LONDON FIRE BRIGADE

Report title

Statement of Accounts 2019/20

Report to	Date
Commissioner's Board London Fire Commissioner	24 March 2021
Report by	**Report number**
Assistant Director - Finance	LFC-0507

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Publication status: Published in full

If redacting, give reason:

I agree the recommended decision below.

Andy Roe
London Fire Commissioner

Date This deciso was remotely signed on 26 March 2021

Executive Summary

This report presents the London Fire Commissioner's (LFC's) audited Statement of Accounts 2019/20, including the Annual Governance Statement, attached at Appendix 1.

The draft Statement of Accounts were presented to Commissioner's Board in November (LFC-0438), and published on 30 November with a statement that these were unaudited, and did not constitute the LFC's final accounts, to ensure that the LFC is compliant with the requirements of the Accounts and Audit Regulations 2015.

The audit of the Statement of Accounts is now complete and the audit results letter prepared by the LFC's auditors, Ernst & Young, is attached at Appendix 2.

The outturn report 2019/20 has also been amended, to update the position set out in the draft outturn report (LFC-0355), to reflect the position in the final Statement of Accounts. The amended report is attached at Appendix 3, with the changes highlighted in yellow.

Recommended decision

For the London Fire Commissioner

1. The London Fire Commissioner approves the audited Statement of Accounts 2019/20, certified by the Director of Corporate Services and audited by the LFC's external auditor as presenting a true and fair financial position of the Authority as at 31 March 2020 and the Authority's income and expenditure for the financial year.

Introduction and Background

1. The LFC is required under Regulation 7 of the Accounts and Audit Regulations 2015 to approve and publish audited accounts, and for the LFC's statutory Chief Financial Officer, the Director of Corporate Services, to certify draft accounts for audit and public inspection. As previously reported (LFC-0411) the deadlines for the Statement of Accounts were amended for 2019/20 due to the Covid-19 pandemic. The Audit (Coronavirus) (Amendment) Regulations 2020 extended the deadline to 30 November for the approval and publication of the accounts, and to on or before the last working day of September for certification of the accounts for public inspection and audit.

2. The draft Statement of Accounts was approved by the Director of Corporate Services and passed for external audit by the statutory deadline of 30 September 2020. The audit was due to be completed to allow the final accounts to be approved by the LFC and be published by 30 November 2020. However further challenges were experienced in particular in relation to the pandemic and the valuation of the LFC's assets that prevented the conclusion on the audit, as previously reported (LFC-0438).

3. As previously reported, there have been challenges from the impact of Covid-19 with, in particular, additional work required on the LFC as a going concern, analysing the additional costs in responding to the pandemic and the impact on future funding, with an additional return being required with income, expenditure and cashflow forecasts for the period up to 12 months beyond the approval of the final accounts. There were also further delays in elements managed elsewhere that feed into the LFC accounts, in particular from the outcome from the audit of the pension fund.

4. The challenges on the asset valuations, also continued through the audit process with significant additional work required by the LFC's valuer (Dron & Wright) to be fully compliant with the requirements set out by the Chartered Institute of Finance and Accountancy (CIPFA). The change in the basis of valuation, with the move a Modern Equivalent Asset, not only meant that the overall value of the LFC assets changed, and with prior year's accounts having to be adjusted, but work during the audit also included moving from the previous portfolio basis of valuing the estate to an individual fire station basis. This in turn required significant additional work on the individual fire station valuations, including information by fire station on the size and specification, useful remaining life, and key components. This then required all accounting records to be amended to reflect these changes.

5. As set out previously (LFC-0438) the Statement of Accounts was published on 30 November 2020 to meet the statutory deadline, along with a statement that these were unaudited and did

not constitute the LFC's final accounts, and that the final accounts will be published again after the conclusion of the audit.

6. The audit of the Statement of Accounts 2019/20 has now been completed. The outcome of the audit has been notified to the Director of Corporate Services. The external audit results report was issued on 17 March 2021 and the audited Statement of Accounts 2019/20 is to be made available on the London Fire Brigade (LFB) website to comply with Regulation 10, paragraph (2b) of the 2015 Regulations that requires these be published as soon as reasonably practical. The final audited accounts are presented in this report for approval by the LFC.

7. The Statement of Accounts includes a copy of the LFC's Annual Governance Statement, which does not form part of the accounts however it is required to be published with the final accounts and has been approved by the LFC.

Statutory Accounting Framework

8. The accounts for 2019/20 have been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that 'present a true and fair view'.

9. This report provides the final outturn position for the LFC and explanations of the figures and key issues in the accounts as submitted.

Statement of Accounting Policies

10. The accounting policies form part of the work in reaching the Audit Opinion. The policies are the principles, bases, conventions, rules and practices applied by the LFC that specify how the effects of transactions and other events are to be reflected in its financial statements. The use of such policies effectively secures consistency in the financial figures being reported year on year.

Final Position

11. The final position for the capital and revenue expenditure and income is included in the Final Outturn Financial Position report at Appendix 4.

Capital expenditure

12. In 2019/20, total spending on the capital programme for tangible and intangible assets was £31.1m, spend included the rebuilding and modernising of fire stations and other buildings (£8.6m), upgrading ICT equipment (£0.6m) and the purchase of fleet vehicles and operational equipment (£21.6m). The Capital expenditure (£31.1m) was funded by capital grants (£0.6m) and capital receipts (£30.5m).

13. The LFC took no external borrowing during the year. Settlement of maturing principal debt during 2019/20 totalled £6m. As a result, as at 31 March 2020, the level of outstanding principal debt totalled £60.7m. The average interest payable on outstanding loans as at 31 March 2020 was 4.67% (4.65% at 31 March 2019).

Service Income and Expenditure

14. The statement of accounts includes accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK. These provide for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits, depreciation, impairment and revaluation charges.

15. The figure for net service expenditure for 2019/20, shown in the table below excludes these accounting adjustments. The outturn position after application of reserves and grants was £5.1m less than the approved budget. This a change of £1.2m from the draft outturn position previously reported in May 2020 (LFC-0355), and this change was reported to Commissioner's Board as part of the report on the draft Statement of Accounts in August 2020 (LFC-0411). The amended outturn report in attached at Appendix 3.

16. Following movements between the general fund and reserves, the general fund balance decreased by £7.4m from £23.2m as at 31 March 2019 to £15.8m as at 31 March 2020 and the earmarked reserves increased by £10m from £52.2m as at 31 March 2019 to £62.2m as at 31 March 2020.

Service Expenditure and Income 2019/20

	Revised Budget	Outturn	Outturn Variance
	£000s	**£000s**	**£000s**
Operational staff	270,131	269,955	(176)
Other staff	59,911	57,594	(2,317)
Employee related	24,028	25,209	1,181
Pensions	20,769	20,878	109
Premises	39,641	39,885	244
Transport	16,947	16,645	(303)
Supplies and services	29,538	29,248	(289)
Third party payments	2,055	1,871	(184)
Capital financing costs	9,775	8,959	(816)
Central contingency against inflation	123	(0)	(123)
Total revenue expenditure	**472,920**	**470,245**	**(2,674)**
Other income	(40,575)	(44,736)	(4,161)
Net revenue expenditure	**432,345**	**425,509**	**(6,835)**
Use of earmarked reserves	(2,476)	(2,476)	(0)
Financing Requirement	**429,869**	**423,033**	**(6,835)**
Financed by:			
Specific grants	(37,564)	(35,864)	1,700
GLA funding	(392,305)	(392,305)	0
Net Financial Position	**0**	**(5,135)**	**(5,135)**

Balance Sheet

17. The net pensions deficit, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes is £6.5bn as at 31 March 2020. This is the sum of the LFC's liabilities in both schemes arising from pension benefits earned by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost.

Audit Results Report

18. The Authority's external auditor issued the Audit Results Report (ARR) on 17 March 2021, and is attached at Appendix 2. During the audit the Director of Corporate Services considered the accounting and material nature of each issue raised under the audit and provided a management response to the matters arising. The responses have been formally discussed with the external auditor based on professional judgement, materiality and significance. It should be noted that for an item to be of material accounting significance it should for the LFC be at level in excess of £10m.

19. The ARR includes the audit conclusion on the Statement of Accounts and sets out an 'except for' conclusion on the arrangements in place to secure economy, efficiency and effectiveness in the use of resources, and Commissioner's Board were updated on this element of the audit as part of the report on the draft accounts in August (LFC-0411). As part of the work in this area the auditors considered two key reports, from Phase 1 of the Grenfell Tower Inquiry and from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. The auditors were unable to conclude there were adequate arrangements in relation to Staff Competence and Training, and Emergency Planning and Responding.

