,905	2,000	0	27,453	(4,679,537)	(4,652,084)	
Surplus or (deficit) on provision of services (accounting basis)	(178,854)	0	0	0	0	(178,854)	0	(178,854)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(277,390)	(277,390)	4
Total Comprehensive Income and Expenditure	(178,854)	0	0	0	0	(178,854)	(277,390)	(456,244)	
Adjustments between accounting basis & funding basis under regulations	175,778	0	(665)	11,850	0	186,963	(186,963)	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,076)	0	(665)	11,850	0	8,109	(464,354)	(456,244)	
Transfers (to)/from Earmarked Reserves	(226)	226	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(3,302)	226	(665)	11,850	0	8,109	(464,353)	(456,244)	
Balance as at 31/3/14	10,238	9,234	2,240	13,850	0	35,562	(5,143,890)	(5,108,328)	

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. This Authority receives grant funding from the GLA the position of which is shown in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement							
31/3/13 Restated			Division of Service	31 /3/14			
Gross Exp	Gross Income	Net Exp		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	Note
72,967	(5,969)	66,998	Community fire safety	55,617	(5,851)	49,766	
353,220	(32,530)	320,690	Fire fighting and rescue operations	336,694	(30,658)	306,036	
1,694	(113)	1,581	Fire service emergency planning and civil defence	1,676	(94)	1,582	
			Central Services				
2,088	0	2,088	Corporate and Democratic Core	2,046	0	2,046	
987	0	987	Non Distributed Costs	1,125	0	1,125	3
430,956	(38,612)	392,344	Cost of services	397,158	(36,603)	360,555	19
30,468	(41,040)	(10,572)	Other operating expenditure	16,603	(1,200)	15,403	
10,669			Interest payable and similar charges	7,208			
	(1,408)		Interest and investment income		(609)		
194,100			Firefighter pensions net Interest on the net defined benefit liability	210,400			
8,506			Support staff pension net interest on the net defined benefit liability	8,724			
213,275	(1,408)	211,867	Financing and Investment Income and Expenditure	226,332	(609)	225,723	
	(379,800)		GLA Grant		(400,770)		
	(4,382)		PFI Grant		(3,287)		
	(8,871)		Fire Capital Grant		(18,770)		
		(393,053)	Taxation and Non-Specific Grant Income			(422,827)	
		200,586	(Surplus) or Deficit on Provision of Services			178,854	
(48,560)			Surplus on revaluation of non-current assets	(677)			
4,483			Impairment losses on non-current assets charged to revaluation reserve	88			
490,862			Remeasurement of the net defined benefit liability	277,979			
		446,785	Other Comprehensive Income and Expenditure			277,390	4
		647,371	Total Comprehensive Income and Expenditure			456,244	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 is those that the authority 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'.

BALANCE SHEET					
31 March 2013			31 March 2014		Note
£000	£000		£000	£000	
		Property, Plant & Equipment			
98,674		Land	78,990		
238,923		Buildings	201,549		
9,658		Vehicles, Plant and Equipment	7,520		
5,766		Non Operational Assets	12,814		
1,198		Heritage Assets	1,198		
	354,219			302,071	9
		Intangible Assets			
1,828		In-house Software	1,473		
3,100		Software Licences	2,411		
1,350		Non Operational Assets	1,651		
	6,278			5,535	9
117		Long Term Debtors	58		13
	117			58	
	360,614	Long Term Assets		307,664	
0		Assets held for sale	32,813		9
5,093		Short Term Investments	0		10
599		Inventories	497		12
14,510		Short Term Debtors	19,743		13
33,340		Cash and Cash Equivalents	42,098		14
	53,542	Current Assets		95,151	
0		Bank Overdraft	0		
(7,344)		Short Term Borrowing	(6,120)		10
(40,463)		Short Term Creditors	(41,467)		15
(4,694)		Provisions	(3,752)		16
0		Short Term Liabilities	0		27
	(52,501)	Current Liabilities		(51,339)	
(4,717)		Provisions	(2,630)		16
(97,718)		Long Term Borrowing	(96,497)		11
(4,911,304)		Other Long Term Liabilities	(5,360,677)		26
	(5,013,739)	Long Term Liabilities		(5,459,804)	
	(4,652,084)	Net Assets		(5,108,328)	
27,453		Usable Reserves		35,562	
(4,679,537)		Unusable Reserves		(5,143,890)	18
	(4,652,084)	Total Reserves		(5,108,328)	

Cash Flow Statement

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

In order to align LFEPA financial accounts with those of the GLA in order to assist with the consolidation of the Group accounts, LFEPA changed the presentation of the cash flow statement from the direct method to the indirect method.

CASH FLOW STATEMENT	Notes	31 March 2014	31 March 2013 Restated
		£000	£000
Net (Surplus) or Deficit on the Provision of Services		178,854	200,586
Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	35	(195,065)	(190,801)
Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		19,970	8,871
Net cash flows from Operating Activities		3,759	18,656
Investing Activities	37	(14,767)	(21,557)
Financing Activities	37	2,250	6,437
Net (Increase) or Decrease in Cash and Cash Equivalents		(8,758)	3,536
Cash and cash equivalents at the beginning of the period		(33,340)	(36,876)
Cash and Cash Equivalents at the End of Period		(42,098)	(33,340)

Notes to Core Accounting Statements

1. Critical Judgements in Applying Accounting Policies

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

8 Albert Embankment

The Authority decided to sell its old Headquarters building based at 8 Albert Embankment, Lambeth and moved to a refurbished leased building at 169 Union Street, Southwark. The old headquarters site is still awaiting development and is classed as an operational property given its continued use as an operational fire station, rather than an asset held for sale.

Property PFI project

The Authority has entered into a PFI agreement to re provide nine new fire stations over a three year period. Eight of the stations are to be re provided on existing sites with one on a new site. The agreement requires the Authority to provide access, under a lease and lease back arrangement, to the various sites as and when the building works are due to take place. The stations concerned will be non operational during the period of construction and become operational under a lease agreement once the new stations are completed. Therefore the sites concerned have been reclassified in the financial accounts from operational to non-operational non current assets. The stations will revert back to Authority ownership at the end of the lease period of twenty five years. Ownership of the land at each site remains with the Authority.

Fifth London Safety Plan

Under the plan approved by the Authority on 12 September 2013 ten fire stations were closed on 9 January 2014 and the Authority has decided to sell the station sites and consequently those sites have been reclassified from operational assets to assets held for sale – March 2014 Resources Committee (FEP2238). The sites have been valued at 31st March 2014 at the lower of its carrying value and fair value less costs to sell at initial reclassification. LFEPA is satisfied that the estimated disposal proceeds (EDP) figures provided by Dron and Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2013-14. EDP figures are not market valuations as they were not subject to the standards and guidance which is contained in the RICS 'Red Book', as the preparation of agency advice, including estimates of disposal proceeds, is specifically excluded from the provisions of the 'Red Book'.

Government Grants

The Authority receives government grants and contributions and under the CIPFA Code must determine the conditions under which the grants and contributions can be applied. Apart from funding from CLG for the firefighter pensions fund account, which is conditional based on corresponding expenditure, all other grants and contributions have been determined to be unconditional.

Notes to Core Accounting Statements

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

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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

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 economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The current carrying value of non-current assets as at 31 st March 2014 is £307,606k	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1,085k for every year that useful lives had to be reduced.
Provisions	The Authority has made provision for potential claims for past events that may result in a transfer of economic benefits. The provisions provide for cover against potential legal claims, possible employee, premises, fleet and MMI levy related payments and outstanding motor insurance claims yet to be settled. The current carrying value of provisions as at 31 st March 2014 is £6,382k	If provisions were overstated by 10% the provision would reduce by £638k
Pensions 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 Authority with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31 st March 2014 is £5,338,725k.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 2% increase in the pension liability, in the region of £96.4m. 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 31

Notes to Core Accounting Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2014 the Authority had a balance of sundry debtors for £20.5m. A review of significant balances suggested that an impairment of doubtful debts of £737k was appropriate.	If collection rates were to deteriorate by 30 days the amount of the impairment of doubtful debts would require an additional £160k to be set aside as an allowance.

3. Non Distributed Costs

Non Distributed Costs cover those costs that relate to pensions past service costs and any costs associated with unused shares of IT facilities or any other long-term unused but unrealisable assets. The Authority has no such costs as far as IT and other assets are concerned.

31/3/2013	Non Distributed Costs	31/3/2014
£000		£000
587	Pension settlements and curtailments Local Government Pension Scheme	725
400	Pension settlements and curtailments Firefighter Pension scheme	400
0	Past Service Actuarial (Gain)/Loss	0
987	Total	1,125

Net Cost of Services

The net cost of services is displayed in an objective format rather than a subjective report on revenue service expenditure and income. The format conforms to the service expenditure analysis for fire services, as recommended by CIPFA's Service Reporting Code of Practice (SeRCOP). The cost of services includes the current cost of retirement benefits for each division of service as required by IAS19, Accumulated Absences and depreciation and impairments relating to Non-current Assets.

4. Material items of Income and Expense

The Authority collected £21.4m from the Insurance industry under the Metropolitan Fire Brigade Act 1865. This is shown as income in the Net Cost of Services against Community Fire Safety and Fire fighting and Rescue Operations.

Notes to Core Accounting Statements

Other operating expenditure/(income)

The sum shown in the CIES comprises of the following

	2012/13	2013/14
	£000	£000
Other operating expenditure		
Non current assets impairment	0	12,422
Non current assets derecognised	30,468	2,747
Non current assets – disposed in year	0	1,432
Foreign exchange losses	0	2
Sub total	30,468	16,603
Sale proceeds received in year	0	(1,200)
Write down of PFI Lease Liability	(41,040)	0
CIES - Other operating expenditure/(income)	(10,572)	15,403

Other Comprehensive income and expenditure

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

	2012/13	2012/13	2013/14	2013/14
	£000	£000	£000	£000
Surplus or deficit on revaluation of non-current assets				
Gain on the revaluation of Property assets	(48,560)		(676)	
Loss on the revaluation of Property assets	4,483		87	
Surplus on revaluation of non current assets		(44,077)		(589)
Actuarial losses on Firefighter pension liabilities	484,100		303,500	
Actuarial losses on LGPS pension assets/liabilities	6,762		(25,521)	
Actuarial (gains)/losses on pension assets/liabilities		490,862		277,979
Total Other Comprehensive Income and Expenditure		446,785		277,390

Notes to Core Accounting Statements

5. Events after the Balance Sheet date

Operational Vehicle Fleet

The Authority discharged its lease commitment to the Bank of Scotland on 11 April 2014 and took full ownership of the Authority's operational vehicle fleet. The replacement of fleet vehicles and the day to day management and maintenance of the Fleet will be carried out under contract with its chosen contractor Babcocks.

On 1 April 2014 the Authority also took ownership from the Department of Communities and Local Government of the New Dimensions fleet assets. These assets are made up of vehicles and equipment such as mass decontamination units and high volume pumps, and are available for national deployment. The assets were transferred to the Authority with a net book value of £4.5m and will be treated as a government grant.

Fifth London Safety Plan (LSP5) Disposals

The Authority closed ten fire stations in January 2014 as part of savings under LSP5. A disposal process for the sites was agreed by the Authority's Resources Committee (FEP 2238 March 2014). The disposal process commenced in March 2014 and initial bids have been received from interested parties. Early indications show that the potential sale proceeds may exceed the estimated disposal proceeds (EDP) values used in the Financial Accounts. The bids are subject to due diligence and Authority and Mayoral review and any resulting variation to values will be reflected in the Authority's 2014/15 Financial Accounts.

Accounts Authorised

The accounts were authorised for issue by Sue Budden, Director of Finance and Contractual services, on 15 September 2014 and post balance sheet events have been considered up to this date.

Notes to Core Accounting Statements

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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2013/14	Usable reserves				Unusable Reserves
	General Fund	Revenue Grants Unapplied	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments between Accounting Basis and Funding Basis under Regulations					
Depreciation, amortisation and impairment of fixed assets	26,387	0	0	26,387	(26,387)
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	(1,200)	0	0	(1,200)	1,200
De-recognition of non current assets	2,835	0	0	2,835	(2,835)
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	(5,883)	0	0	(5,883)	5,883
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	1,433	0	0	1,433	(1,433)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	170,927	0	0	170,927	(170,927)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(18,770)	0	18,770	0	0
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	0	0	(6,920)	(6,920)	6,920
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	0	0	0	0	0
Transfer to Revenue Grants Unapplied Account	665	(665)	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	(5,922)	0	0	(5,922)	5,922
Adjustment due to Accumulated Absences, current year charge	5,306	0	0	5,306	(5,306)
Total Adjustments	175,778	(665)	11,850	186,963	(186,963)

Notes to Core Accounting Statements

The following table provides comparative figures for 2012/13.

2012/13 – RESTATED	Usable reserves				Unusable Reserves
Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Revenue Grants Unapplied	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation and impairment of fixed assets	29,191	0	0	29,191	(29,191)
Write-down of PFI Finance lease liability	(41,040)	0	0	(41,040)	41,040
De-recognition of non current assets	30,028	0	0	30,028	(30,028)
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	(7,936)	0	0	(7,936)	7,936
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	161,467	0	0	161,467	(161,467)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(8,871)	0	8,871	0	0
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	0	0	(7,871)	(7,871)	7,871
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	0	0	0	0	0
Transfer to Revenue Grants Unapplied Account	338	(338)	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	(6,902)	0	0	(6,902)	6,902
Adjustment due to Accumulated Absences, current year charge	5,922	0	0	5,922	(5,922)
Total Adjustments	162,196	(338)	1,000	162,858	(162,858)

Notes to Core Accounting Statements

7. Transfers to/from Earmarked Reserves

The table below shows the in year movements between the Authority's earmarked reserves.