20. The ARR also includes an update on the audit fees. The scale fees at £52.0k and the additional fees at £47.2k have been reported previously to Commissioner's Board. There are further fees now proposed as a result of the work necessary to conclude the audit. All additional fees will be subject to further work to understand and clarify these, and on the conclusion of LFC consideration will be subject to confirmation from Public Sector Audit Appointments. A further update on the auditor fees will be provided as part of the report to present the Annual Audit Letter.

Schedule of Uncorrected Misstatements

21. Where an Authority declines to make changes to the accounts recommended by the external auditor, the auditor is required to report this in a schedule of uncorrected misstatements. There is one unadjusted audit difference in the financial statements, which relates to the LGPS pensions liability. The difference is £561k and this is not material.

Audit and Public Inspection

22. Ernst and Young commenced their audit in June 2020, and returned for further work to complete the audit in October 2020 and February 2021. The LFC's accounts were open to public inspection from 1 September 2020 to 12 October 2020. This means that any person interested may inspect and make copies of the accounts, and any related books, deeds, contracts, bills, vouchers and receipts. An opportunity for electors to raise any objections to the accounts was available during this inspection period. No person or elector raised any objection to the LFC's accounts during the inspection period.

Letter of Representation

23. As part of the standard closing of accounts process a Letter of Representation is formally acknowledged by the LFC. This presents a formal response to the auditor and provides a management response to any uncorrected items raised as part of the audit, and will be approved by the LFC alongside the Statement of Accounts.

Annual Governance Statement (AGS)

24. The Annual Governance Statement provides an overview of the governance arrangements that were in place for the LFC during the year 2019/20 and is included with the Statement of Accounts.

Equality Impact

25. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.

26. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.

27. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.

28. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:

(a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
(b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
(c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.

29. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

30. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

31. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

(a) tackle prejudice, and
(b) promote understanding.

32. This report presents the Statement of Accounts for approval, and is the completion of the process and allows the accounts to be published. There are no significant equality implications anticipated to arise directly from this report.

Procurement and Sustainability

33. There are no direct procurement or sustainability implications arising from this report.

Strategic Drivers

34. The Statement of Accounts is prepared to meet statutory requirements.

Workforce Impact

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

Finance comments

36. This report is prepared by the Assistant Director – Finance, and finance comments are incorporated into the report.

Legal comments

37. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

38. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").

39. The report seeks the London Fire Commissioner's (LFC's) to note the stated position of the financial accounting records for publication, as required by legislation and guidance, referred to in more detail in the body of this report.

40. Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.

41. The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.

42. Regulation 7 of the Accounts and Audit Regulations 2015 (the 2015 Regulations) provides that a functional body, such as the LFC, is a body required to prepare an annual Statement of Accounts each year. Regulation 10 of the 2015 Regulations has been amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (the 2020 Regulations) to extend the date for publication of accounts from 31 July to 30 November 2020.

43. Where an audit of accounts has not been concluded before the date specified (30 November) the LFC must, in accordance with regulation 10 of the 2015 Regulations:

    a. publish (which must include publication on the authority's website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and

b. publish the statement of accounts together with any certificate or opinion, entered by the local auditor as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit. (SI 2015/234) provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year.

44. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.

45. Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out the how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records. This report will ensure the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

Statement of accounts 2019 – 2020

London Fire Commissioner

LFB
LONDON FIRE BRIGADE

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WRITTEN STATEMENTS AND NARRATIVE REPORT

Director of Corporate Services' Narrative Report

1. THE LONDON FIRE BRIGADE

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

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

The LFB is here to help make London the safest global city. Our vision is to be a world class fire and rescue service for London, Londoners and visitors.

HOW THAT WORKS IN PRACTICE

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

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

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

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

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

2. THE MAYOR OF LONDON

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

3. THE LONDON FIRE COMMISSIONER

HOW THE LONDON FIRE BRIGADE IS GOVERNED

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

All formal decisions about London Fire Brigade are taken by the London Fire Commissioner. Some decisions relating to the London Fire Brigade may need to be taken by, or in consultation with, the Deputy Mayor for Fire and Resilience, or the Mayor of London.

These decisions are published, and can also be subject to scrutiny by the London Assembly.

HOW DECISIONS ARE MADE

The process for decisions is:

i. Reports for decision are taken to a Commissioner's Board, usually following consideration by the relevant directorate Board(s)

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

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

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

EXCEPTIONS TO THE PROCESS

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

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

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

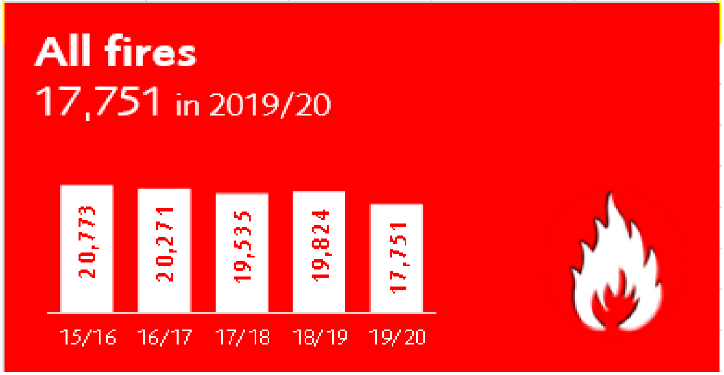
LFB staff prepare performance reports, monitoring data and help develop thematic reviews to facilitate the scrutiny work of FREP.

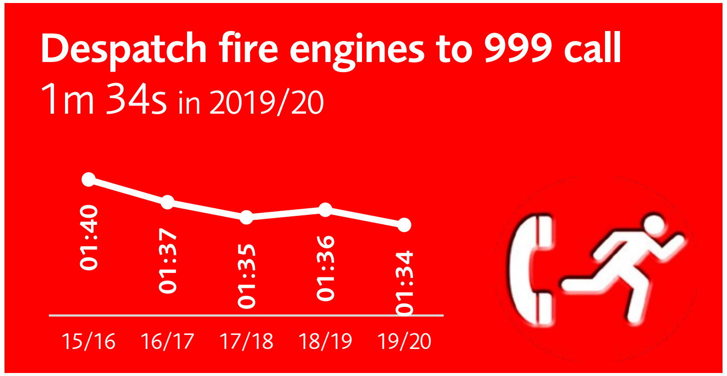
The London Fire Commissioner's budget is also subject to scrutiny through the London Assembly's Budget and Performance Committee.

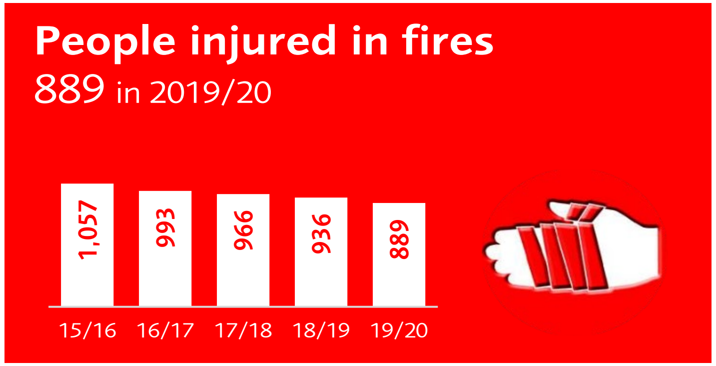
Director of Corporate Services' Narrative Report (continued)

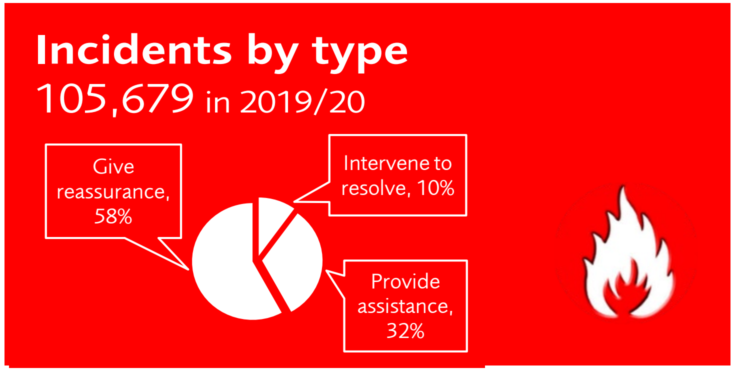
THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2019/20

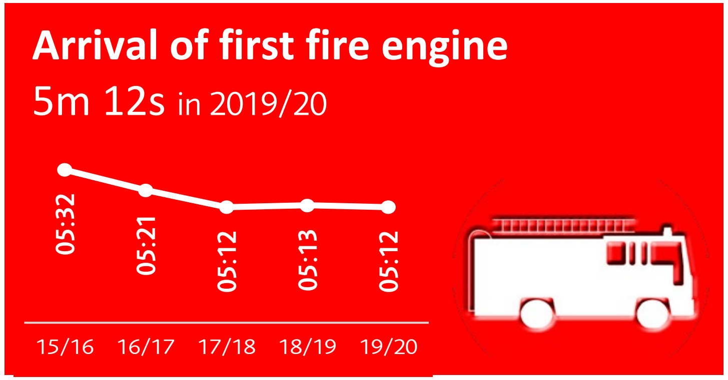
Performance as at year ending 31st March 2020 shows that most performance indicators are meeting their target. Highlights include:





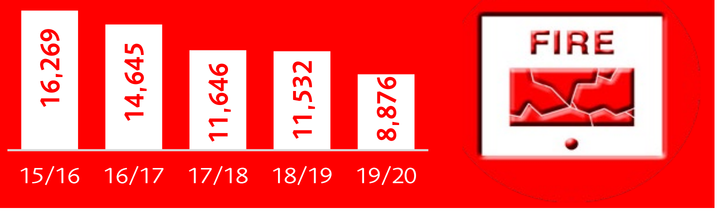






Fire safety audits

8,876 in 2019/20



London Fire Brigade

Largest UK fire & rescue service

102 fire stations, 1 river station

142 fire engines

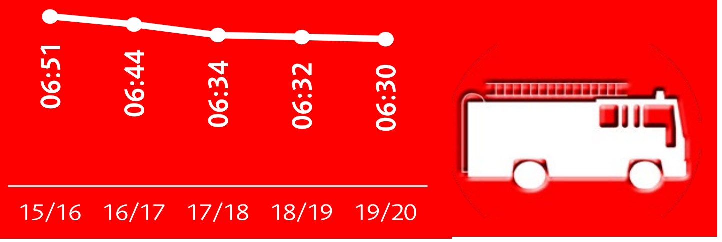
5,739 staff

LFB

LONDON FIRE BRIGADE

Arrival of second fire engine

6m 30s in 2019/20

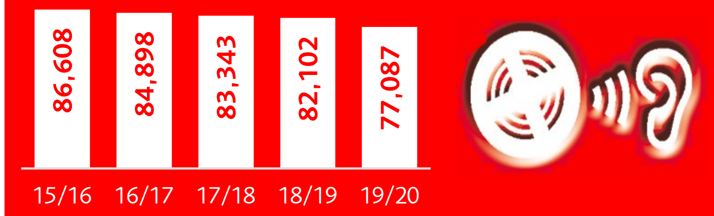


All incidents attended

105,679 in 2019/20

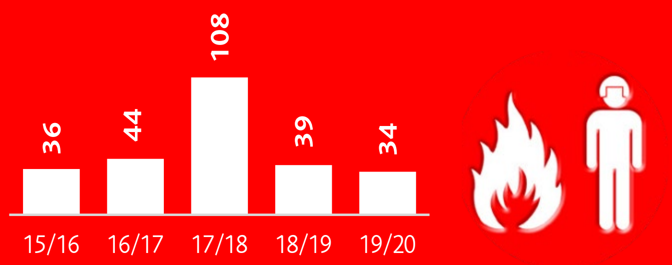
Home fire safety visits

77,087 in 2019/20

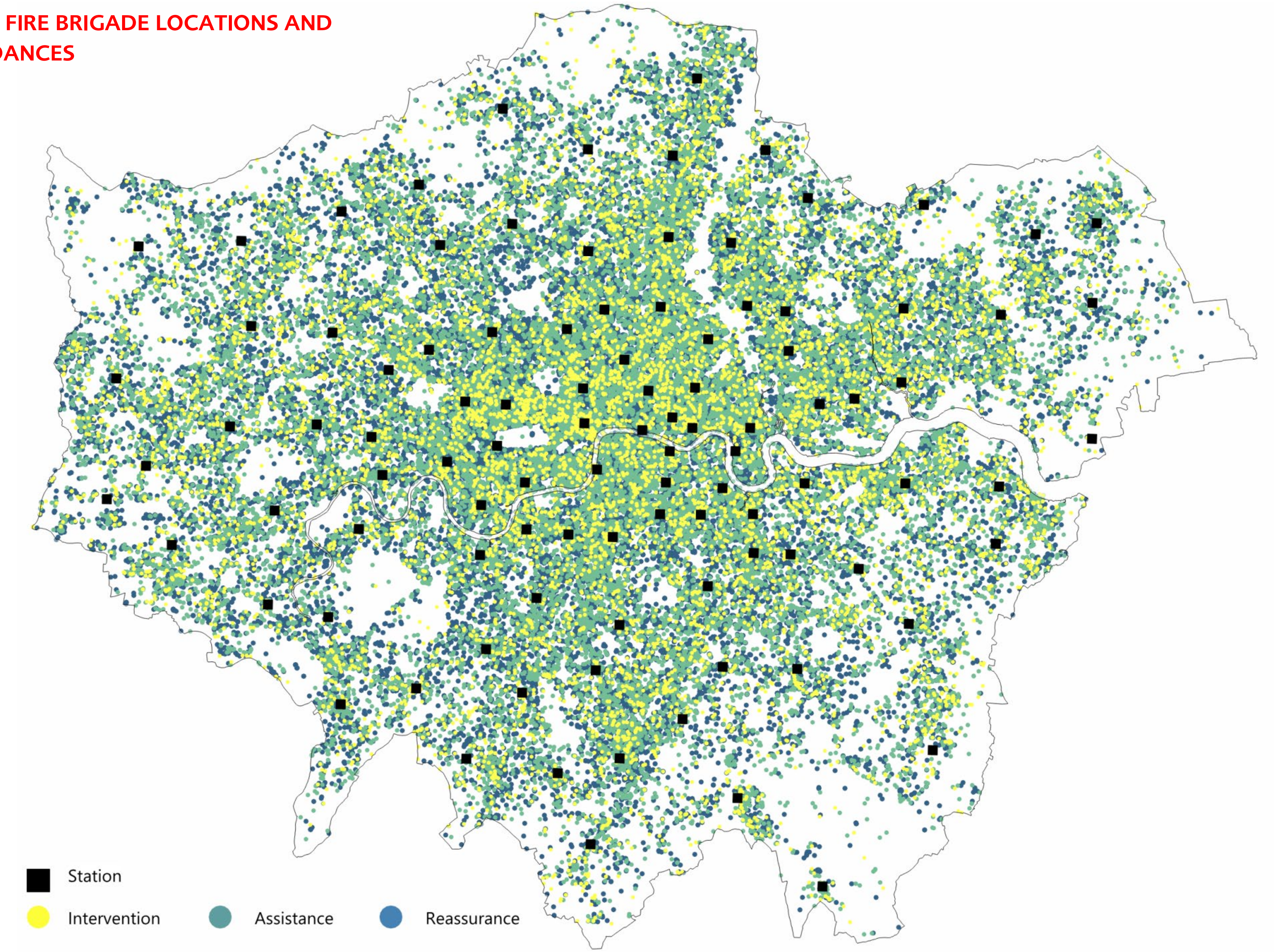


People who died in fires

34 in 2019/20



MAP OF FIRE BRIGADE LOCATIONS AND ATTENDANCES



THE BRIGADE'S PERFORMANCE

The Brigade is delivering well against its performance portfolio. Commitments and actions arising from strategic plans such as the London Safety Plan are progressing well. In terms of performance across the three Corporate Aims, the summary position is good and is improving. The Brigade is doing well in terms of delivering against Aim 1 – Prevention and Protection, with 10 out of 12 indicators reporting as green, including fire fatalities, and against Aim 2 – Response and Resilience, with all six indicators reporting as green. However, Aim 3 – People and Resources continues to be affected by long term sickness levels and the challenge to meet higher diversity targets.

GRENFELL TOWER FIRE INQUIRY

The Grenfell Tower Inquiry published its Phase 1 Report on 30 October 2019. That report focused on the factual narrative of the events on the night of 14 June 2017 and set out a number of recommendations for the London Fire Brigade.

In response to the Phase 1 report the then Commissioner made a statement, noting that:

"We will now carefully and fully consider all of Sir Martin Moore-Bick's Phase 1 report and take every action we can to improve public safety. Many of the recommendations are welcome and will need to be fully understood not only by London Fire Brigade, but by government, every fire and rescue service and every residential building owner and manager across the country"

HMICFRS INSPECTION REPORT

HMICFRS undertook an inspection of the London Fire Brigade from 22 July to 2 August 2019 and published the Inspection Report on 17 December 2019.