Ear marked Reserves	Balance as at 31/3/2014	Transfers Out	Transfers In	Balance as at 31/3/2013	Transfers Out	Transfers In	Balance as at 31/03/2012
	£000	£000	£000	£000	£000	£000	£000
Firefighter Ill Health Pensions	652	0	0	652	(1,119)	0	1,771
Vehicle Fleet reserve	1,723	0	1,092	631	0	0	631
London Resilience	1,497	0	0	1,497	(483)	0	1,980
Sustainability Reserve	235	0	0	235	(131)	0	366
Hydrants	338	(445)	500	283	(779)	0	1,062
Compensation	150	(1,350)	1,500	0	(1,531)	0	1,531
Hazardous Material Protection	435	0	0	435	(20)	0	455
Property	260	(109)	250	119	(382)	0	501
Employee Change	0	0	0	0	(3,942)	0	3,942
National Operational Guidance	3,376	(907)	0	4,283	(1,717)	0	6,000
Property PFI	245	0	0	245	0	245	0
Salix	195	0	81	114	0	114	0
Review of workwear	128	0	128	0	0	0	0
Pension Early Release	0	(514)	0	514	(1,283)	0	1,797
Total	9,234	(3,325)	3,551	9,008	(11,387)	359	20,036

8. Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision, that it considers prudent, for the redemption of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2013/14 was £5.88m (2012/13 £7.94m), being assessed by the Authority as being prudent given CLG guidance.

Notes to Core Accounting Statements

9. Property Plant and Equipment

Accounting Policy

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 Authority 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction. A de minimis of £20,000 is in place for the capitalisation of expenditure.

The cost of assets 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 Authority). 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 Authority.

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:

- Infrastructure and assets under construction - depreciated historical cost

Notes to Core Accounting Statements

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

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.

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 Account 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.

Notes to Core Accounting Statements

- 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.

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.

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).

Land	Not depreciated
Heritage Assets	Not depreciated
Buildings – Structure, roof, plant & services	Estimated life between 10 to 60 years
Software and software licences	5 to 7 years
Vehicles	2 to 25 years
Plant and Equipment	5 to 10 years

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 depreciation is charged in the year of disposal.

Component Accounting

For assets that are classed as material (£5 million and above) to the Authority, 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 2012/13, the non-current tangible assets of the Authority were re-valued which has resulted in the trigger of the component accounting

Notes to Core Accounting Statements

requirements, which will effect the depreciation charge levied in 2013/14 financial year. 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 it's useful life.

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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. 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.

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 Authority'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.

The written-off value of disposals is not a charge against Authority revenue funding, as the cost of non-current 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.

Notes to Core Accounting Statements

The table below shows the movements in the Authority's Non Current Assets during 2013/14:

Non Current Assets	Operational				Non Operational Assets	Heritage Assets	Assets held for sale	Total
	Land	Buildings	Vehicles	Equipment				
	£000	£000	£000	£000	£000	£000	£000	£000
Net Book value as at 1/4/13	98,674	238,923	73	9,585	5,766	1,198	0	354,219
Add back Depreciation	0	78,306	0	22,893	0	0	0	101,199
Gross Value as at 1/4/13	98,674	317,229	73	32,478	5,766	1,198	0	455,418
Reclassification	(16,717)	(31,844)	0	68	1,424	0	47,069	0
Revaluation	0	676	0	0	0	0	0	676
De-recognition - other	0	(3,964)	0	0	0	0	0	(3,964)
Impairments	(2,622)	(9,800)	0	0	0	0	0	(12,422)
Additions in year	0	3,610	167	102	5,624	0	0	9,503
Disposals in year	(345)	(1,577)	0	0	0	0	0	(1,922)
Gross value as at 31/3/14	78,990	274,330	240	32,648	12,814	1,198	47,069	447,289
Accumulated Depreciation as at 1.4.2013	0	(78,306)	0	(22,893)	0	0	0	(101,199)
Disposals in year	0	489	0	0	0	0	0	489
Reclassification	0	14,256	0	0	0	0	(14,256)	0
De-recognition - other	0	1,129	0	0	0	0	0	1,129
Depreciation for year	0	(10,349)	(15)	(2,460)	0	0	0	(12,824)
Total Depreciation as at 31/3/14	0	(72,781)	(15)	(25,353)	0	0	(14,256)	(112,405)
Net Book Value as at 31/3/2014	78,990	201,549	225	7,295	12,814	1,198	32,813	334,884

Notes to Core Accounting Statements

Non Current asset valuations for Land and Buildings were determined as follows:

The freehold and long leasehold interests in the various properties which are owned by London Fire and Emergency Planning Authority (LFEPA), were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 1st April 2013, in accordance with the Sixth Edition of the Valuation Standards of the Royal Institution of Chartered Surveyors (the 'Red Book'). In their report dated 26 June 2013 in that connection, Dron and Wright confirmed the information set out below.

For the whole of the LFEPA 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. The DRC has been assessed on the basis of the existing properties, rather than by reference to 'Modern Equivalent Assets' (MEAs). This departure from the Red Book is necessary because it is impractical to ascertain the 'service potential' of MEAs, due to the following factors:-

- The very large number of fire stations in LFEPA operational property portfolio.
- The 'services' which are provided from individual fire stations are not 'standard' and vary significantly between different properties.
- When fire stations are rebuilt, that opportunity is often taken to rationalise the services which are provided from the property.
- LFEPA own a significant number of nationally or locally listed buildings in central London locations, and it would not have been viable to purchase a replacement asset, in the context of the market conditions prevailing at the valuation date.

The EUV of non-specialised operational properties have been assessed by reference to sales comparisons and market variables. The EUV's are likely to be different to the prices which would have been obtainable for LFEPA's interests in the properties in the open market, if they had been declared surplus to operational requirements, at the valuation date.

Since then, a valuation review has been undertaken by Dron & Wright, who do not consider that as at 1st April 2014, there has been a 'material and permanent' change in the valuation of the property portfolio since the valuation undertaken on 1st April 2013. In their report Dron & Wright also provided the following information for the Authority to disclose:-

1. This is the fourth time that the Valuer has been the signatory of the valuation report provided to LFEPA, and the previous valuation dates were 1st April 2003, 1st April 2008 and 1st April 2013. This is the fifth 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 Valuation Standard 1.9, we do not consider that it has prevented us from providing LFEPA with an independent and objective opinion on the values of its various properties.
2. This firm has acted for LFEPA for a period of over 18 years. During that time, the firm has provided property management, landlord and tenant, agency, building

Notes to Core Accounting Statements

surveying and rating services to LFEPA, under a series of contracts for the provision of property and estate management functions.

3. In the firm's preceding financial year, fees payable to Dron & Wright by LFEPA 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. above, in the foreseeable future.

Based on advice which has been provided to the Authority by Dron & Wright, in connection with the estimated disposal proceeds (EDP) for the LSP5 former fire stations, Officers have included an amount for the 'assets held for sale' in the balance sheet which is considered to be appropriate for our financial reporting purposes.

The EDP figures are not market valuations as they were not subject to the standards and guidance which is contained in the RICS 'Red Book', as the preparation of agency advice, including estimates of disposal proceeds, is specifically excluded from the provisions of the 'Red Book'. LFEPA is satisfied that the EDP figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2013-14.

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.

The Authority's premises principally include:

Authority premises	31/3/14		31/3/13	
	Leasehold	Freehold	Leasehold	Freehold
Fire stations and associated buildings	8	94	7	106
Offices	2	0	3	0
Workshops/Stores	1	2	1	2
Sites awaiting development	0	0	0	1
Sites under development	0	4	0	1
Surplus land and property	1	2	1	2
Assets held for sale	1	9	0	0
Radio Mast sites	0	3	0	3
Interests in other properties	9	0	9	0
Total	22	114	21	115

Notes:

- The figures for fire stations and associated buildings include dual use sites, e.g. Croydon Fire Station, which includes offices and workshops. Such sites are shown as one holding.
- The Authority no longer has any stand-alone residential units. Residential flats, which are an integral part of the fire station or require access via the station or its drill yard, are included under Fire Stations.

Notes to Core Accounting Statements

- The total for other properties does not include miscellaneous minor holdings held under licence.

Following a move to a new headquarters building in Union Street, Southwark, the site of the previous headquarters is still operational, but is to be disposed of, and the intention is that the fire station, which is part of the old site, is to be re-provided as part of any redevelopment package. As at 31 March 2014 the Authority had one building (Merton Regional Control Centre) held under a finance lease.

The table below shows the comparative movements in the Authority's Non Current Assets during 2012/13:

Non Current Assets	Operational				Non Operational Assets	Heritage Assets Restated	Assets held for sale	Total
	Land	Buildings	Vehicles	Equipment				
	£000	£000	£000	£000	£000	£000	£000	£000
Net Book value as at 1/4/12	70,751	239,430	33,304	12,161	4,716	1,198	0	361,560
Add back Depreciation	0	70,495	58,594	20,305	0	0	0	149,394
Gross Value as at 1/4/12	70,751	309,925	91,898	32,466	4,716	1,198	0	510,954
Reclassification	0	(459)	0	0	459	0	0	0
Revaluation	27,930	16,097	0	0	50	0	0	44,077
Impairments	(7)	(10,792)	0	0	(26)	0	0	(10,825)
Additions in year	0	5,827	73	12	567	0	0	6,479
PFI finance lease assets derecognised	0	0	(91,898)	0	0	0	0	(91,898)
Disposals in year	0	(3,369)	0	0	0	0	0	(3,369)
Gross value as at 31/3/13	98,674	317,229	73	32,478	5,766	1,198	0	455,418
Accumulated Depreciation as at 1 April 2012	0	(70,495)	(58,594)	(20,305)	0	0	0	(149,394)
Assets written out	0	2,928	61,871	0	0	0	0	64,799
Depreciation for year	0	(10,739)	(3,277)	(2,588)	0	0	0	(16,604)
Total Depreciation as at 31/3/13	0	(78,306)	0	(22,893)	0	0	0	(101,199)
Net Book Value as at 31/3/2013	98,674	238,923	73	9,585	5,766	1,198	0	354,219

Notes to Core Accounting Statements

Vehicles

The Authority terminated the contract with the previous provider in November 2012 and appointed Babcock to manage and maintain the fleet on an interim basis. In 2013/14 the fleet vehicles were owned by the Bank of Scotland and the Authority leased the fleet from the bank under an operating lease. The lease was discharged in April 2014, at which point the Authority took ownership of the fleet.

In April 2014 the Authority also took ownership from the Department for Communities and Local Government of New Dimension vehicles and equipment. These vehicles are available for national deployment and include specialist vehicles and equipment such as high volume pumps and mass de-contamination equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority'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 Authority can be determined by reference to an active market. If intangible assets held by the Authority 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.

Notes to Core Accounting Statements

Intangible Assets

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 of use to the Authority. The useful lives assigned to the major software suites used by the Authority 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	

The carrying amounts of intangible assets are amortised on a straight line basis and the amortisation is charged to the relevant service heading in the Comprehensive Income and Expenditure Statement.

Intangible Assets	Operational			Under Development (non operational)		
	Software licences	In-house Software	Total	Software licences	In-house Software	Total
	£000	£000	£000	£000	£000	£000
Net Value as at 1/4/13	3,100	1,828	4,928	1,237	113	1,350
Amortised	(902)	(327)	(1,229)	0	0	0
Additions	28	12	40	0	486	486
Reclassification	185	(40)	145	(185)	0	(185)
Net Value as at 31/3/14	2,411	1,473	3,884	1,052	599	1,651

Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. These assets are accounted for as a separate item on the balance sheet. The Authority's Heritage Assets are housed in the Authority's London Fire Brigade Museum located at Southwark and are the collection which can be divided across four main areas: museum exhibits, the art collection, the museum archive and museum library.

Notes to Core Accounting Statements

Museum exhibits include large fire fighting apparatus, models and toys, clothing and equipment, building related items, Insignia and medals. The Art collection consists of paintings and prints with various aspects of the history of fire and firefighting in London from 1666 to the present. It also includes statues, statuettes, busts in various mediums including bronze and porcelain. The museum archive consists of documents of all types relating to the history of the fire brigade. The museum library houses approximately 500 published and unpublished works relating to fire service history. The aim of the museum is to increase the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) on an insurance based value. In most instances there is no established market value for these items and valuation has been established by an external valuer on the basis of the likely replacement cost at suitable specialist retail outlets, having given due consideration to quality and condition for a similar item. Insurance valuations are subject to an annual desk top review and revisit after five years.

The carrying value of heritage assets as at 31 March 2014 (£1.198m (museum items £768k, photographic collection £430k) remained unchanged from the previous year and are valued at their insured values. The insurance valuation was provided by Lyon and Turnbull, Fine Art, Antique Auctioneers and Valuers. Following the adoption of FRS30 Heritage Assets in 2011/12 financial year, as required by the Code of Practice on Local Authority Accounting, the insurance valuation was used to recognise the heritage assets on the Balance Sheet. A few items were added to the collection during the year but had no material impact on the insured values.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Authority's heritage assets.

10. Financial Instruments

Accounting Policy

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. The Authority has taken loans from the Public Works Loans Board (PWLb) and a Local Authority at fixed rates 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 Authority 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.

Notes to Core Accounting Statements

The Authority 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 two types:

Loans and receivables are financial assets that have fixed or determinable payments but are not quoted in an active market.

Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Authority does not have any such assets.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Expenditure and Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, 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 Authority 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.

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

Financial liabilities and Assets at amortised cost	31/3/13		31/3/14	
	Long Term	Current	Long Term	Current
Borrowings	£000	£000	£000	£000
PWLB & Local Authority Borrowing	96,725	7,250	95,725	6,000
PWLB & Local Authority Accrued Interest	993	94	772	120
Total borrowings	97,718	7,344	96,497	6,120
PFI and finance lease liabilities	18,425	0	18,425	0
Total Other Long term liabilities	18,425	0	18,425	0
Creditors	0	20,085	0	19,041
TOTAL	116,143	27,429	114,922	25,161

Notes to Core Accounting Statements

Financial liabilities and Assets at amortised cost	31/3/13		31/3/14	
	Long Term	Current	Long Term	Current
Loans and receivables	31/3/13		31/3/14	
	Long Term	Current	Long Term	Current
	£000	£000	£000	£000
Investments				
Short term investments	0	5,000	0	0
Accrued Interest	0	93	0	0
Total investments	0	5,093	0	0
Debtors (note 1)	117	11,409	58	16,397
Cash Equivalents	0	33,340	0	42,098
TOTAL	117	49,842	58	58,495

NOTE 1. Employees are also entitled to car loans, at reduced rates of interest (essential car users scheme 2013/14 was 2.25% per annum), where an officer is required to have a car for operational purposes. The balance of outstanding car loans as at 1 April 2013 was £ 117k, reduced to £58k as at 31 March 2014.

The Authority provides interest free season ticket loans to employees, which are repayable over an eleven month period. The outstanding balance as at 1 April 2013 was £198k and £204k as at 31 March 2014.

The outstanding balances involved and the differential in interest rates thereon are not considered material to warrant adjustment to the balance sheet value or to include in the Comprehensive Income and Expenditure Statement under transition to the new accounting arrangements.

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:

2012/13 £000	Financial Instruments Income & Expenditure	2013/14 £000
(10,669)	Interest expense	(7,208)
1,408	Interest income	609
(9,261)	Net gain/(loss) for the year	(6,599)

Notes to Core Accounting Statements

2012/13 £000	Financial Instruments Income & Expenditure	2013/14 £000
(4,989)	PWLB borrowing	(4,649)
0	Local Authority borrowing	(25)
(3,097)	PFI lease interest & contingent rentals	0
(2,583)	Merton Lease Payment	(2,534)
(10,669)	Total Interest expense	(7,208)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). The fair values calculated are as follows:

31/3/2013		Liabilities & Assets	31/3/2014	
Carrying amount	Fair Value		Carrying amount	Fair value
£000	£000		£000	£000
103,975	128,664	PWLB & Local Authority debt	101,725	117,915
18,425	18,425	PFI & Other Finance Leases	18,425	18,425
20,085	20,085	Trade and other creditors	19,041	19,041
142,485	167,174	Total Liabilities	139,191	155,381
5,093	5,134	Fixed term deposits	0	0
11,409	11,409	Trade and other debtors	16,397	16,397
117	117	Long term debtors	58	58
33,340	33,340	Cash & Cash Equivalents	42,098	42,098
49,959	50,000	Total Assets	58,553	58,553

The fair value valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's 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 Authority's treasury advisor (Capita) and PWLB from the market on 31 March 2014, 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. Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date.

Notes to Core Accounting Statements

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

Nature and extent of risk arising from Financial Instruments

Key risks

The Authority'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 Authority
- (ii) **Liquidity risk** - the possibility that the Authority might not have funds available to meet its commitments to make payments
- (iii) **Re-financing risk** - the possibility that the Authority 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 Authority as a result of changes in such measures as interest rates movements

Overall procedures for managing risk

The Authority'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 Authority 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 Authority 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 Authority'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

Notes to Core Accounting Statements

- 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 Authority's financial instrument exposure. Quarterly reports on the treasury management performance are submitted to the Resources Committee for scrutiny, who may then advise the Authority accordingly as part of its progress report to the Authority.

The Authority's daily treasury management function is managed under a shared service arrangement with the Greater London Authority who carry out borrowing and investment requirements. Investments are managed through a group Investment Syndicate. The annual treasury management strategy for 2013/14 which incorporates the prudential indicators and investment strategy was approved by Authority on 28 March 2013 and is available on the Authority website (FEP2035).

<http://moderngov.london-fire.gov.uk/mgChooseDocPack.aspx?ID=226>

The key issues within the strategy were:

- The Authorised and Operational Limits for 2013/14 was set at £232m. This is the maximum limit of external borrowings or other long term liabilities.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% respectively based on the Authority's net debt position.
- The maximum and minimum exposures to the maturity structure of debt are:

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 %	0 %
10 Years and over	90 %	25 %

- No principal sums to be invested for periods longer than one year, subject to review

The Authority 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 put to members for consideration. The day to day management of the Authority's treasury activities are undertaken by the Greater London Authority's treasury team managed under a shared service agreement.

Notes to Core Accounting Statements

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority'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 Authority's treasury advisors, Capita Treasury Services and other financial information sources deemed appropriate by the Director of Finance and Contractual 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 Authorities loan portfolio (quantified at the day of lending) assert that the following limits shall not be exceeded:

For Specified Investments	<ul style="list-style-type: none"> • 30% per non UK country • 15% per institution (100% Debt Management Office) • 50% overall limit to local authorities • 100% GLA Group Investment Syndicate • 25% overall limit to building societies
Loan Maturity/Time Limits	<ul style="list-style-type: none"> • No portfolio transaction maturing over 365 days • A maximum of 50% of aggregate portfolio transactions maturing over 3 months • A maximum of 90% of aggregate portfolio transactions maturing over 1 month
Transaction Limits	<ul style="list-style-type: none"> • No single loan to banks to exceed £10m • No single loan to building societies to exceed £5m (except Nationwide BS which is £10m)

The Authorities 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 LFEPA is using the current creditworthiness service from Capita 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.

Notes to Core Accounting Statements

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £10m 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 Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

The Authority's cash balances averaged £79.3m for the year 2013/14 and attracted interest of £667k. The closing investment position on the GIS, as of 31 March 2014, was £41.4m with a Weighted Average Maturity of 51 days. Including a sum held on a Nat West Call account (£2.2m) the total investment position as at 31 March 2014 was £43.6m. Cumulative performance for the year was 0.84% versus the LIBID benchmark of 0.40% (gross outperformance of 0.44%).

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Financial Assets past due

The Authority does not generally allow credit for its trade debtors, such that as at 31 March 2014 £0.66m (£0.32m 2012/13) of the outstanding balance is past its due date for payment. The past due amount, for non-statutory amounts, can be analysed by age as follows:

Trade debtors analysis	31/3/2013		31/3/2014	
	£000		£000	
Less than three months	173	55%	490	74%
Three months to one year	115	36%	88	13%
More than one year	28	9%	82	13%
Total	316	100%	660	100%

Liquidity risk

The Authority 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.

Notes to Core Accounting Statements

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB, Local Authority and money markets for access to longer term funds. The Authority 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:

31/3/2013 £000	Maturity analysis	31/3/2014 £000
7,250	Within 1 year	6,000
6,000	Between 1 and 2 years	6,000
18,000	Between 2 and 5 years	23,000
24,000	Between 5 and 10 years	20,000
48,725	More than 10 years	46,725
103,975	Total	101,725

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

Refinancing and Maturity risk

The Authority 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 Authority 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 Authority approved treasury and investment strategies address the main risks and the 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 Authority'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.

Notes to Core Accounting Statements

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 /3/13	Actual 31 /3/14
Less than 1 year	20 %	0 %	7%	6%
Between 1 and 2 years	20 %	0 %	6%	6%
Between 2 and 5 years	50 %	0 %	17%	19%
Between 5 and 10 years	75 %	0 %	23%	21%
More than 10 years	90 %	25 %	48%	48%

Market risk

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, 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.

If interest rates had been 1% higher, during the year (with all other variables held constant), the financial effect would have been:

Sensitivity analysis	2012/13 £000	2013/14 £000
Increase in interest payable	1,082	1,201
Increase in interest receivable	(1,547)	(1,461)
Impact on Surplus or Deficit on the Provision of Services	(465)	(260)

Notes to Core Accounting Statements

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost. The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury management team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Authority does not generally invest in equity shares or marketable bonds. As at 31 March 2014 the Authority did not have any shareholdings in joint ventures or local industry. Consequently the Authority is not exposed to any losses from movements in price.

Foreign exchange risk

The Authority has a bank account denominated in euros to facilitate transactions between the brigade and the European Commission and a partner fire service in Ghent Belgium. Transactions during the year were charged to the Authority's Income and expenditure statement at the equivalent prevailing sterling exchange on the day of transaction. As at 31 March 2014 the balance on the account stood at the sterling equivalent of £75,875.87 (91,781.62 euros). As at 31 March 2014 an exchange valuation loss of £1,734 was recognised in the Authority's Income and expenditure statement.

Notes to Core Accounting Statements

11. Long-Term Borrowing

Long-term Borrowing	31/3/2013	31/3/2014
The sources are:	£000	£000
Public Works Loan Board	96,725	90,725
Local Authority	0	5,000
Total	96,725	95,725
<i>These loans mature as follows:</i>		
Between 1 and 2 years	6,000	6,000
Between 2 and 5 years	18,000	23,000
Between 5 and 10 years	24,000	20,000
Between 10 and 15 years	16,225	17,225
More than 15 years	32,500	29,500
	96,725	95,725
Add accrued interest	993	772
Total	97,718	96,497

12. Inventories

The Authority's inventories include:

Category of Inventory	Balance as at 31/3/13	Purchases	Recognised as an expense in the year	Written off balances	Reversal of write offs in previous year	Balance as at 31/3/14
	£000	£000	£000	£000	£000	£000
Uniforms	157	132	(181)	(4)	0	104
Protective equipment	131	251	(243)	0	2	141
Other	311	468	(536)	(12)	21	252
Total	599	851	(960)	(16)	23	497

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Notes to Core Accounting Statements

13. Debtors

Long Term Debtors

These are staff to whom loans have been made under the Authority's essential and casual car users' scheme. Changes during the year were:

Car loans	Outstanding at 1/4/13	Advanced During year	Repaid During the year	Outstanding At 31/3/14
	£000	£000	£000	£000
	117	19	(78)	58

Short Term Debtors

These include:

31/3/2013 £000	Debtors	31/3/2014 £000
7,456	Government departments	13,697
456	Local authorities	202
96	Rents	166
4,783	Sundry debtors	4,048
412	Employee loans	204
2,273	Payments in advance	2,163
15,476	Sub Total	20,480
(966)	<i>Less: Provision for doubtful debts</i>	(737)
14,510	Total	19,743

Provision for Doubtful Debts

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £966k brought forward from 2012/13 to safeguard against future losses or non-recoveries has been reduced, as at 31 March 2014, by £229k to £737k.

The aged debt analysis below shows that £1,189k of the total outstanding debt is past its due date for payment. The £237k for the Metropolitan Fire Brigade Act Levy greater than 2 years relates to an administration case dating back to 2001. All outstanding debt shown below has been allowed for in the Authority's assessment of bad debt provision. The majority of third party debts are being repaid in instalments.

Notes to Core Accounting Statements

Aged debt analysis	Greater than 2 years	1-2 years	120-365 days	90-120 days	60-90 days	30-60 days	Total
	£000	£000	£000	£000	£000	£000	£000
Sundry debt	19	63	79	8	209	280	658
MFB Act levy	237	0	0	0	0	0	237
Third party claims	139	64	67	13	0	11	294
Total	395	127	146	21	209	291	1,189

14. 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 authority's cash management.

The balance of Cash and Cash equivalents is made up of the following elements:

31/3/ 2013	Cash and Cash Equivalents	31/3/2014
£000		£000
89	Cash held by the Authority	92
(4,397)	Bank Current Accounts	(1,576)
37,648	Short term deposits held on demand	43,582
-	Short term deposits with maturity of 3 months or less	-
33,340	Total Cash and Cash Equivalents	42,098

Notes to Core Accounting Statements

15. Creditors

31/3/2013	Creditors	31/3/2014
£000		£000
8,180	Government Departments	8,120
1,464	Local Authorities	1,698
12,534	Sundry creditors	11,814
5,922	Accumulated Absences	5,306
12,363	Receipts in advance	14,529
40,463	Total	41,467

16. Provisions

Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 authority 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 Authority settles the obligation.

Notes to Core Accounting Statements

31/3/2013			Summary of provisions	31/3/2014		
Current	Long term	Total		Current	Long term	Total
£000	£000	£000		£000	£000	£000
1,621	0	1,621	Legal	2,788	0	2,788
1,500	0	1,500	Employees	59	0	59
750	0	750	Pensions	0	0	0
398	1,330	1,728	Motor Insurance	480	1,052	1,532
0	146	146	MMI Insurance Levy	0	146	146
0	2,286	2,286	PFI Vehicles	0	170	170
425	955	1,380	Property	425	1,262	1,687
4,694	4,717	9,411	Total	3,752	2,630	6,382

Legal

This provision is in respect of potential legal liabilities, identified by the Head of Law as at 31 March 2014. Payments from the provision during the year amounted to £398k, a contribution from revenue of £1,565k increased the provision from £1,621k as at 31 March 2013 to £2,788k as at 31 March 2014. It is expected that these provisions will be realised within the next twelve months depending on the outcome of each individual case.

Provision for legal liabilities	Balance as at 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
	1,621	(398)	1,565	2,788

Employees

This provision has been established to meet the cost of a back dated pay claim as at the 31 March 2014 for support and operational staff. It is expected that this provision will be realised within the next twelve months.

Provision for back dated Employees costs	Balance as At 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
	1,500	(1,408)	(33)	59

Notes to Core Accounting Statements

Pensions

The provision was set up to meet the costs of potential back dated pension claims identified through an examination of pension arrangements in conjunction with the Department of Works and Pensions. The provision has been released to the Income and expenditure statement as all pension backdated overpayments have been resolved.

Provision for Pensions	Balance as At 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
	750	0	(750)	0

Motor Insurance

The provision reflects the level of outstanding Authority motor insurance claims. As at 31 March 2014 the assessment of the Authority's potential liability was assessed at £1.533m, which is equivalent to a sum of £1.533m held in escrow by the Authority's insurers to meet current unsettled claims. It is expected that £481k relating to recent motor claims will be realised within the next twelve months. With £1,052k relating to more complex claims and sums held against expected claims being realised over a longer period.