Within the Inspection Report the HMICFRS identified two immediate causes for concern and required the Brigade to develop actions to address these immediate concerns by 28 February 2020. A report was presented to the Commissioner's Board on 26 February 2020 and the proposed actions to address these two causes for concern were submitted to the HMICFRS by 28 February 2020.

In addition, the Inspection Report also contained 25 areas for improvement and required the Brigade to prepare, update and regularly publish an action plan detailing how all recommendations are being actioned (or if the Brigade does not propose to undertake any action as a result of a recommendation, the reasons why the action is not being pursued).

COMMISSIONER ANNOUNCEMENTS

In December media, staff and stakeholder communications were issued following Commissioner Dany Cotton's announcement to step down at the end of 2019. On 10 December the appointment of Andy Roe as the new Commissioner was publicly announced.

IMPROVING COMMUNITY AND STAKEHOLDER RELATIONS

In line with the Commissioner's firm commitment set out during his confirmation hearing, the Brigade also reached out to the Grenfell Tower community working closely with the Mayor's office. The Commissioner met with some of the families and loved ones of those who died at Grenfell Tower for the first time on Monday 24 February.

A significant amount of stakeholder engagement activity was undertaken on 27 February when the Brigade invited the Deputy Mayor, FREP members and representatives from the Home Office and NFCC to observe a training exercise at a high rise building in the London borough of Southwark to demonstrate and discuss ways in which the Brigade is training for and improving its response to high rise buildings incidents since the Grenfell Tower fire.

SUPPORT FOR BLUE LIGHT PARTNERS

As part of the LFB's response to the COVID-19 pandemic we are supporting our blue light partners across a number of areas, seconding staff for up to 12 weeks at a time. Up to 300 operational members of LFB staff are working with the London Ambulance Service (LAS) driving ambulances and assisting ambulance paramedics to enable LAS to maintain an effective service during this challenging period for London. We also provided over 150 staff, who volunteered to form part of a Pandemic Multi-Agency Response Team (PMART). They have driven vehicles and were involved in the wrapping and recovery of bodies and mortuary support.

Following a request from the Government to the London SCG, LFB has supported the delivery of urgently needed Personal Protective Equipment (PPE) for social care providers across London's boroughs. Large consignments of PPE (up to six million items) has been delivered to the LFB Distribution Centre in Croydon. Each borough was asked via the SCG to provide their respective PPE request, and LFB then arranged vehicles and people to undertake delivery to a single point within each borough, and any other hub at the request of the London Resilience Group. This support will be ongoing while it is required.

Providing this level of support to our partner agencies, while also maintaining our own emergency response and meeting our other statutory requirements, is only possible because we have significantly reduced our training programmes, community outreach work and home fire safety visits (with the exception of risk critical visits). In addition nearly 2,000 members of our workforce have volunteered for pre-arranged overtime (PAO) and work on their days off. This PAO pool is enabling us to provide cover for staff who are self-isolating or been seconded to other agencies. However this is a short term solution to maintain operational effectiveness.

BUILDING REGULATIONS AND FIRE SAFETY

In January the Brigade welcomed the announcement on building safety made by the Secretary of State for Housing, Communities and Local Government Robert Jenrick. A media release and stakeholder communications were issued supporting the proposal to introduce sprinklers into new builds above a height of 11 metres, down from the threshold of 30 metres. The Brigade has actively campaigned for this change.

Later in March the Brigade welcomed publication of the Fire Safety Bill, the first new piece of primary legislation to improve fire safety in buildings following the Grenfell Tower fire. It amends the Regulatory Reform (Fire Safety) Order 2005 to provide greater clarity on additional areas falling to the responsible person or duty holder for multi-occupied residential buildings. In a media release issued, the Brigade welcomed the clarity it provides with regards to the exterior of buildings and individual front doors which open into common parts, empowering fire and rescue services to take enforcement action. Although falling into the next quarter it should be noted that on 4 April the Brigade placed on record its concern that the new Building Safety Regulator's more stringent regime for buildings during their design, construction, occupation and refurbishment will only apply to buildings of 18 metres or more than six storeys, meaning lower buildings could be deliberately constructed to avoid this threshold.

NEW LAMBETH FIRE STATION AND MUSEUM APPROVED

Director of Corporate Services' Narrative Report (continued)

In December Lambeth Council voted to approve U+I and the London Fire Brigade's proposals to create a mixed-use community at 8 Albert Embankment. The Brigade publicly and appropriately welcomed the news which was reported locally and in a number of architecture and trade publications. However there remain issues to be addressed before this can be concluded, including the Secretary of State for Housing, Communities and Local Government decision on a holding direction which could seem him appoint a planning authority.

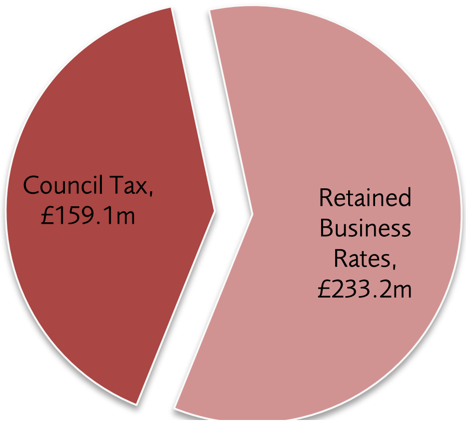
FINANCIAL PERFORMANCE

CORE FUNDING

As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax and retained business rates which provided funding of £392.3m in 2019/20.

For a Band D council tax payer the LFB's element of the their council tax bill was £53.00 in 2019/20, or £1.02 a week.

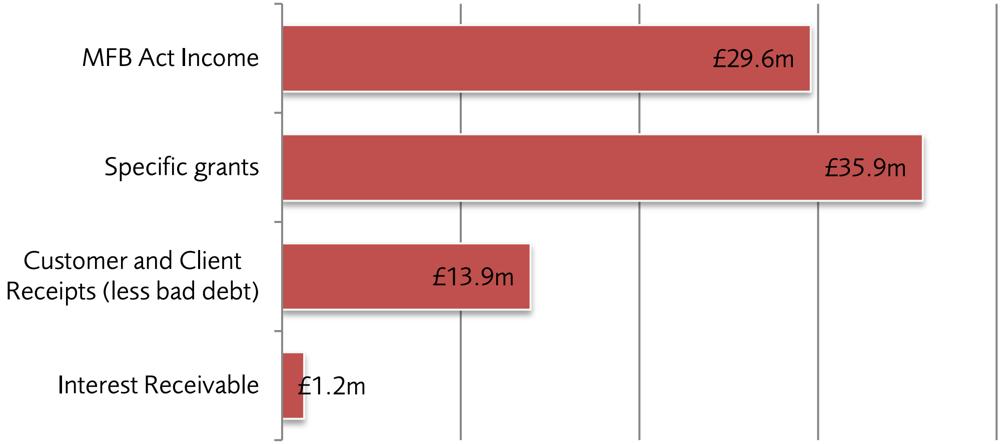
FUNDING FROM THE GLA



INCOME

The LFC also receives additional income through a range of items, including income under the Metropolitan Fire Brigade (MFB) Act and grants from central government. This additional income totals £80.6m.

OTHER INCOME SOURCES



REVENUE EXPENDITURE

This combination of core funding from the GLA and other income provided total funds of £472.9m in 2019/20. After including a net draw from earmarked reserves of £2.5m this provided for expenditure of £475.4m.

Total expenditure in 2019/20 was £470.2m, £5.1m less than budgeted and the breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£270.0m) and Other Staff (£57.6m).

Expenditure on Operational staff increased significantly compared with 2018/19 as a result of the revaluation of the firefighter's pension scheme and the resultant impact on employer contributions. This was offset by a corresponding increase in grant income.