Provision for Motor Insurance claims	Balance as At 1/4/12	Payments During year	Contribution to/(from) during year	Balance as At 31/3/13
	£000	£000	£000	£000
	1,728	(216)	20	1,532

Property

The provision is maintained to cover potential liabilities relating to the Authority's Headquarters and the Authority's control centres following a move of location. £1,262k relating to the relocation of Brigade HQ, which is expected to be realised in the longer term. The provision of £0.425m is for the potential costs that may arise following the relocation of the Authority's control centre and it is expected that this will be realised within the next twelve months.

Property Provision	Balance as At 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
HQ & Southwark Training Centre	955	0	307	1,262
Control Centre	425	0	0	425
Total Property Provision	1,380	0	307	1,687

Notes to Core Accounting Statements

MMI Insurance Levy

The Authority used Municipal Mutual Insurance (MMI) to insure a number of its risks in the early 1990's. MMI ceased writing insurance in 1992 and liabilities associated with claims to that date were left with MMI. Under the mutual agreement MMI invoked a claw back clause on former members of the mutual based on 15% of claims paid (£146k). This sum was paid away in January 2014. Dependant on the number claims MMI receive liked to the current lower returns on funds held by them, there is likely to be a future call on mutual members estimated at a further 15% of claims paid. Therefore the provision has been maintained at £146k to meet any further demands.

Provision for MMI Insurance Levy	Balance as At 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
	146	(146)	146	146

PFI Vehicles Provision

This provision was established to provide for the costs associated with the termination of the PFI vehicle fleet contract. During the year payments of £905k were made in settlement of termination costs. £170k has been retained on the provision to meet remaining residual costs associated with the termination. The balance of £1,211k has been released to the income and expenditure statement.

Provision for PFI vehicle termination costs	Balance as At 1/4/13	Payments During year	Contribution to/(from) during year	Balance as At 31/3/14
	£000	£000	£000	£000
	2,286	(905)	(1,211)	170

17. Reserves

Accounting Policy

The Authority 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.

Certain reserves are kept to manage the accounting processes for non-current assets, employee benefits and retirement benefits and do not represent usable resources for the Authority. These consist of:

Notes to Core Accounting Statements

- A Pensions Reserve, established in accordance with the CIPFA Code, which reflects the extent of the Authority's future pension liabilities.
- A Revaluation Reserve, which 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.
- A Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets or the repayment of external loans and certain other capital financing transactions.
- An Accumulated Absences Reserve, which represents the cost of unused entitlement to short-term compensated absences that employees have accumulated at the Balance Sheet date e.g. unused annual leave.

18. Unusable reserves

31/3/2013	Unusable Reserves	31/3/2014
£000		£000
80,587	Revaluation Reserve	78,523
135,617	Capital Adjustment Account	121,618
(4,889,819)	Pensions Reserve	(5,338,725)
(5,922)	Accumulated Absences Account	(5,306)
(4,679,537)	Total Unusable Reserves	(5,143,890)

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

Notes to Core Accounting Statements

2012/13		Revaluation Reserve	2013/14	
£000	£000		£000	£000
	37,429	Balance as at 1 April		80,587
48,560		Upward revaluation of assets	676	
(4,482)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(88)	
	44,078	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		588
(920)		Difference between fair value depreciation and historical cost depreciation	(1,985)	
0		Accumulated gains on assets sold or scrapped	(667)	
	(920)	Amount written off to the Capital Adjustment Account		(2,652)
	80,587	Balance as at 31 March		78,523

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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.

2012/13	Capital Adjustment Account	2013/14
£000		£000
137,069	Balance at 1 April	135,617
0	Amortised Capital Grant	1,500
(1,452)	Difference between charge to revenue for repayment of external loans/ finance leases and amount provided for depreciation	(15,499)
135,617	Balance at 31 March	121,618

Notes to Core Accounting Statements

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 Restated	Pensions Reserve	2013/14
£000		£000
(4,237,490)	Balance at 1 April	(4,889,819)
(490,862)	Actuarial gains or losses on pensions assets and liabilities	(277,979)
(303,678)	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	(336,154)
142,211	Employer's pensions contributions and direct payments to pensioners payable in the Year	165,227
(4,889,819)	Balance at 31 March	(5,338,725)

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 Authority. 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 Authority 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.

Notes to Core Accounting Statements

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.

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

2012/13		Accumulated Absences Account	2013/14	
£000	£000		£000	£000
	(6,902)	Balance at 1 April		(5,922)
6,902		Settlement or cancellation of accrual made at the end of the preceding year	5,922	
(5,922)		Amounts accrued at the end of the current year	(5,306)	
	980	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		616
	(5,922)	Balance at 31 March		(5,306)

Notes to Core Accounting Statements

19. Amounts Reported for Resource Allocation Decisions

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 Authority 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 Authority's actuaries.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

Members of the Authority 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.

The following tables show the financial outturn in a subjective format as presented in end of year outturn management reports. These figures have been reconciled back to the Best Value format shown in the Authority's Comprehensive Income and Expenditure Statement. The tables also show comparative figures and reconciliation for the previous year.

Management reports are available to view on the Authority's website.

Notes to Core Accounting Statements

Service Expenditure	2013/14		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	261,878	259,950	(1,928)
Other Staff	48,974	48,777	(197)
Employee Related	5,574	7,569	1,995
Pensions	20,468	19,735	(733)
Premises	30,150	29,012	(1,138)
Transport	23,634	22,200	(1,434)
Supplies and Services	41,438	41,798	360
Third Party Payments	1,506	1,452	(54)
Capital Financing Costs	10,900	10,556	(344)
Central Contingency	1,034	0	(1,034)
Business Continuity	0	3,959	3,959
Revenue Service Expenditure	445,556	445,008	(548)
Income	(28,929)	(29,557)	(628)
Net Service Expenditure	416,627	415,451	(1,176)
Use of General Reserves	(523)	(523)	0
Use of Earmarked Reserves	(2,602)	(2,602)	0
Financing Requirement	413,502	412,326	(1,176)
Financed by			
Specific grants	(12,731)	(11,607)	1,124
Revenue Support Grants	(163,500)	(163,500)	-
Retained Business Rates	(108,900)	(108,900)	-
Council Tax Requirement	(128,371)	(128,371)	
Total Net Expenditure	0	(52)	(52)

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2013/14
	£000
Financing requirement in the above analysis	412,326
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(44,949)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(6,822)
Net Cost of services in Comprehensive Income and Expenditure Statement	360,555

Notes to Core Accounting Statements

The table below shows the amounts adjusted between management reporting analysis and the Deficit on provision of Services shown in the Comprehensive Income and Expenditure Statement.

Reconciliation to subjective analysis 2013/14	Service Analysis	Amounts not included in analysis but included in CIES	Amounts included in analysis but not included in CIES	Net Cost of Services	Corporate Amounts	TOTAL
Fees, charges & other service income	(28,948)	0	0	(28,948)	0	(28,948)
Interest & Investment Income	(609)	0	609	0	(609)	(609)
Government Grants & Contributions	0	(7,655)	0	(7,655)	(424,027)	(431,682)
Sub Total	(29,557)	(7,655)	609	(36,603)	(424,636)	(461,239)
Contribution from Reserves	(3,125)	0	3,125	0	0	0
Total Income	(32,682)	(7,655)	3,734	(36,603)	(424,636)	(461,239)
Staff Costs	312,686	203	0	312,889	0	312,889
Other Staff Related	7,569	(616)	0	6,953	8,724	15,677
Firefighters Pension Expenditure	19,735	(48,400)	0	(28,665)	210,400	181,735
Premises	29,012	(2,534)	0	26,478	0	26,478
Transport	22,200	0	0	22,200	0	22,200
Supplies & Services	41,798	0	0	41,798	0	41,798
Third Party Payments	1,452	0	0	1,452	0	1,452
External Financing Costs	10,556	0	(10,556)	0	7,208	7,208
Depreciation, Amortisation & Impairments	0	14,053	0	14,053	16,603	30,656
Contributions to reserves	0	0	0	0	0	0
Total Expenditure	445,008	(37,294)	(10,556)	397,158	242,935	640,093
Surplus/deficit on the provision of service	412,326	(44,949)	(6,822)	360,555	(181,701)	178,854

Notes to Core Accounting Statements

Service Expenditure	2012/13		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Staff costs	320,347	324,195	3,848
Other Staff Related	3,830	4,543	713
Premises	30,569	29,285	(1,284)
Transport	24,344	23,950	(394)
Supplies and Services	41,936	41,410	(526)
Revenue Service Expenditure	421,026	423,383	2,357
External financing costs	10,991	10,724	(267)
Interest receipts	(1,409)	(1,409)	0
Other income Received	(41,141)	(41,823)	(682)
Net Service Expenditure	389,467	390,875	1,408
Firefighter's pension Expenditure	17,888	18,844	956
Central contingency	3,954	0	(3,954)
PFI Grant for future years	(1,509)	(1,509)	0
Expenditure before funding from reserves	409,800	408,210	(1,590)
Contributions to/(from) Reserves	0	1,590	1,590
<i>Expenditure funded from reserves</i>			
Compensation	-	-	-
Hydrants	-	-	-
Expenditure funded from reserves	0	9,978	9,978
Contributions to/ (from) earmarked reserves	0	(9,978)	(9,978)
Total Net Expenditure	409,800	409,800	0

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2012/13
	£000
Net expenditure in the above analysis	409,800
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	55,537
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(72,993)
Net Cost of services in Comprehensive Income and Expenditure Statement	392,344

Notes to Core Accounting Statements

Reconciliation to subjective analysis 2012/13	Service Analysis	Amounts not included in analysis but included in CIES	Amounts included in analysis but not included in CIES	Net Cost of Services	Corporate Amounts	TOTAL
Fees, charges & other service income	(41,823)	0	0	(41,823)	0	(41,823)
Interest & Investment Income	(1,409)	0	1,409	0	(1,408)	(1,408)
Government Grants & Contributions	(1,509)	338	4,382	3,211	(393,053)	(389,842)
Total income	(44,741)	338	5,791	(38,612)	(394,462)	(433,073)
Staff Costs	325,237	26,448	(68,568)	283,117	8,506	291,623
Other Staff Related	11,297	0	0	11,297	0	11,297
Firefighters Pension Expenditure	19,984	0	0	19,984	194,100	214,084
Premises	29,548	0	(2,597)	26,951	0	26,951
Transport	23,950	0	(5,283)	18,667	0	18,667
Supplies & Services	42,189	0	0	42,189	0	42,189
External Financing Costs	10,724	0	(10,724)	0	0	0
Depreciation, Amortisation & Impairments	0	28,751	0	28,751	0	28,751
Interest Payments	0	0	0	0	10,669	10,669
Gain/Loss on disposal of non-current assets	0	0	0	0	(10,572)	(10,572)
Contributions from Reserves	(9,978)	0	9,978	0	0	0
Contributions to reserves	1,590	0	(1,590)	0	0	0
Total Expenditure	454,541	55,199	(78,784)	430,956	202,703	633,659
Surplus/deficit on the provision of service	409,800	55,537	(72,993)	392,344	(191,758)	200,586

20. Members' Allowances

Corporate and Democratic Core costs include payments of £151,662 made during the year under the Authority's Scheme for Members' Allowance payments. The payments were in respect of basic and special responsibility allowances (SRA) to borough Members; basic allowances to Mayoral appointees; special responsibility allowances to Assembly Members who hold the position of Chairman and Vice-Chair; and together with payments in respect of travel and subsistence allowances, conference fees and Employers National Insurance payments for all members made under the Local Authorities (Members' Allowances) (England) Regulations 2003. These are summarised in the table below:

2012/13 £	Summary of Members' Payments	2013/14 £
134,380	Basic & Special Allowances	137,588
3,095	Travel & Subsistence	3,777
4,768	Conference Fees	2,974
7,331	Employers National Insurance	7,323
149,574	Total	151,662

Notes to Core Accounting Statements

The table below shows totals of Basic and SRA paid for LFEPA Members in the period 1 April 2013 to 31 March 2014.

Member	Basic £	SRA £	Total £
Aherne, Colin	1,636.10	0.00	1,636.10
Ali, Liaquat	7,750.00	0.00	7,750.00
Arbour, Tony	0.00	0.00	0.00
Bacon, Gareth	0.00	0.00	0.00
Cartwright, David	7,750.00	0.00	7,750.00
Cleverly, James	0.00	26,000.00	26,000.00
Dismore, Andrew	0.00	0.00	0.00
Fisher, Mike	7,750.00	0.00	7,750.00
Hall, Susan	7,750.00	0.00	7,750.00
Hayward Sarah	6,113.90	5,854.17	11,968.07
Heaster, Maurice	7,750.00	7,500.00	15,250.00
Hopkins Jack	6,113.90	0.00	6,113.90
Johnson, Darren	0.00	0.00	0.00
Knight, Stephen	0.00	0.00	0.00
Onuegbu, Crada	1,636.10	1,583.33	3,219.43
Shah, Navin	0.00	6,708.34	6,708.34
Stacy, Terry	1,636.10	2,533.33	4,169.43
Shawcross Valerie	0.00	0.00	0.00
Tandy, Colin	7,750.00	0.00	7,750.00
Truesdale Peter	6,113.90	9,366.67	15,480.57
Twycross, Fiona	0.00	8,291.67	8,291.67
Total	69,750.00	67,837.51	137,587.51

Councillors Tony Arbour, Gareth Bacon, Darren Johnson, Stephen Knight, and Mr Andrew Dismore (left the Authority in June 2013) as Assembly members are prohibited the payment of basic and special responsibility allowances under schedule 28 to the Greater London Authority Act although the Greater London Authority Act 2007 enables the Authority to pay the Chairman of the Authority (Mr James Cleverly) and Vice Chair of the Authority (Councillor Navin Shah until 11/09/2013 and Dr Fiona Twycross from 12/09/2013) an allowance in respect of that office even though they are Assembly members.