	2018/19				2019/20	
Budget £'000	Outturn £'000	Variance £'000	LFC Revenue	Budget £'000	Draft Outturn £'000	Variance £'000
241,115	239,924	(1,191)	Operational staff	270,133	269,957	(176)
55,994	54,611	(1,383)	Other staff	59,911	57,594	(2,317)
23,890	24,764	874	Employee related	24,028	25,209	1,181
20,445	20,493	48	Pensions	20,769	20,878	109
37,865	37,362	(503)	Premises	39,641	39,885	244
16,330	15,449	(881)	Transport	16,947	16,645	(302)
29,230	30,011	781	Supplies and services	29,538	29,248	(290)
2,262	2,207	(55)	Third party payments	2,055	1,871	(184)
9,770	9,365	(405)	Capital financing costs	9,775	8,959	(816)
215	-	(215)	Central contingency against inflation	123	0	(123)
437,116	**434,186**	**(2,930)**	**Total revenue expenditure**	**472,920**	**470,246**	**(2,674)**
(39,043)	(40,434)	(1,391)	Other income	(40,575)	(44,736)	(4,161)
398,073	**393,752**	**(4,321)**	**Net revenue expenditure**	**432,345**	**425,510**	**(6,835)**
16,749	17,398	649	Use of earmarked reserves	(2,476)	(2,476)	0
414,822	**411,150**	**(3,672)**	**Financing Requirement**	**429,869**	**423,034**	**(6,835)**
			Financed by:			
(16,352)	(16,826)	(474)	Specific grants	(37,564)	(35,864)	1,700
(398,470)	(398,470)	-	GLA funding	(392,305)	(392,305)	-
-	**(4,146)**	**(4,146)**	**Net Financial Position**	**-**	**(5,135)**	**(5,135)**

CAPITAL EXPENDITURE

Total capital expenditure in the year was £31.1m, of which £30.4m was funded from capital receipts and £0.7m from a capital contribution.

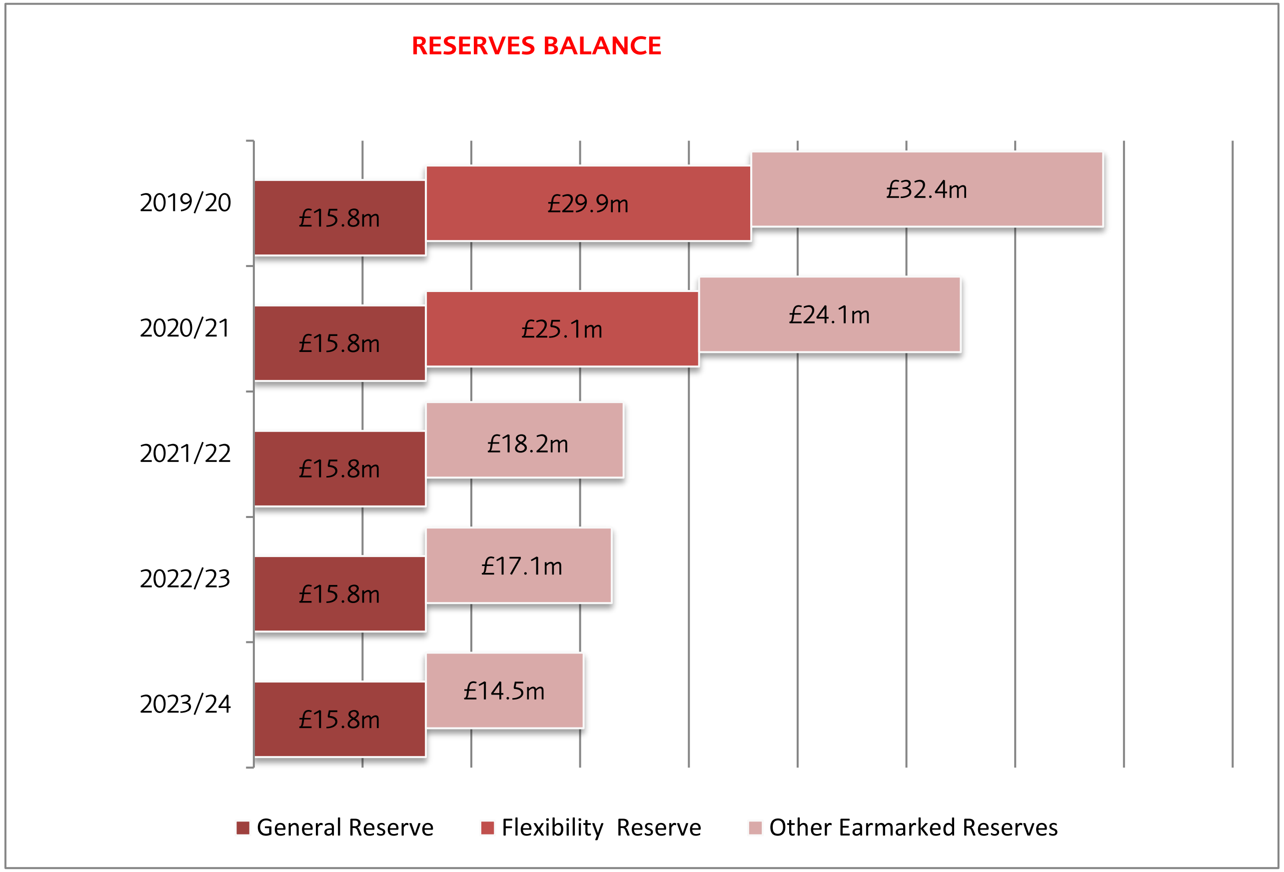
The majority of the capital expenditure (69%) was on the fleet and equipment replacement, which included the roll out of 42 new fire appliances in the year.

Outturn 2018/19 £'000	LFC Capital	Draft Outturn 2019/20 £'000
582	ICT Projects	623
3,212	Property Projects	8,789
9,638	Fleet and Equipment Projects	21,558
-	Operational Policy	91
13,432	**Total capital expenditure**	**31,061**
	Financed by:	
13,314	Capital Receipts	30,428
84	Grants /Contributions	633
34	Revenue Contribution to Capital	-
13,432	**Total**	**31,061**

RESERVES

The LFC had total reserves of £78.1m as at 31 March 2020, comprising £15.8m in general reserves and £62.3m in earmarked reserves. The chart shows how earmarked reserves are expected to be consumed over the next four years.

The general reserve is maintained at a minimum of 3.5% of net revenue expenditure. Earmarked reserves also include £29.9m in the budget flexibility reserve as at 31 March 2020, to support the budget in future years. The general reserve would then be expected to remain at £15.8m in each of the following financial years from 2021/22 to 2023/24. These figures are as per the approved published Budget Report for 2020/21.



PLANNED EXPENDITURE FOR FUTURE YEARS

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

The plans show a balanced revenue budget in 2021/22 but with a budget gap of £35.1m by 2023/24, after including transformation funding requirements of £4.1m by 2023/24. These figures are as per the approved published Budget Report for 2020/21.

Revenue Expenditure	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Operational Staff	280.2	285.7	292.5	297.6
Other Staff	61.9	62.7	61.9	62.9
Employee Related	24.7	25.7	26.1	27.3
Firefighter's Pensions	21.3	21.6	21.8	22.0
Premises	39.5	41.2	42.3	43.5
Transport	18.7	18.2	18.5	18.5
Supplies and Services	31.4	30.7	30.4	29.3
Third Party Payments	1.4	1.4	1.4	1.4
Capital Financing Costs	8.7	9.0	11.7	11.7
Central contingency against inflation	0.0	0.0	(0.1)	(0.1)
Savings to be achieved	0.0	(4.8)	(35.9)	(35.1)
Total Revenue Expenditure	**487.8**	**491.4**	**470.6**	**479.0**
Income	(39.8)	(41.1)	(42.6)	(44.0)
Net Revenue Expenditure	**448.0**	**450.3**	**428.0**	**435.0**
Use of Earmarked Reserves	(13.2)	(32.0)	(1.9)	(0.8)
Financing Requirement	**434.8**	**418.3**	**426.1**	**434.2**
Specific Grants	(33.3)	(11.6)	(11.6)	(11.6)
GLA Funding	**401.5**	**406.7**	**414.5**	**422.6**

Capital Expenditure	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Estates Projects	13.3	22.2	14.9	10.4
ICT Projects	1.4	3.3	4.8	6.0
Fleet	17.8	15.7	2.9	0.0
Operational Policy Projects	3.2	5.0	0.0	0.0
Total	**35.7**	**46.2**	**22.6**	**16.4**

FINANCIAL CHALLENGE

The LFB's Medium Term Financial Plan sets out the financial pressures the organisation is facing over the next four financial years, with the latest position showing a budget gap of £35.1m by 2023/24 based on indicative funding levels provided by the Mayor, although this will now be negatively impacted by COVID-19 pandemic.

In addition to inflation and pay pressures one of the largest financial challenges facing the LFB in the coming years is as a result of increasing pension costs. Additional one off grant funding was provided to address this in 2019/20 with this expected to be settled in the spending review. The one off funding is to be repeated in 2020/21 but the position on this in future years remains uncertain.