The changes to postholders receiving Basic and Special Responsibility Allowances during 2013/2014 were as follows:

Councillor Sarah Hayward became Chair of Strategy Committee in June 2013.

Councillor Peter Truesdale became Chair of Resources Committee in June 2013.

Dr Fiona Twycross became Vice Chair of the Authority in September 2013.

Councillors Colin Aherne, Crada Onuegbu and Terry Stacy left the Authority in June 2013.

Notes to Core Accounting Statements

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2013 to 31 March 2014.

Member	Subsistence		Travel		Total
	Claimed	Paid Direct	Claimed	Paid Direct	
Borough Members	£	£	£	£	£
Aherne, Colin	0.00	0.00	0.00	0.00	0.00
Ali, Liaquat	0.00	435.40	0.00	518.92	954.32
Fisher, Mike	0.00	0.00	0.00	0.00	0.00
Jack Hopkins	0.00	0.00	0.00	0.00	0.00
Hall, Susan	0.00	0.00	0.00	0.00	0.00
Hayward, Sarah	0.00	0.00	0.00	0.00	0.00
Onuegbu, Crada	0.00	0.00	0.00	0.00	0.00
Stacy, Terry	0.00	0.00	29.60	0.00	29.60
Tandy, Colin	0.00	112.70	165.36	210.24	488.30
Truesdale, Peter	0.00	0.00	0.00	0.00	0.00
Assembly Members					
Arbour, Tony	0.00	343.70	0.00	0.00	343.70
Bacon, Gareth	0.00	0.00	0.00	0.00	0.00
Cleverly, James	0.00	140.70	50.30	0.00	191.00
Dismore, Andrew	0.00	0.00	0.00	0.00	0.00
Johnson, Darren	0.00	0.00	0.00	0.00	0.00
Knight, Stephen	0.00	0.00	0.00	0.00	0.00
Shah, Navin	0.00	0.00	0.00	0.00	0.00
Shawcross, Valerie	0.00	0.00	0.00	0.00	0.00
Twycross, Fiona	0.00	0.00	0.00	0.00	0.00
Mayoral Appointee					
Cartwright, David	0.00	221.70	451.80	210.24	883.74
Heaster, Maurice	0.00	221.70	351.00	313.20	885.90
Independent Member					
McCarthy, Suzanne	0.00	0.00	0.00	0.00	0.00
Moss, Anthony	0.00	0.00	0.00	0.00	0.00
Total	0.00	1475.90	1,048.06	1252.60	3776.56

Notes to Core Accounting Statements

21. Officer Remuneration

Senior Officers

Senior officers are defined by the CIPFA Code as those officers whose salary 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 Authority's senior officers is as follows:

2013/14 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
	£	£	£	£	£
Commissioner R Dobson	103,305	(54)	103,251	0	103,251
Deputy Commissioner R Dexter	166,370	483	166,853	45,459	212,312

2012/13 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
	£	£	£	£	£
Commissioner R Dobson	102,528	98	102,626	0	102,626
Deputy Commissioner R Dexter	161,987	270	162,257	44,261	206,518

Senior Officers Salary £50k per year or higher but less than £150k

2013/14 Post title	Salary (including fees and allowances)	Expense Allowance s	Benefits in Kind	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	£	£	£	£	£	£
Director of Operational Policy and Training	149,059	2,846	0	151,905	31,439	183,344
Director of Finance and Contractual Services and S127 Officer	149,018	309	0	149,327	39,937	189,264
Strategic Advisor to the Commissioner	87,229	0	0	87,229	23,377	110,606
Head of Legal and Democratic Services Monitoring Officer	77,325	50	0	77,375	0	77,375

Notes to Core Accounting Statements

2012/13	Salary (including fees and allowances)	Expense Allowance s	Benefits in Kind	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	£	£	£	£	£	£
Director of Operational Policy and Training	148,484	2,579	0	151,063	31,316	182,379
Director of Finance and Contractual Services and S127 Officer	145,383	285	0	145,668	38,963	184,631
Strategic Advisor to the Commissioner	87,229	79	0	87,308	23,377	110,685
Head of Legal and Democratic Services Monitoring Officer	77,325	0	0	77,325	0	77,325

The annual salary of senior officers is reviewed in January of each year and the annual basic salary for each of these senior officers as at January 2011 and 2012 are shown below:

As at 1 January 2013	Salary	As at 1 January 2014
£		£
100,000	Commissioner	100,000
165,154	Deputy Commissioner	169,623
144,000	Director of Operational Policy and Training	147,600
145,383	Director of Finance and Contractual services	149,018
87,229	Strategic Advisor to the Commissioner	87,229
77,325	Head of Legal and Democratic Services	77,325

The Salary bands shown above for senior officer posts reflect the salary for each post as at 1 January 2014. The Commissioner took a pension in October 2011 and is retained under a contractual arrangement whereby no pension contributions are payable.

The Head of Legal and Democratic Services has taken a pension from previous employment and consequently there are no pension contributions to be made.

Notes to Core Accounting Statements

Employees whose remuneration (excluding employer's pension contributions) was £50k or higher

2012/13	Salary range	2013/14
No		No
96	£50,000 - £54,999	99
58	£55,000 - £59,999	105
109	£60,000 - £64,999	99
54	£65,000 - £69,999	43
36	£70,000 - £74,999	28
25	£75,000 - £79,999	14
14	£80,000 - £84,999	5
19	£85,000 - £89,999	7
5	£90,000 - £94,999	4
1	£95,000 - £99,999	1
3	£100,000 - £104,999	0
2	£105,000 - £109,999	2
1	£110,000 - £114,999	2
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£125,000 - £129,999	1
3	£130,000 - £134,999	1
2	£135,000 - £139,999	1
0	£140,000 - £144,999	0
0	£145,999 - £149,999	0
1	£150,000 - £154,999	1

The number of employees shown in each band in this table does not include those senior employees whose remuneration is shown individually in the tables above.

22. Audit Fees

2012/13	Audit Fees	2013/14
£000		£000
117	Fees payable to appointed Auditor for External Audit services	99
117	Total	99

Notes to Core Accounting Statements

23. 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority 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-ringfenced 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.

Notes to Core Accounting Statements

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13	Credited to Taxation and Non-Specific Grant Income	Source of funding	2013/14
£000			£000
379,800	GLA Grant	Greater London Authority	400,770
4,382	PFI Grant	CLG	3,287
7,605	Fire Capital Grant	CLG	18,770
1,250	Control capital Grant	CLG	0
15	Contribution to capital works	Metropolitan Police	0
393,052	Total		422,827
	Credited to services		
3,374	Fire Control Grant	CLG	2,457
2,513	Olympics Grant	CLG	0
4,512	New Dimensions & USAR Grant	CLG	4,555
443	National Network of Inter Agency Liaison Officers	CLG	0
376	New Risks grant	CLG	555
292	Fired Up Grant	EU	83
70	Access to work	DWP	37
11,580	Revenue Grant income		7,687
197	Revenue Contributions received	Various	288
11,777	Total		7,975

CLG - Department for Communities and Local Government PFI - Private Finance Initiative
 USAR - Urban Search And Rescue, DWP Department for Works and Pension.

The grants received by the Authority are non-ring fenced and therefore these are unconditional. The 2013/14 £400.8m GLA grant (£379.8m 2012/13) shown in the table above is now comprised of three elements, CLG grant funding of £272.4m (£259.1m 2012/13), with precepts collected by the GLA totalling £128.4m (£120.7m 2012/13).

Notes to Core Accounting Statements

24. Related Party Transactions

Mayor of London and the Greater London Authority (GLA)

The London Fire and Emergency Planning Authority (LFEPA) is part of a unique government arrangement of a number of organisations operating under the umbrella of the Greater London Authority (GLA), which includes this Authority, the core GLA, the Mayor's Office for Policing and Crime, the Metropolitan Police Authority and Transport for London.

The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chairman of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees.

The Mayor sets the budget for LFEPA and provides grant funding to support it. The London Assembly can amend the Mayor's budget when two thirds of the twenty-five members agree. The Assembly is also able to summon members of LFEPA to answer questions at Assembly meetings.

Central Government

The Department for Communities and Local Government (DCLG) has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding via the GLA in the form of various grants. Grants received from government departments are set out in note 23.

Members/Officers

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2013/14 is shown in Note 20

A number of Authority officers are members of the London Fire Brigade Welfare Fund Executive Council. During the year the authority paid an annual donation of £4.1k (£4.5k 2012/13) to the London Fire Brigade Welfare Fund. One senior officer is an acting chair of Networking Women in the Fire Service (NWFS), the Authority made payments to NWFS totalling £9.5k (£3.8k 2012/13).

No Authority Member and no other member of senior management has declared that during the year they, or their close relations or members of the same household have undertaken any declarable transactions neither with related parties nor with the Authority. This disclosure note has been prepared on the basis of specific declarations obtained in April 2014, in respect of related party transactions. The Authority 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).

Notes to Core Accounting Statements

25. Capital Expenditure and Capital Financing

In 2013/14, total spending on the capital programme for tangible and intangible assets was £9.9m. The spend included the rebuilding and modernising of fire stations and other buildings (£6.6m), upgrading equipment (£2.8m) and software (£0.5m). Capital expenditure on Authority assets (£9.9m) is to be financed in accordance with the Prudential Code, Government capital grant (£6.9m), Capital receipts (£1.2m) and borrowing (£1.8m).

2012/13 Restated	Capital expenditure and financing:	2013/14
£000		£000
193,294	Opening Capital Financing Requirement	144,292
5,912	Tangible Operational Assets	3,879
567	Tangible Non Operational Assets	5,624
459	Intangible Operational Assets	2
907	Intangible Non Operational Assets	486
	<i>Sources of finance</i>	
(7,870)	Government grants and other contributions	(8,120)
(41,040)	Finance Lease Liability Reduction	0
0	Sums set aside from Revenue	0
(7,937)	Minimum Revenue Provision	(5,883)
144,292	Closing Capital Financing Requirement	140,280
	<i>Explanation of movements in year</i>	
(43,227)	Other long term liability PFI and finance lease	
0	Borrowing from PWLB & Local Authorities in year	5,000
(5,775)	Increase/(decrease) in underlying need to borrow	(9,012)
(49,002)	Increase/(decrease) in Capital Financing Requirement	(4,012)

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

Significant contractual commitments for capital expenditure outstanding as at 31 March 2014:

	2014/15	2015/16	2016/17
	£000	£000	£000
Total Significant Commitments	2,230	0	0

The capital programme approved by Members in March 2014 included a total forecast spend of £63.3m in 2014/15, £45.6m in 2015/16 and £19.2m in 2016/17.

Notes to Core Accounting Statements

26. Other Long term Liabilities

Other long term liabilities shown in the balance sheet comprise 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.

Other Long Term Liabilities	31/3/14	31/3/13	31/3/12	Note
	£000	£000	£000	
Long Term PFI vehicles	0	0	39,362	27
Long term Finance Leases	18,425	18,425	18,436	27
Deferred Credit	3,527	3,060	2,593	28
Pensions Liability	5,338,725	4,889,819	4,237,490	31
Total	5,360,677	4,911,304	4,297,881	

27. 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 Authority 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 Authority 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

Notes to Core Accounting Statements

- 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 authority at the end of the lease period).

The Authority 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.

Operating leases

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 (e.g. there is a rent free period at the commencement of the lease).

The Authority as a Lessor

Operating Leases

Where the Authority 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 (e.g. 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.

Sale and Leaseback Arrangements

Where the Authority enters into a sale and finance lease back arrangement, the arrangement is in substance one where the lessor is providing finance to the Authority. However it is accounted for as two separate transactions as follows:

- 1) Disposal of Property, Plant and Equipment
 - De-recognise the existing property, plant or equipment asset
 - Any gain on disposal is recognised over the life of the lease

Notes to Core Accounting Statements

2) Recognise the Finance Lease

- Recognise the leased asset measured in accordance with the code, i.e. at the lower of the fair value of the asset or the present value of the minimum lease payments
- Recognise a corresponding finance lease liability

Subsequent lease payments are then split, in accordance with the code, between finance charge and the repayment of the liability.

Although one part of the transaction is accounted for as a sale, it is not considered to represent a sale in substance. This has two important consequences:

- Prior to disposal, the asset does not qualify for reclassification into Assets Held for Sale per the Code, and
- Any existing balance in the Revaluation Reserve in respect of the asset is retained in that reserve and not transferred to the Capital Adjustment Account balance when the disposal is recognised. The transfer will not take place until the 'new' asset is eventually derecognised.

Where the Authority determines that the leaseback is in substance an operating lease then:

- It recognises the lease payments in expenses over the life of the lease
- It treats the property, plant and equipment asset as an Asset Held for Sale, measuring and classifying it in accordance with the Code
- It de-recognises the property, plant and equipment at the appropriate moment and transfers any associated Revaluation Reserve balance to the Capital Adjustment Account
- In recognising the sale proceeds, it considers how the sale price compares with the fair value of the asset as follows:
 - If sale proceeds match or are lower than fair value, the whole proceeds are immediately recognised along with any gain or loss on disposal
 - If sale proceeds are greater than fair value then the amount of sale proceeds equal to the fair value is immediately recognised and the excess is deferred and released to income over the life of the leaseback.

Notes to Core Accounting Statements

Private Finance Initiative (PFI) and Similar Contracts

Property PFI Scheme

On 1st August 2013, LFEPa 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 at today's prices to replace and make major improvements to Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell fire stations. Eight of the stations are being completely re-built on their existing sites and one station, Mitcham, will be 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. This £51.5m is extra money for the Brigade which is indexed linked to cover for inflation and is payable over a twenty-five year period

The Authority 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 Authority.

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.

To ensure that effective provision of services from these stations is not interrupted during construction a number of nearby stations will be refurbished to accommodate an extra appliance and crew from the PFI stations during construction. The host stations currently approved are Deptford, East Ham, Harold Hill, New Cross, Poplar, Stratford, Walthamstow and Woodford. Specialist appliances will be hosted at Beckenham, Dockhead and Romford.

The future commitments under this arrangement are;

PFI Property Future Liabilities	Within 1 Year	Within 2 to 5 Years	Within 6 to 10 Years	Within 11 to 15 Years	Within 16 to 20 Years	Within 21 to 25 Years	Within 26 to 30 Years
	£000	£000	£000	£000	£000	£000	£000
Lease rental liabilities	141	4,105	6,908	7,955	9,975	14,870	6,934
Operating Costs	251	3,881	6,152	7,766	9,291	9,955	3,952
Interest Costs	661	12,024	14,736	12,208	9,329	5,247	577
Contingent Rentals	0	110	316	48	(317)	135	126
Lifecycle Replacement Costs	0	63	533	1,813	2,807	2,341	860
Total	1,053	20,183	28,645	29,790	31,085	32,548	12,449

Notes to Core Accounting Statements

Finance Leases

The Authority holds one finance lease as at 31 March 2014, which is for its control centre at Merton. The Authority entered into a 25 year finance lease arrangement (valued on the balance sheet at £12.6m) for the provision of its control function in March 2011. The building became operational in February 2012, when control functions transferred from the Authority's site at 2 Greenwich View to Merton. Lease payments of £2,534k were paid during 2013/14. The table below shows the future payments under the lease agreement.

Finance Leases	Total value of minimum lease payments as at 31/3/14	Present value of minimum lease payments as at 31/3/14	Total value of minimum lease payments as at 31/3/13	Total value of minimum lease payments as at 31/3/13
Control Centre	£000	£000	£000	£000
Not later than one year	2,580	1,571	2,580	1,853
Later than one year and not later than five years	11,356	4,616	11,017	5,270
Later than five years	57,700	5,411	60,619	6,328
Total	71,636	11,598	74,216	13,451

The Authority has long leases for fire stations in Soho (125 years) and Knightsbridge (500 years). The annual lease payments for these buildings are £5.4k and £0.8k respectively.

Operating Leases

The following table shows a breakdown of the Authority's current operating leases as at 31 March 2014 with future sums committed.

Significant operating leases include leases for the Authority's main vehicle fleet (£2,753k - 2013/14) and property leases for headquarters at Union Street (£2,223k - 2013/14), The Authority also holds leases for equipment extending to 2016 for uniform clothing (£2,355k - 2013/14) and it's leased car fleet (£726k - 2013/14).

During 2013/14, operating lease payments of £8,057k were paid for the leases detailed above.

Notes to Core Accounting Statements

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

Operating lease payments	Land and Buildings	Vehicles, Plant and equipment	Land and Buildings	Vehicles, Plant and equipment
	As at 31/3/2014	As at 31/3/2014	As at 31/3/2013	As at 31/3/2013
	£000	£000	£000	£000
Not later than one year	2,711	5,099	2,943	20,251
Later than one year and not later than five years	12,650	6,632	12,244	11,731
Later than five years	24,146	0	27,198	0
Total	39,507	11,731	42,385	31,982

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

28. Deferred Credit

Brigade Headquarters 169 Union Street

The Union Street lease has an incentive arrangement of a five year rent reduction period of £800k per annum. This incentive will be recognised in the Income and Expenditure Account, as a deferred credit, over the life of the 17 year lease. During 2011/12 the Authority received a cash incentive of £1.5m in return for agreement to variation to the terms of the Union Street lease. This incentive will be recognised over the remaining life of the lease period.

Deferred Credit	Opening Balance as at 1/4/13	Additions in year	Write back	Closing Balance as at 31/3/14
	£000	£000	£000	£000
Union Street Brigade Headquarters	3,060	565	(98)	3,527
Total	3,060	565	(98)	3,527

Notes to Core Accounting Statements

29. Termination Benefits

Accounting Policy

Termination benefits are amounts payable as a result of a decision by the Authority 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 Authority 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 Authority 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 Authority terminated the contracts of 128 employees in 2013/14, incurring liabilities of £2.2m. 36 support service staff and 92 operational staff were made redundant in 2013/14, comprising of 102 officers from the Deputy Commissioner's Directorate, 13 officers from the Directorate of Operational Resilience and Training and 13 from the Directorate of Finance and Contractual Services.

Exit package cost band	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band - £000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£000								
0 – 20	0	0	31	104	31	104	499	1,315
20 – 40	0	0	24	16	24	16	592	487
40 – 60	0	0	3	7	3	7	129	319
60 – 80	0	0	0	1	0	1	0	63
80 – 100	0	0	0	0	0	0	0	0
100 – 150	0	0	0	0	0	0	0	0
Over 150	0	0	0	0	0	0	0	0
TOTAL	0	0	58	128	58	128	1,220	2,184

Notes to Core Accounting Statements

30. Defined Benefit Pension Schemes

Post-employment Benefits – Accounting Policy

Post-employment benefits can include pensions, life insurance or medical care. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans. The Authority 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 and The 2006 New Firefighters Pension Scheme**

These are unfunded schemes, which are administered by the Authority in accordance with regulations laid down by the Department for Communities and Local Government (CLG). These schemes are administered under contract by the London Pensions Fund Authority (LPFA) on behalf of the Authority. For such schemes as there are no investment assets, IAS19 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 IAS19 purposes is dated April 2014.

- **Local Government Pension Scheme (LGPS)**

This scheme is funded by employer and employee contributions to the London Pension Fund Authority's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review, impacting on 2012/13, being at 31 March 2010. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS19 purposes is dated April 2014.

Post employment benefits have been included in the Authority's accounts to comply with accounting standard IAS 19 - 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 2014.

Notes to Core Accounting Statements

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 Authority 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:

- 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 Authority, 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 Authority 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.

Notes to Core Accounting Statements

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The pension costs included in the accounts, together with respective assets and liabilities for both schemes have been determined by the Authority's Actuary and accounted for in accordance with the CIPFA Code of Practice on Local Authority Accounting. In addition to disclosure notes, accounting entries have been made in the Authority's Income and Expenditure Account and Balance Sheet in respect of the Authority's assessed Pension liability as at 31 March 2014.

To assist with financing the Authority's future expenditure liability under the scheme, the Authority will maintain an earmarked firefighter ill health Pensions Reserve.

Transactions Relating to Post-employment Benefits

The Authority 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 Authority 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 following tables are the combined figures for the 1992 and 2006 schemes.

Notes to Core Accounting Statements

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2013/14	2012/13 Restated	2013/14	2012/13 Restated
	£000	£000	£000	£000
Cost of Services				
Current service cost	9,205	6,686	106,700	93,400
Past service costs/(gain)	725	587	400	400
<i>Financing and Investment Income and Expenditure</i>				
Net Interest expense	8,362	8,154	210,400	194,100
Administrating expenses	362	351	-	-
<i>Total post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</i>	18,654	15,778	317,500	287,900
<i>Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services</i>				
Re-measurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	1,975	(20,724)	-	-
• Actuarial (gains) and losses arising on changes in demographic assumptions	(3,182)	0	116,200	0
• Actuarial (gains) and losses arising on changes in financial assumptions	12,823	25,802	185,500	472,100
Experience (gains) and losses on defined benefit obligation	(33,983)	1,684	1,800	12,000
Other	(3,154)	-	-	-
<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(6,867)	22,540	621,000	772,000
<i>Movement in Reserves Statement</i>				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(18,654)	(15,778)	(317,500)	(287,900)
Employers' contributions payable to scheme	10,128	10,712		
Retirement benefits payable to pensioners			155,100	131,500
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	(8,527)	(5,066)	(162,400)	(156,400)

Notes to Core Accounting Statements

Membership of Schemes	LGPS		1992 FPS		2006 FPS	
	Number		Number		Number	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Actives	900	1,106	3,916	4,222	1,167	1,218
Deferred Pensioners	687	691	632	618	192	144
Pensioners	1,265	1,174	8,204	7,987	7	3
Unfunded pensioners	312	0	-	-	-	-
Injury Pensioners	-	-	2,548	2,565	0	0)

Membership of Schemes	LGPS		1992 FPS		2006 FPS	
	Average Age		Average Age		Average Age	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Actives	48	47	46	46	32	32
Deferred Pensioners	48	47	48	48	36	36
Pensioners	71	69	61	61	61	61
Unfunded pensioners	71	-	-	-	-	-
Injury Pensioners	-	-	64	63	-	-

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 Authority'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:

London Pension Fund Authority
Dexter House,
2 Royal Mint Court,
London,
EC3 4LP

Notes to Core Accounting Statements

31. Pensions – Retirement benefits

In accordance with the requirements of IAS19 the Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained above the Authority participates in two firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the London Pension Fund Authority (LPFA). In addition the Authority 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 Authority's obligation in respect of its defined benefit plans is as follows:

LFEPA Pension obligations	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Present value of the defined benefit obligation	409,583	415,190	0	0
Fair Value of plan assets	(251,635)	(241,183)	0	0
Net	157,948	174,007	0	0
Present Value of unfunded obligation	19,977	20,912	5,160,800	4,694,900
Net liability arising from defined benefit obligation	177,925	194,919	5,160,800	4,694,900

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

LFEPA	Local Government Pension Scheme	
	2013/14	2012/13
	£000	£000
Opening fair value of scheme assets	241,183	214,516
Interest Income	10,591	9,649
Re-measurement gain /(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(1,975)	20,724
• Other	3,154	0
Contributions from employer	10,127	10,712
Contributions from employees into the scheme	2,363	2,401
Benefits paid	(13,446)	(12,530)
Settlement prices received/(paid)	0	(3,938)
Other	(362)	(351)
Closing fair value of scheme assets	251,635	241,183

The Firefighters Pension schemes are unfunded schemes and as such have no assets.

Notes to Core Accounting Statements

Reconciliation of present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighter's Pension Schemes	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Opening Balance at 1 April	436,102	397,606	4,694,900	4,054,400
Current service cost	9,205	8,428	106,700	93,400
Interest costs	18,953	17,804	210,400	194,100
Contributions from scheme participants	2,363	2,401	24,000	23,100
Re-measurement (gains) and Losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	(3,182)	0	116,200	0
• Actuarial gains/losses arising from changes in financial assumptions	12,823	25,802	185,500	472,100
• Experience loss/(gain) on defined benefit obligation	(33,983)	1,684	1,800	12,000
Unfunded pension payments	(1,065)	(1,069)	-	-
Past service cost	725	587	400	400
Benefits paid	(12,381)	(11,461)	(177,400)	(154,000)
Net Transfers in and out	-	-	(1,700)	(600)
Liabilities extinguished on settlements	0	(5,680)	-	-
Closing balance at 31 March	429,560	436,102	5,160,800	4,694,900

Notes to Core Accounting Statements

Local Government Pension Scheme assets comprised:

Fair Value of Fund Assets	2013/14	2012/13
Equities - Seggregated	£000	£000
Basic Materials	4,428	5,034
Communications	7,477	5,674
Consumer	26,390	24,486
Diversified	363	413
Energy	3,555	3,150
Financial	9,439	9,194
Industrial	8,620	8,236
Technology	5,969	5,078
Utilities	426	433
Investment funds	53,321	47,182
Private Equity	17,096	18,901
LDI*	15,508	23,614
Target Return		
Equities	2,966	3,132
Corporate Bonds	4,018	4,647
Government	1,233	53
Investment funds and unit trust		
Equities	3,344	2,686
Bonds	57,847	47,970
Cash	3,210	2,550
Hedge funds	1,657	4,356
Infrastructure	8,832	8,655
Property Fund	6,672	8,965
Commodity Funds	2,747	2,709
Cash at bank	5,761	4,705
Derivatives - forwards	756	(728)
Derivatives - futures	0	88
Total	251,635	241,183

*As part of the investment strategy the Fund has a liability driven investment (LDI) portfolio managed by Insight investment. The portfolio uses RPI Swaps to hedge 25% of the Fund's cashflow liability against inflation.

Notes to Core Accounting Statements

Rate of return on fund assets

Based on the above the Authority's share of Fund assets is approximately 5%.

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 2014 to be 4%. The expected return on assets has been replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Basis for Estimating Assets and Liabilities

The Firefighter pension schemes have been valued by Hymans Robertson LLP 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:

Financial Assumptions

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

Assumption as at	Local Government Pension Scheme		Firefighter Pension Scheme	
	31/3/14	31/3/13	31/3/14	31/3/13
RPI increases	3.6%	3.4%	3.4%	3.6%
CPI increases	2.8%	2.6%	2.6%	2.8%
Salary increases	4.6%	4.3%	3.8%	3.8%
Pensions increase	2.8%	2.6%	2.8%	2.8%
Discount rate	4.4%	4.4%	4.3%	4.5%

These assumptions are set with reference to market conditions as at 31 March 2014.

Local Government Pension Scheme

The Administering Authority for the Fund is the London Pensions Fund Authority. The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by a number of teams within the administering

Notes to Core Accounting Statements

authority. 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 Statement of Investment Principles. 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 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. 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 Authority 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 Authority 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.

Notes to Core Accounting Statements

All of the risks above may also benefit the Employer e.g. 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 duration of the employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 18 year point on the BoE spot inflation curve. This measure has historically overestimated future increases in the RPI and so, in the past, the actuary has made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so they have made no such deduction at 31 March 2014. The RPI assumption is therefore 3.6%. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.8%. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Firefighter Pension schemes - Assumptions

Discount rate

Previously the actuary recommended a single discount rate for all authorities broadly equivalent to the yield available on a basket of AA rated bonds with a duration similar to that of a "typical" fire authority. Their previous approach to setting the discount rate was to identify the yield available on UK Government bonds (of appropriate duration) and add to this the mean credit spread. This spread was determined by comparing yields available on the constituents of the iBoxx AA over 15 year index with the Government bond yields at equivalent duration. The approach to setting the recommended discount rate as at 31 March 2014 has changed in two key ways;

1. Rather than construct the discount rate as the yield on Government bonds plus a measure of the credit spread, it will be derived from a Corporate bond yield curve constructed from yields on high quality bonds.
2. The recommended discount rate for each Authority will recognise the weighted average duration (or term) of the benefit obligation for each separate Authority and Scheme. For the avoidance of doubt, different discount rates may

Notes to Core Accounting Statements

apply to the pre 2006 and post 2006 sections of the Scheme. For consistency, different salary and pension increase assumptions may also apply.