The Brigade's Medium Term Forecast provides a high level forecast of the organisation's spend and funding for each of the next four financial years. The table below summarises the most recent position which was included in the 2020/21 Budget report.

The table demonstrates that the four year budget gap is £35.1m. The table shows there is a budget gap in 2020/21 of £6.1m that can be met through a draw on the budget flexibility and transformation reserves. There is then a forecast budget gap of £34.0m in the second year that can be reduced to a gap of £4.8m after a further draw on reserves.

The budget gap over a new four year period up to 2024/25 will be considered as part of the budget process in 2020/21.Resources allocation for the Brigade reflects the priorities as set out in the London Safety Plan.

FOUR YEAR BUDGET GAP

Summary Budget Gap	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Budget Gap/ (Surplus)	**6.1**	**34.0**	**36.0**	**35.1**
Payment into Transformation Reserve	2.2	0	0	0
Draw from Transformation Reserve	(3.5)	(4.1)	(0.1)	0
Payment into / (Draw from) Budget Flexibility Reserve	(4.8)	(25.1)	0	0
Budget Gap After Reserve Use	**0.0**	**4.8**	**35.9**	**35.1**
Transformation Reserve Balance	4.2	0.1	0	0
Budget Flexibility Reserve Balance	25.1	0.0	0	0

RISK MANAGEMENT

Strategic risk management enables the Brigade to plan for, anticipate, manage, and mitigate risks which have the potential to seriously impact upon the services provided by the organisation. Risk management is a process which seeks to identify, evaluate and manage these risks in a structured way. A robust strategic risk management framework enables the LFC to take sufficient action, which could involve prevention of significant risks and/or reduction of the impact of those that do occur by putting adequate risk mitigation controls in place.

Since the current risk strategy was approved (on 12 March 2018), Heads of Service have been consulted to identify and develop risk controls and mitigations and regular quarterly reviews take place at Directorate Boards to monitor controls and assess risk ratings. This allows dynamic monitoring of risks as controls develop and the risk landscape changes. The following (corporate) risks are those which officers have identified could have a serious impact on how the Brigade operates.

Director of Corporate Services' Narrative Report (continued)

There are 21 risks on the Brigade's corporate risk register. There are six 'red' risks, the highest of which relates to the Grenfell Tower Fire Inquiry and COVID-19.

Code	Risk Description	Score
CRR1	Death or serious injury occurs as a result of our staff not operating a safe system of work	6
CRR7	Failure of a significant contractual relationship impacts on the delivery of services	6
CRR8	The actions arising from the inclusion strategy fail to deliver a more diverse workplace	6
CRR10	The current environment doesn't support effective planning to meet the budget gap forecast in 2022/23	6
CRR13	A breakdown in industrial relations affects our ability to deliver the service	4
CRR18	The ongoing asymmetric terror threat to London and the UK potentially exposes a level of vulnerability which could result in increased levels of risk	9
CRR19	Complete failure of the mobilising system for periods over 24hrs in duration.	6
CRR20	The Grenfell inquiry process impacts on staff/officer wellbeing resulting in an increase in officers unavailable for key roles and reducing the resilience of the service	8
CRR21	The Brigade's Adult Safeguarding Framework does not support effective and efficient referrals to appropriate agencies to adequately support the needs of vulnerable people	6
CRR22	Brigade ICT services are affected by a cyber attack	9
CRR23	Staff do not get support for their mental health problems which negatively affects individual wellbeing and organisational effectiveness	6
CRR24	Our capacity to deliver change is exceeded meaning that benefits are not fully delivered	8
CRR25	Brigade services are vulnerable to a pandemic outbreak	12
CRR27	The resilience of the Brigade is impacted by a series of large scale major incidents, potentially terror related.	6
CRR29	The Grenfell Tower Fire Public Inquiry results in conclusions about Brigade policies or actions which reduce staff/public confidence and / or public safety.	12
CRR30	High sickness levels result in a reduction in operational resilience	6
CRR32	Newly commissioned training requirements are not accurately planned, specified, or evaluated	6
CRR33	The training provider is unable to provide effective and efficient training to deliver the Brigade's needs	9
CRR34	Non contracted training provision does not effectively and efficiently secure maintenance of skills	9
CRR35	The United Kingdom leaves the European Union causing disruptions to communities, infrastructure or costs sufficient to challenge LFB service delivery through disruptions to services, suppliers, or by demand increases	3
CRR36	Brigade Control training and quality assurance processes are currently not subjected to external scrutiny or rigour, which leaves the Brigade open to challenges about the competency of its Control officers'	6

UPCOMING CHALLENGES

THE FIRE AT GRENFELL TOWER

The fire at Grenfell Tower on 14 June 2017 was an unprecedented and tragic event. Since then LFB has continued to support the Public Inquiry and the ongoing police investigation into the Grenfell Tower fire and has been identifying and putting in place any changes to help prevent another community suffering a similar incident.

TRANSFORMATION OF THE LFC

The London Fire Commissioner has put together a Transformation Delivery Plan (TDP) which sets out his priorities in response to the Grenfell Tower Phase One Inquiry Report and Her Majesty's Inspectorate for Constabulary and Fire and Rescue Service's (HMICFRS) assessment of LFB. The TDP sets out the London Fire Commissioner's priorities in response to these reports and other areas for transformation.

The TDP sets out a different purpose, vision and strategy for the Brigade. As a result, the performance monitoring, metrics and reporting arrangements need to be aligned with the organisation's new priorities. Officers are reviewing performance outputs to align with the new delivery plan and it is anticipated that these will be presented in the quarter one performance report for the 2020/21 financial year.

COVID-19

A new coronavirus disease (COVID-19) causing respiratory symptoms was first identified in December 2019 in China. The World Health Organization declared the outbreak of COVID-19 a pandemic on the 11th March 2020, as a result of COVID-19 spreading worldwide.

Throughout the disruption the LFC has managed to operate at a steady state with all critical activities are being managed as per our Business Continuity arrangements. Our capacity to respond to incidents and maintain our response time has been mostly unaffected and degradation strategies have been put in place to manage the impact on our staffing numbers.

In-line with our Strategic Response arrangements (SRA) the Commissioner's Continuity Group (CCG) is being convened on a regular basis to provide strategic management of the incident and ensure that the LFB remains prepared for any potential impacts of COVID-19 spreading in London. We are also liaising with the National Fire Chiefs' Council to ensure sharing of best practice and information across the country and that we are aligned with the national position as relevant.

It is likely that the impact of the coronavirus will have a long term effect on the Brigade's finances. It is hard to be certain about the overall financial impact but this will become clearer by the end of the 2020/21 financial year. The LFC funding arrangements towards these costs will be from either General Fund Reserve, Central Government, the GLA or the Home Office.

Preparing for the long term impact will form a key part of the budget process for 2021/22 and future years, and the LFC has already begun working with the GLA to ensure that the LFC is well placed to respond to the changing financial climate.

ACCOUNTING STATEMENTS

The LFC's accounting statements that follow have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority

Accounting in the United Kingdom 2019/20. The Code is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The accounting statements following comprise:

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

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

The Core Accounting statements:

- **THE MOVEMENT IN RESERVES STATEMENT**

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

- **THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

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

- **THE BALANCE SHEET**

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

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

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

- **THE CASH FLOW STATEMENT**

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

The Statement of Accounts also includes the following Accounting Statements;

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

This shows transactions on the Fund account determined by regulation for the Firefighters' Pension Scheme for England. The Fund is unfunded but the LFC pays an employer's pension contribution based on a percentage of pay into the Pension Fund. The LFC is required by legislation to 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 Home Office (HO).

- **THE EXPENDITURE AND FUNDING ANALYSIS**

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

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

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

CAPITAL EXPENDITURE

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

In 2019/20, total spending on the capital programme for tangible and intangible assets was £31.06m. Spend included the rebuilding and modernising of fire stations and other buildings (£8.76m), upgrading ICT equipment (£0.62m) and the purchase of fleet vehicles and equipment (£21.56m). Capital expenditure on assets (£31.06m) is to be financed in accordance with the Prudential Code, funded by a capital contribution of (£0.63m), and capital receipts (£30.43m).

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2019/20 totalled £8m. As a result, as at 31 March 2020, the level of outstanding principal debt totalled £60.7m. The average interest payable on outstanding loans as at 31 March 2020 was 4.7% (4.7% at 1 April 2019).

The former fire station at Mitcham was sold during the year, resulting in a capital receipt of

£0.67m. There were no other property disposals during the year.