Corporate Bond yield curve.

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible Corporate bond yield curve is not so readily available.

The actuary has adopted an approach whereby a corporate bond yield curve is constructed based on the constituents of the iBoxx £ Corporate AA index and using the UBS delta curve fitting methodology. The UBS fitting approach is complex and specific details on this can be provided if required. Essentially, this approach aims to achieve a balance between the following conflicting objectives:

- The yield curve should be sufficiently smooth to capture the term structure of the reference yields.
- For all reference bonds, the curve should price all cash flows as accurately as possibly.

The actuary has adopted an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions – see below) for individual schemes, dependent on their own weighted average duration. Each scheme is allocated to a duration category, as defined below:

Weighted average duration	Discount rate category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

The weighted average duration used to identify the appropriate category for each scheme is that determined at the most recent full valuation.

Retail Price Inflation (RPI) assumption

In previous years, the RPI assumption (which the assumptions for salary growth and pension increases rely on) is derived by considering the difference in the yields available on fixed interest and index linked Government bonds³.

For consistency with the assessment described above, the actuary recommended RPI assumption is derived from the Bank of England implied inflation curve and is set equal to the average rate appropriate for the cash flows of a typical Authority.

Notes to Core Accounting Statements

Pension increase assumption

The pension increase assumption, as with the accounting exercise in the previous year, will be in line with the Consumer Prices Index (CPI). The CPI assumption will be calculated as RPI less 0.8% p.a., with RPI being calculated as outlined above.

Salary increase assumption

The salary increase assumption is CPI plus 1% (i.e. RPI plus 0.2%). No information is currently available in respect of future planned salary increases, although it is expected that these will be limited due to current public sector budget cuts.

Allowance for contingent injury pensions

As requested an allowance has been made for future injury pensions. Historic data is not available to allow the required analysis to set assumptions relating to the injury retirement incidence rate and amount of injury benefit awarded. A high level analysis of the injury liability and pension amounts relative to the normal pension liability and pension amounts was carried out from which a loading factor has been derived. It has been assumed that future injury pensions will be 10% of the relevant active liability, both for past service and current service contingent liabilities.

The assumption for future injury liabilities may be refined once further data is available. The above approach in effect assumes that the historic relationship between injury and pension benefits liabilities has been broadly consistent and will continue to be so. It is acknowledged that this may not be realised in practice, although the actuary will continue to monitor the position.

Demographic/Statistical Assumptions

Mortality Assumptions 2013/14	LGPS	Fire Service Pension Schemes
Average Future Life expectancy as at	Age 65	Age 60
	Retiring today	Current pensioners
Male	22.1 years	28.1 years
Female	24.6 years	31.0 years
	Retiring in 20 years	Future pensioners
Male	24.4 years	29.7 years
Female	26.9 years	32.5 years

Notes to Core Accounting Statements

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 2012 model, allowing for a long term rate of improvement of 1.5% per annum.

The mortality assumption for the firefighter schemes is based on the S1NFA/S1NMA tables, published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession, with medium cohort improvements and a minimum improvement of 1.25% per annum applied from 2010.

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.

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	+0.1%	0.0%	-0.1%
Present value of total obligation	422,227	429,560	437,028
Projected service cost	8,658	8,846	9,038
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	430,658	429,560	428,468
Projected service cost	8,846	8,846	8,846
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	436,040	429,560	423,198
Projected service cost	9,041	8,846	8,655
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of total obligation	415,705	429,560	443,415
Projected service cost	8,574	8,846	9,117

Notes to Core Accounting Statements

Firefighters Pension Schemes

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

Change in financial assumption at year ended 31/3/2014	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.1% decrease in real discount rate	2%	96,400
1 year increase in member life expectancy	3%	154,800
0.5% increase in the salary Increase Rate	1%	74,400
0.5% increase in the pensions Increase rate (CPI)	8%	420,100

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out in the table below;

Change in financial assumption at year ended 31/3/2014	Approximate % increase to Projected Current Service Cost	Approximate monetary amount (£000)
0.1% decrease in real discount rate	4%	4,610
1 year increase in member life expectancy	3%	3,450
0.5% increase in the salary Increase Rate	6%	6,380
0.5% increase in the pensions Increase rate (CPI)	13%	14,630

Notes to Core Accounting Statements

32. Contingent Liabilities and Assets

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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.

As at 31 March 2014 the Authority had no contingent liabilities.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority.

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 2014 the Authority had no contingent assets.

Notes to Core Accounting Statements

33. Self Insurance

With the exception of property theft and damage to operational vehicles (where insurance cover is on a third party basis), the Authority 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 Authority's own resources for any one claim are:

Category insured	£
Property (All risks of physical loss or damage)	10,000
Property – Museum & Residential Properties	100
Engineering Lifting plant	250
Combined Liabilities	500,000
Fidelity Guarantee	250,000
Airside Cover	50,000
Motor Operational fleet	35,000
Motor Leased vehicles	100
Marine Protection and Indemnity	1,000
Marine Hull and Machinery Lambeth River Station	6,750
Marine Hull and Machinery Vessels	1,750

34. Going Concern

The Authority's accounts have been prepared on the basis that it is a going concern. The Authority's Balance Sheet shows a negative Total Equity of £5.1bn (£4.7bn 2012/13), as a result of the full adoption of International Financial Reporting Standard IAS19. The accounting standard requires the recognition of the Authority's pension liabilities in the accounts. However this is purely an accounting entry and does not impact on the Council Taxpayer. It does not affect the Authority's future status or ability to fulfil its function.

Notes to Core Accounting Statements

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

Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	31/3/2014	31/3/2013
	£000	£000
Depreciation of Non Current assets	(12,824)	(16,604)
Impairment and Revaluation of Non Current Assets	(12,751)	(11,240)
Assets de-recognised during year	(4,268)	(30,028)
Finance lease liability de-recognised during year	0	41,040
Amortisation of Intangible assets	(1,229)	(1,346)
(Increase)/Decrease in impairment for provision of bad debts	230	(436)
Increase/(Decrease) in inventories	(102)	(115)
Increase/(Decrease) in debtors	4,945	(6,600)
(Increase)/Decrease in creditors	(1,170)	(512)
(Increase)/Decrease in Provisions	3,029	(3,571)
Pension Fund Costs adjustment	(170,927)	(161,467)
Other Non cash items	2	77
Net cash (inflow)/outflow from operating activities	(195,065)	(190,801)

36. Cash Flow Statement – Operating activities

Operating Activities	31/3/2014	31/3/2013
	£000	£000
Interest Received	(841)	(1,268)
Interest Paid	5,977	4,882
Interest element of Finance leases	2,534	5,693
Total	7,670	9,307

Notes to Core Accounting Statements

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

Investing Activities	31/3/2014	31/3/2013
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	10,296	7,408
Other payments for investing activities	0	10,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,200)	0
Capital grants received	(18,770)	(8,871)
Proceeds from short-term and long-term investments	(5,093)	(30,094)
Net cash flows from investing activities	(14,767)	(21,557)

Financing Activities	31/3/2014	31/3/2013
	£000	£000
Cash Receipts of Short and Long term Borrowing	(9,000)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contracts (Principal)	0	2,187
Repayments of Short and Long term borrowing	11,250	4,250
Net cash flows from financing activities	2,250	6,437

Firefighters' Pension Schemes Fund Account

As at 31/03/13	Firefighters' Pension Schemes Fund Account	As at 31/03/14	
£000		£000	£000
	Contributions receivable		
	- from employer		
(38,197)	- normal	(36,377)	
(1,086)	- early retirements	(1,350)	
0	- other	0	
(39,283)		(37,727)	
(22,212)	- from members	(23,947)	
(61,495)			(61,674)
	Transfers in		
(440)	- individual transfers in from other schemes	(86)	
0	- other	0	
(440)			(86)
	Benefits payable		
111,455	- pensions	117,395	
24,784	- commutations and lump sum retirement benefits	33,840	
0	- other	0	
136,239			151,235
	Payments to and on account of leavers		
0	- refunds of contributions	5	
1,207	- individual transfers out to other schemes	2,712	
26	- other – interest due on back dated lump sums	237	
1,233			2,954
75,537	Deficit/Surplus for the year before top up grant receivable/		92,429
(75,537)	Top up grant receivable from/amount payable to central		(92,429)
0	Net amount payable/receivable for the year		0
2012/13	Net Assets Statement		
£000			£000
0	- Unpaid pensions due		0
39	- Recoverable overpayments of pensions		36
5,386	- Top up receivable from/(payable to) Government		11,775
(5,425)	- other current liabilities		(11,811)
0	Total		0

Firefighters' Pension Fund Account Notes

1. The Firefighters' Pension Scheme in England

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 Authority was responsible for paying pensions of its former employees on a pay-as-you-go basis. Under new funding arrangements the scheme remains unfunded but will not be on a pay-as-you-go basis as far as the Authority is concerned. Apart from the costs of injury awards the Authority 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 Authority 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 Authority 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. Notes 30 and 31 to the accounts provide details of the assessed pension liabilities and the corresponding entries in the main statements.

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 for the 2006 scheme were 11% of pensionable pay and 21.3% of pensionable pay for the 1992 scheme. Employee contributions, as a percentage of pensionable pay, depends on the level of earnings for both schemes as shown in the table below.

Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
Up to and including £15k	8.5	11.0
More than £15k and up to and including £30k	8.8	11.6
More than £30k and up to and including £40k	8.9	11.7
More than £40k and up to and including £50k	9.0	11.8
More than £50k and up to and including £60k	9.1	11.9
More than £60k and up to and including £100k	9.3	12.2
More than £100k and up to and including £120k	9.5	12.5
More than £120k	9.7	13.0

Firefighters' Pension Fund Account Notes

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

Accounting policies

The Authority'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 CLG (sponsoring Government department) 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 CLG equal to the amount by which the amounts payable from the fund exceeded the amounts receivable.

Details of the Authority's long term pension obligations can be found under notes to the core Accounting Statements Notes 30 and 31

Annual Governance Statement

London Fire and Emergency Planning Authority

ANNUAL GOVERNANCE STATEMENT 2013/14

Scope of responsibility

1. The London Fire and Emergency Planning Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Authority is also responsible for putting into place suitable arrangements for the governance of its affairs (ensuring that there is a sound system of internal control) which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
3. This statement explains how the Authority meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

4. The Authority's governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The governance framework is underpinned by our Corporate Code of Governance which sets out how the Authority discharges its governance responsibilities based on the six core principles defined in the *CIPFA/SOLACE Delivering Good Governance in Local Government* guidance which was updated with an addendum during 2012/13. This includes defining our scrutiny arrangements; maintaining effective policies and procedures on whistleblowing and complaint handling (on the London Fire website); and engaging with all sections of the local community through our community safety strategies and partnerships to ensure accountability. The Corporate Code of Governance was last updated and approved by the Authority on 27 September 2012.
6. The system of internal control is also a significant part of the Authority's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Annual Governance Statement

7. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
8. The governance framework has been in place at the Authority for the year ended 31 March 2014 and supports the annual budget report and statement of accounts.

The governance framework

9. The key elements of the governance framework are set out in the following paragraphs.

Establishing and monitoring the achievement of the Authority's objectives

10. Members have met regularly to consider strategic direction, plans and progress of the Authority in various Committees and the Authority itself. Decision making arrangements were confirmed for 2013/14 following reconstitution of the Authority at the annual meeting in June 2013 (FEP2070). The reconstitution confirmed the roles and duties of the following Committees:
 - Resources Committee - with responsibilities for money, people and property and performance related to those responsibilities;
 - Strategy Committee - with responsibilities for policy and strategy for the service delivery functions of emergency response, prevention and protection, including responsibility for community engagement;
 - Governance, Performance and Audit Committee - with responsibilities for service delivery performance (excluding performance related specifically to the functions of the Resources Committee) and for all audit and governance matters; and
 - Appointments and Urgency Committee - to meet on an ad hoc basis as and when urgent matters or appointments dictate.
11. The Authority's Fifth London Safety Plan 2013-2016 (LSP5) – which is the Authority's corporate plan and its Integrated Risk Management Plan as required by the government's fire and rescue service national framework - sets out the Authority's plans for improvement in services to address the risks facing Londoners, together with the management arrangements required to implement them. LSP5 was approved by the Authority on 12 September 2013 (FEP2143). Details of the public consultation undertaken can be found in the covering report to the Fifth London safety Plan (FEP 2091).
12. Key performance indicators and targets are included in the London Safety Plan and the relevant committees review indicators and targets on an annual basis.
13. All key LSP targets and commitments as well as key projects, are subject to close scrutiny and monitoring by the Resources, Strategy, and Governance, Performance and Audit Committees.
14. The Authority has performed strongly against its targets for 2013/14. This information is available online in the annual end of year performance report on the London Fire website via the following link: [Our performance 2013-14](#). Detailed commentaries against performance can also be found in the end of year performance reports to the Governance, Performance and Audit Committee (FEP2271) and the Resources Committee (FEP2279).