INCOME AND EXPENDITURE FOR THE YEAR

The income and expenditure relates to monies collected and spent on the day to day running of the LFC's services, such as employees, premises, supplies and services costs, and income from levies and services we supply. The balance of expenditure that exceeds our income is funded by grant from the Greater London Authority (£392.3m) made up of the following elements; Retained Business Rates (£233.2m) and Council Tax (£159.1m).

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 28), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2019/20, was £505m against a budgeted net expenditure sum of £432.3m. The outturn position after application of reserves and grants was £5.1m less than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance decreased by £7.4m from £23.2m as at 1 April 2019 to £15.8m as at 31 March 2020 and the LFC's earmarked reserves increased by £10.1m from £52.2m as at 1 April 2019 to £62.3m as at 31 March 2020.

The £5.1m underspend in year was a combination of under and overspends as set out in the table on page 13 which provides a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the LFC's funding requirements through GLA grant.

ASSET VALUATIONS

The valuation of specialist assets has been changed as at 31 March 2020 to use the Modern Equivalent Asset (MEA) depreciated replacement cost methodology in accordance with the CIPFA code. The valuations as at 31 March 2019 have been restated to reflect the change to MEA.

Land valuations have also been reviewed as at 31 March 2020 and a correction made to restate the valuations as at 31 March 2019.

PENSION FUND

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

The Net Pensions Obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2020, is £6.52bn (31 March 2019 £6.85bn). This is the sum of the LFC's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the LFC.

The movement in the pension liability between years, a decrease of £336m relates mainly to the long term liability for the firefighter schemes, as assessed by the LFC's actuary. The decrease relates to a re-measurement of the schemes net defined liability taking into account the changes in demographic and financial assumptions.

FURTHER INFORMATION

Further information concerning the accounts is available from:

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

Sue Budden CPFA
Director of Corporate Services and Chief Financial Officer

Statement of Responsibilities for the Statement of Accounts

THE LONDON FIRE COMMISSIONER RESPONSIBILITIES

The London Fire Commissioner (LFC) is required:

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

DIRECTOR OF CORPORATE SERVICES RESPONSIBILITIES

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

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

THE DIRECTOR OF CORPORATE SERVICES HAS ALSO:

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

CERTIFICATION OF THE DIRECTOR OF CORPORATE SERVICES

I hereby certify that the Statement of Accounts on pages 28 to 144 gives a 'true and fair view' of the financial position of the LFC at the reporting date and of its expenditure and income for the year ended 31 March 2020.

Sue Budden CPFA
Director of Corporate Services

Dated 26 March 2021

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Statement of Accounting Policies

ACCOUNTING POLICIES

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

GENERAL PRINCIPLES

The Statement of Accounts summarises the LFC's transactions for the financial year and its position at the year-end of 31 March 2020. The Financial Statements provide information about the LFC's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the LFC's management and for making economic decisions. The LFC has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

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

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

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

- Depreciation attributable to the assets used by the relevant service

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

- Amortisation of intangible assets attributable to the service

The LFC is not required to raise funding for depreciation, revaluation and impairment losses or amortisations. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the LFC in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

EVENTS AFTER THE BALANCE SHEET DATE

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

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

PRIOR PERIOD ADJUSTMENT

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

VALUE ADDED TAX

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

Accounting Standards Issued but Not Yet Adopted

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

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

- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following any amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

CORE ACCOUNTING STATEMENTS

Comprehensive Income and Expenditure Statement

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

The 2018/19 cost of services has been restated to reflect the prior year adjustment for the non-current assets revaluation figures included in Note 5b.

2018/19 Restated				2019/20			
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Comprehensive Income and Expenditure Statement**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Note**
£'000	***£'000***	***£'000***		***£'000***	***£'000***	***£'000***	
542,953	(48,699)	494,254	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	433,290	(75,599)	357,691	
		494,254	Cost of services			**357,691**	
22,594	(42,600)	**(20,006)**	Other operating expenditure	1,712	(1,062)	**650**	3
9,433			Interest payable and similar charges	9,131			10
	(861)		Interest and investment income		(1,239)		10
156,500			Firefighter pensions net Interest on the net defined benefit liability	162,070			28
6,429			Support staff pension net interest on the net defined benefit liability	5,847			28
		171,501	Financing and Investment Income and Expenditure			**175,809**	
	(398,470)		GLA Grant		(392,305)		22
	(3,732)		PFI Grant		(3,732)		22
	(881)		Capital Grant		(1)		22
		(403,083)	Taxation and Non-Specific Grant Income			**(396,038)**	
		242,666	(Surplus) or Deficit on Provision of Services			**138,112**	18
		(14,509)	(Surplus)/ Deficit on revaluation of non-current assets			(8,712)	4
		(1,534)	Impairment losses on non-current assets charged to revaluation reserve			(535)	4
		163,533	Re-measurement of the net defined benefit liability			(459,830)	4
		147,490	Other Comprehensive Income and Expenditure			**(469,077)**	
		390,156	**Total Comprehensive Income and Expenditure**			**(330,965)**	

Movement in Reserves Statement

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

The 2018-19 Unusable Reserve figures have been restated to reflect the prior year adjustment to revaluations detailed in Note 5b.

Movement in Reserves Statement	General Fund	Earmarked Reserves	Revenue Grants Applied	Capital Grants Applied	Capital Receipts Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	
Balance as at 31/03/19 - Restated	**(23,203)**	**(52,231)**	**-**	**(1,461)**	**(30,046)**	**(106,941)**	**6,532,129**	**6,425,188**	
(Surplus) or deficit on provision of services (accounting basis)	138,112	-	-	-	-	138,112	-	138,112	
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(469,077)	(469,077)	4
Total Comprehensive Income and Expenditure	**138,112**	**-**	**-**	**-**	**-**	**138,112**	**(469,077)**	**(330,965)**	
Adjustments between accounting basis & funding basis under regulations	**(140,769)**	**-**	**-**	**631**	**29,367**	**(110,771)**	**110,771**	**-**	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,657)**	**-**	**-**	**631**	**29,367**	**27,341**	**(358,306)**	**(330,965)**	
Transfers (to)/from Earmarked Reserves	10,049	(10,049)	-	-	-	-	-	-	7
Increase/(Decrease) in Year	**7,392**	**(10,049)**	**-**	**631**	**29,367**	**27,341**	**(358,306)**	**(330,965)**	
Balance as at 31/03/20	**(15,811)**	**(62,280)**	**-**	**(830)**	**(679)**	**(79,600)**	**6,173,823**	**6,094,223**	

Movement in Reserves Statement (continued)

The following table provides comparative figures for 2018/19:

The 2018-19 Unusable Reserve figures have been restated to reflect the prior year adjustment to revaluations detailed in Note 5b.

Movement in Reserves Statement – Restated	General Fund	Earmarked Reserves	Revenue Grants Applied	Capital Grants Applied	Capital Receipts Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	
Balance as at 01/04/18	**(23,688)**	**(30,202)**	**(3,954)**	**(664)**	**(759)**	**(59,267)**	**6,094,299**	**6,035,032**	
(Surplus) or deficit on provision of services (accounting basis)	242,666	-	-	-	-	242,666	-	242,666	
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	147,490	147,490	4
Total Comprehensive Income and Expenditure	**242,666**	**-**	**-**	**-**	**-**	**242,666**	**147,490**	**390,156**	
Adjustments between accounting basis & funding basis under regulations	**(264,210)**	**-**	**3,954**	**(797)**	**(29,287)**	**(290,340)**	**290,340**	**-**	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**(21,544)**	**-**	**3,954**	**(797)**	**(29,287)**	**(47,674)**	**437,830**	**390,156**	
Transfers (to)/from Earmarked Reserves	22,029	(22,029)	-	-	-	-	-	-	7
Increase/(Decrease) in Year	**485**	**(22,029)**	**3,954**	**(797)**	**(29,287)**	**(47,674)**	**437,830**	**390,156**	
Balance as at 31/03/19	**(23,203)**	**(52,231)**	**-**	**(1,461)**	**(30,046)**	**(106,941)**	**6,532,129**	**6,425,188**	