Annual Governance Statement

15. The Governance, Performance and Audit Committee reviews the effectiveness of the internal control framework by monitoring work of internal audit, considering both internal and external audit reports and reviewing the corporate risk management framework, including the arrangements for business continuity.
16. The risk management strategy 2011-14 contains a number of actions to improve the use of risk management information within the Authority. The strategy was approved by the former Community Safety Committee on 10 November 2011 (*FEP1823*). The strategy is being refreshed 2014/2017 and will incorporate the Authority's risk appetite statement; it will be submitted to Strategy Committee later in 2014 for approval.
17. The Authority's corporate risk register is subject to regular quarterly reviews by the Governance, Performance and Audit Committee. The corporate risks are summarised in each London Safety Plan and were last approved by full Authority in September 2013 as part of appendix one to LSP5. The register is reviewed regularly in full consultation with the Commissioner, Deputy Commissioner and Directors and identifies key risks that could prevent the Authority achieving its aims and objectives. Controls are in place to mitigate these risks and both risks and controls are subject to regular review and scrutiny, which is evidenced in the form of external inspections and internal audits, reports to Authority committees, the Commissioner's corporate management board, including at its quarterly dedicated performance meetings, and by heads of service assurances through the risk management process.

Ensuring compliance with established policies, procedures, laws and regulations

18. The system of internal control comprises a network of policies, procedures, systems, reports, processes and meetings. These arrangements are in place to verify the Authority's objectives, risk management arrangements, performance management processes and financial controls. These controls are in place to:
 - establish and monitor the achievement of the Authority's objectives through quarterly monitoring reports to members;
 - facilitate policy and decision making via , for example Standing Orders, and the service planning process;
 - ensure compliance with established policies, procedures, processes, laws and regulations, as underpinned by regular reviews carried out by internal and external auditors;
 - ensure the delivery of high quality services in an efficient and effective manner through established policies and procedures and the monitoring of performance through Directorate Management Boards, the Commissioner's Corporate Management Board, the Governance, Performance and Audit Committee, the Resources Committee and the Strategy Committee;
 - identify, assess and manage the risks to the Authority's objectives including risk management;
 - ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, through the Authority's medium term financial forecasting and budget processes, strategic and annual internal audit plans, and the budget review process;
 - provide appropriate financial management of the Authority and the reporting of financial management to the Resources Committee;

Annual Governance Statement

- provide adherence to the Authority's values and ethical standards through the application of the leadership model and equality framework; and
- ensure proper performance management of the Authority and the reporting of performance management through the Governance, Performance and Audit Committee, the Resources Committee and the Strategy Committee.

19. Internal audit provided independent assurance on risk management internal controls and governance arrangements within the Authority. From the work undertaken during the year, internal audit has concluded that the internal control framework was adequate, with controls to mitigate key risks, generally operating effectively. For 2013/14, external auditors have concluded that they can continue to place reliance on the work carried out by the Authority's internal audit function in reviewing key financial controls.
20. During 2013/14, the Head of Legal and Democratic Services was the Authority's Monitoring Officer and the duties of this role were discharged in line with the Monitoring Officer Protocol agreed by the Authority on 26 March 2009 (FEP1339).

Regulation of Investigatory Powers Act and confidential reporting ('whistleblowing')

21. During the preparation of this combined statement, the Authority has undertaken an annual review of the Brigade's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and confidential reporting (whistleblowing) arrangements. As a result of this review both policies have been updated. As required by the Act, a policy on RIPA was approved by the Authority on 22 November 2012 (FEP 2011), and the Authority has approved an updated policy alongside this statement.

The Bribery Act 2010

22. The Authority has continued to take action to address the requirements of the Bribery Act 2010 (many of which were already addressed by the Authority's policies) with the emphasis now on raising awareness. The Authority's intranet includes information for staff and managers on bribery and makes reference to policies recently updated to take account of this. Internal relevant policies have all been reviewed in light of the Bribery Act and have been, or are in the process of being, consulted on and approved. Key staff, including those in the Legal and Procurement departments, have also attended a briefing from our external legal advisers on the Bribery Act, and the key messages were then provided in a further briefing to other officers which included finance staff and Borough Commanders.

Review of effectiveness

23. Regulation 4 of the Accounts and Audit Regulations (England) 2011 requires the Authority to conduct, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and Authority officers who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and any other review agencies and inspectorates.

Annual Governance Statement

24. Throughout 2013/14, the Authority has maintained and reviewed its systems of internal control in a number of ways. In particular:

- the annual review of the effectiveness of the Governance, Performance and Audit Committee (as the committee with responsibility to agree the planned internal audit activities for the year) using CIPFA standards as a benchmark, which concluded that GPAC was operating effectively (*FEP 2110*);
- the Authority received regular performance reports on its LSP commitments, performance against performance indicators, and key projects through its Governance, Performance and Audit Committee, Resources Committee and Strategy Committee;
- comprehensive performance reports covering corporate performance indicators, corporate risks, key projects, as well as departmental performance were considered regularly by the Commissioner's corporate management board (CMB);
- progress reports submitted to the Commissioner's corporate management board on the implementation of health and safety policy and the submission of a full annual report to the Resources Committee;
- the regular review of the outcomes from the Authority's dynamic and intelligent operational training (DIOT) process coordinated through the officer-level Operational Directorates Coordination Board chaired by the Deputy Commissioner. The DIOT process supports the Authority in its commitment to protecting the health, safety and welfare at work of all its employees by learning from the performance of staff and crews at operational incidents, via the incident monitoring process, accident investigations, thematic audits, etc;
- monitoring the development, implementation and delivery of services provided by third parties and key contractual arrangements through the Commissioner's Contracts Oversight Board;
- the Authority's internal audit shared service provider working to defined professional standards and the preparation of the internal audit plan on the basis of a formal risk assessment. The plan, annual performance and main outcomes and recommendations arising from audit work were reported to the Governance, Performance and Audit Committee. The external auditor has relied on the work of internal audit in key areas in accordance with the principles of 'managed audit';
- the external auditor's plan and audit memorandum on the year's audit reported to the Governance, Performance and Audit Committee and the Independent auditor's opinion and certificate to the full Authority; and
- a review of the effectiveness of the system of internal control informed by the work of senior management, who continually reviewed the identification and management of risks at all levels across the Authority, providing assurance that controls are in place and the extent to which they were effective. Our review is also informed through the work of internal auditors as described above, and the external auditors in their annual audit letter and other reports.

Annual Governance Statement

Statement of accounts

25. As required by the Authority's financial regulations, the Director of Finance and Contractual services approves all systems used to record Authority financial transactions. Assurance that the financial data used to produce the Authority's statement of accounts is accurate and complete is obtained through regular central finance reconciliation routines of all financial systems and monthly officer monitoring of all expenditure and income recorded on the Authority's approved general ledger system. Periodic member level review of financial records and forecast outturn add to the scrutiny carried out by both the Authority's internal and external audit. The statement of accounts is authorised by the Director of Finance and Contractual services as being true and fair by 30 June each year. The accounts are then fully audited by the Authority's external auditor who issues an audit opinion by the end of the following September.

The role of the Chief Finance Officer

26. CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in public service organisations sets out the key principles that define the core activities and behaviours that belong to the CFO in public service organisations. The CIPFA statement sets out that the CFO in a public service organisation:
- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
 - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
 - must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
27. To deliver these responsibilities the CFO:
- must lead and direct a finance function that is resourced to be fit for purpose; and
 - must be professionally qualified and suitably experienced.
28. The principles are supported by a range of governance requirements that are used to demonstrate compliance. The role of the CFO is undertaken by the Director of Finance and Contractual Services who is the Authority's section 127 (Greater London Authority Act 1999) officer and is a member of the Authority's Corporate Management Board reporting directly to the Commissioner.

Annual Governance Statement

Significant internal control issues

29. The action plan below comprises actions required to address any significant failings in the Authority's governance framework and supporting systems and any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare. The plan will typically focus on issues of non-compliance or any other significant action planned or being undertaken to improve governance. It does not seek to replicate any of the Authority's other reporting arrangements. The criteria used to determine items for inclusion are:
- actions arising from the annual assessment of performance against our Code of Governance;
 - significant causes for concern identified in the auditor's annual letter;
 - performance failings or significant concerns relating to governance identified by external assessment;
 - significant failings identified by any internal audit and review processes including: internal audits, health and safety audits and accident investigations, risk audits;
 - significant failings identified by the Incident Management Policy team;
 - significant failings identified by internal management assurance processes, with particular reference to the annual assurance statement provided by each Head of Service assessing the effectiveness of the controls for which they are responsible;
 - significant failings identified by any peer review;
 - any significant improvements or additions to the Authority's control framework needed in order to bring the Authority's risk profile in line with its risk appetite;
 - any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare in the statement, and
 - any actions outstanding from the previous year's action plan.
30. In the draft action plan for the coming year, the actions are considered to arise from the criterion: "any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare in the statement".
31. These actions have all been carried forward from the previous year's action plan. They are largely substantial challenges to be managed over the long term:
- (i) **National Fire Role** - LFEPA to take a proactive role on policy direction nationally by working with others on a range of matters to secure improvement of the fire service to the public. This will include:

Annual Governance Statement

- taking a leading role in supporting the National Joint Council's position on conditions of service; and
- securing funding arrangements for the future of the National Operational Guidance programme.

How progress will be reported - Matters requiring the attention of Members will be reported to GPAC through the quarterly risk, business continuity and governance report.

(ii) **Pension changes – Higher Turnover of Experienced Staff** - Analyse the exposure and impact to the organisation of knowledge loss through retirement and the measures required to ensure key learning is retained.

How progress will be reported – Any significant fluctuations in staff turnover will be reported to GPAC through the quarterly risk, business continuity and governance report.

(iii) **Promoting shared services through the GLA group** - Promote shared service arrangements to deliver on our commitment to progress the GLA group shared services agenda.

How progress will be reported – Specific shared service proposals will be presented to Members when there is a business case to do so.

(iv) **New mobilising system** - Secure the delivery and operation of a new mobilising system ensuring that it links to existing systems and controls as well as providing opportunities for further efficiencies in service provision.

How progress will be reported – Progress on delivering the new mobilising system will be reported to Strategy Committee through the quarterly commitments and key projects report and to GPAC through the quarterly risk, business continuity and governance report.

(v) **Promoting equality and diversity** - Monitor and implement initiatives that demonstrate progress in meeting the requirements of the public sector equality duty.

How progress will be reported – Employment monitoring information will be reported to the Resources Committee through the annual publication of results report. Significant initiatives will be reported to GPAC through the quarterly risk, business continuity and governance report.

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Other governance arrangements

32. The National Resilience Programme is one part of the Department for Communities and Local Government's contribution to the Government's Civil Contingencies Capabilities Programme. The strategic aim is to continue to enhance preparedness and resilience of the fire and rescue services in England and Wales by maintaining and improving the capability of the National Assets. The programme consists of a number of distinct capabilities. These are:
- Chemical, Biological, Radiological, Nuclear and Explosive CBRN(E);
 - Urban Search and Rescue (USAR);
 - Water and High Volume Pumping (HVP); and
 - Command and Control.
33. Twenty per cent of the National Resilience assets are located within the Brigade area reflecting the importance of the capital city to national resilience in providing these capabilities to both the London region and the rest of the country. London also hosts the Fire and Rescue Service's National Co-ordination Centre (FRSNCC) at the LOC, where all requests for national assistance at large scale incidents are dealt with.
34. Brigade staff also lead the fire and rescue service nationally in terms of the sector's role in the government CONTEST strategy. This involves working collaboratively with colleagues from the other blue light agencies as well as government departments to develop multi-agency operational capabilities for responding to a wide range of terrorist related threats. London has successfully introduced the concept of inter-agency liaison officers (ILOs) to UK fire and rescue services and the National ILO coordinator is a London officer. The London Fire Commissioner is the CFOA National Resilience Lead Officer for CBRN(E) and Counter Terrorism.

Conclusion

35. We are satisfied that the appropriate internal systems of control are in place with regards to the Authority's governance arrangements, and that adequate processes are in place to ensure compliance with the Corporate Code of Governance.



Ron Dobson CBE FIFireE QFSM
Commissioner for Fire and Emergency
Planning



Councillor Maurice Heaster OBE
Chairman, Governance Performance
and Audit Committee

Dated 15 September 2014

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.

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.

CLG – Communities & Local Government, the Government Department responsible for national policy on Local Government in England.

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.

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.

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

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.

2013 /2014 STATEMENT OF ACCOUNTS

Here at the London Fire and Emergency Planning Authority we are continually trying to improve the ways in which we provide information. Your views are important to us in assisting us to improve the content, language and format used in of our accounts, and we would be extremely grateful if you could complete the attached questionnaire and let us know any ways in which we can make our Statement of Accounts more useful to you.

Please tick the Yes or No boxes below. It would also be very helpful if you would add a comment explaining the reason for any No choices

- 1 Did you find the information contained within the Statement of Accounts easy to understand?

Yes No

Comments

- 2 Was there a sufficient level of information to allow you the user to assess the financial performance of the Fire and Rescue Authority.

Yes No

Comments

- 3 Did you find that the financial information contained was presented in a clear and easy to understand format?

Yes No

Comments

- 4 Did you find the notes to the accounts added value to the financial statements?

Yes No

Comments

- 5 Did you find the Glossary helpful?

Yes No

Comments

6 Overall, has the statement of accounts been of value in helping you to assess the Fire and Rescue Authority's financial position and performance?

Yes No

Comments

7 Do you think there is anything that should be added to the Statement of Accounts to provide you the user with a more complete view of the financial position and performance of the Fire and Rescue Authority?

Yes No

Comments

8 Please state below any further comments or suggested improvements you may have regarding the Statement of Accounts.

9 Which of the following best describes you?

An employee or elected member of the authority

A member of the public

A member of another organisation/interested party

Thank you for taking the time to complete this questionnaire

Please return the completed feedback questionnaire to:

LFEPA, Finance Accountancy, 3rd Floor, 169, Union Street, London, SE1 0LL

Alternatively you can comment by e-mail by addressing your response or comments to the following e-mail address – cts@london-fire.gov.uk