Balance Sheet

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

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

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

1 April 2018 Restated		31 March 2019 Restated			31 March 2020		
£'000	**£'000**	**£'000**	**£'000**	**Balance Sheet**	**£'000**	**£'000**	**Note**
				Property, Plant & Equipment			
118,207		130,842		Land	137,984		
275,640		275,440		Buildings	269,496		
28,655		38,779		Vehicles, Plant and Equipment	47,135		
25,450		23,000		Non Operational Assets – Surplus	21,015		
10,126		5,852		Non Operational Assets – Other	16,436		
1,346		1,347		Heritage Assets	1,432		
	459,424		**475,259**			**493,498**	9
5,962	**5,962**	4,342	**4,342**	Intangible Assets	2,876	**2,876**	9
52	**52**	62	**62**	Long Term Debtors	77	**77**	
	465,438		**479,663**	**Long Term Assets**		**496,451**	
27,006		500		Assets Held For Sale	0		9
469		560		Inventories	692		
41,443		33,035		Short Term Debtors	34,835		12
38,535		109,701		Cash and Cash Equivalents	69,733		13
	107,453		**143,796**	**Current Assets**		**105,260**	
(6,123)		(8,127)		Short Term Borrowing	(5,062)		10
(41,653)		(48,507)		Short Term Creditors	(47,285)		14
(3,596)		(8,250)		Provisions	(1,642)		15
(1,213)		(1,268)		Short Term Liabilities	(1,337)		26
	(52,585)		**(66,152)**	**Current Liabilities**		**(55,326)**	
(1,462)		(3,075)		Provisions	(3,609)		15
(67,349)		(61,268)		Long Term Borrowing	(56,212)		11
(6,486,527)		(6,918,152)		Other Long Term Liabilities	(6,580,787)		25
	(6,555,338)		**(6,982,495)**	**Long Term Liabilities**		**(6,640,608)**	
	(6,035,032)		**(6,425,188)**	**Net Assets**		**(6,094,223)**	
	(59,267)		**(106,941)**	Usable Reserves		**(79,600)**	16
	6,094,299		**6,532,129**	Unusable Reserves		**6,173,823**	17
	6,035,032		**6,425,188**	**Total Reserves**		**6,094,223**	

The 2018/19 Land, Buildings and Revaluation Reserve have been restated to reflect the prior year revaluation adjustments detailed in Notes 5a/b.

I certify that the Balance Sheet gives a true and fair view of the financial position of the authourity at 31 March 2020.

Sue Budden CPFA
Director of Corporate Services

Dated 26 March 2021

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the LFC during the reporting period. The statement shows how the LFC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the LFC are funded by way of grant income or from recipients of services provided by the LFC.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the LFC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the LFC.

2018/19 Restated ***£'000***	**Cash Flow Statement**	**2019/20** ***£'000***	**Notes**
242,666	**Net (Surplus) or Deficit on the Provision of Services**	**138,112**	
(330,261)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(138,473)	32
42,600	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	1,988	
(44,995)	**Net cash flows from Operating Activities**	**1,628**	
(31,384)	Investing Activities	29,073	34
5,213	Financing Activities	9,268	34
(71,166)	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**39,968**	
38,535	Cash and cash equivalents at the beginning of the period	109,701	13
109,701	**Cash and Cash Equivalents at the End of Period**	**69,733**	

NOTES TO CORE

ACCOUNTING STATEMENTS

Note 1 Critical Judgements in Applying Accounting Policies

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

FORMER BRIGADE HQ 8 ALBERT EMBANKMENT

The LFC has entered into an agreement to develop the former Brigade HQ at Albert Embankment. The new development will include the re-provision of the existing fire station together with the LFB Museum. In January 2017, LFB entered into a lease with the developer for the rear block at the site, to enable the developer to operate from in order to secure a planning consent for the redevelopment of the whole site in accordance with the Development Agreement. In 2017/18, the site was split into two separate assets, the former HQ and fire station and the separate rear block at the site. The former HQ and fire station is an operational property given its continued use as an operational fire station and offices, whilst the rear block was reclassified as a surplus asset in the financial accounts. At present, the direction on the grant of planning consent for the redevelopment remains on hold with the Secretary of State. Should planning be approved, this will trigger the initial completion under the Development Agreement.

ASSETS HELD FOR SALE AT FAIR VALUE AND SURPLUS ASSETS

The sites closed following the implementation of the last London Safety Plan that have not been sold and are held as Assets Held for Sale have been valued at 31st March 2020 at the lower of its carrying value and fair value less costs to sell at initial reclassification. Surplus assets have been valued at fair value as per IFRS 13 methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the LFC by Dron & Wright. LFC is satisfied that the figures provided by Dron and Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2019/20.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current carrying value of non-current assets (excluding Assets held for sale) as at 31st March 2020 is £493.5m. A full valuation of all Fire Stations was carried out as at 1 April 2020. The following issues result in heightened estimation uncertainty: • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13. For more details of the assumptions applied and treatments used please refer to Note 9.In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment. This is based on uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the London Fire Brigade.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.3m for every year that useful lives had to be reduced. It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £6.9m and £13.4m respectively.
Pension Liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2020 is £6,515m.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 9.5% increase in the pension liability, in the region of £602m. However the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected as a result of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included under Note 28.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Impairment Allowance for Doubtful Debts	As at 31 March 2020, the LFC had an outstanding balance of short term debtors totalling £34.835m. Against this debtors balance, there is an impairment allowance of £0.44m. It is not certain that this impairment allowance would be sufficient as the LFC cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. The Nature of the debt and service area have been considered and further review will need to be suatained in order to reflect the uncertainity of collection rates as a result of COVID-19. If collection rates were to deteriorate then the LFC would need to review its policies on the calculation of its bad debt provision. A 10% increase in debtors would lead to a £44k increase in impairment of bad debts.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict which path will be taken and whether asset values and the pension discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the LFC's assets or change the pension discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

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

Note 3 Material items of Income and Expenditure

The LFC collected £29.6m in the form of a levy placed on the Insurance industry under the Metropolitan Fire Brigade (MFB) Act 1865. This is included as income in the Net Cost of Services against Community Fire Safety and Firefighting and Rescue Operations.

OTHER OPERATING EXPENDITURE/(INCOME)

The sum shown in the CIES comprises of the following:

2018/19 £'000	Other operating expenditure	2019/20 £'000
22,594	Non current assets – disposed in year	1,712
(42,600)	Sale proceeds received in year	(1,062)
(20,006)	**CIES - Other operating expenditure/(income)**	**650**

Note 4 Other Comprehensive income and expenditure

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

2018/19 Restated		Surplus or deficit on revaluation of non-current assets & Actuarial (gains)/losses on pension assets/liabilities	2019/20	
£'000	*£'000*		*£'000*	*£'000*
(63,727)		Gain on the revaluation of Property assets	(22,119)	
49,218		Loss on the revaluation of Property assets	13,407	
	(14,509)	**Surplus on revaluation of non current assets**		**(8,712)**
189,950		Actuarial (gains)/losses on Firefighter pension liabilities	(428,890)	
(26,417)		Actuarial (gains)/losses on LGPS pension assets/liabilities	(30,940)	
	163,533	**Actuarial (gains)/losses on pension assets/liabilities**		**(459,830)**
	149,024	**Total Other Comprehensive Income and Expenditure**		**(468,542)**

Note 5 Events after the balance sheet date

ACCOUNTS AUTHORISED

The Statement of Accounts were authorised for issue by Sue Budden, Director of Corporate Services on 26 March 2021.

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

Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5a Prior Period Adjustment - Error on Valuation of Non-Current Assets

The authority has identified two errors relating to the valuation of fire stations. The first relates to the valuation of land and the second relates to the valuation methodology applied for valuing fire stations which are specialised in nature. The result of these two errors is that the asset valuation in the balance sheet is understated in the prior period.

In order to correct these errors, the authority has restated valuation of the assets in the prior year information for 2018/19, including the opening balances as at 01 April 2018, with corresponding entries made to the revaluation reserve and the CIES.

The following tables, summarise the restatement on the Balance Sheet, the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Note 5b Prior Period Adjustment – continued

Effect on the balance sheet opening balances as at 1 April 2018

	1 April 2018 Published	1 April 2018 As Restated	Correction
	£'000	*£'000*	*£'000*
Property, Plant and Equipment	449,617	459,424	9,807
Net Assets	**(6,044,839)**	**(6,035,032)**	**9,807**
Revaluation Reserve	(158,613)	(173,007)	(14,394)
Capital Adjustment Account	(159,517)	(154,930)	4,587
Net Worth / Total Reserves	**6,044,839**	**6,035,032**	**(9,807)**

Note 5b Prior Period Adjustment – continued

Effect on the comprehensive income and expenditure account 2018/19

	2018/19 Published	**2018/19 Restated**	**Correction**
	£'000	***£'000***	***£'000***
Cost of Services	493,682	492,254	572
Other operating expenditure	(15,935)	(20,006)	(4,071)
(Surplus) or Deficit on Provision of Services	**246,165**	**241,132**	**(3,499)**
Surplus on valuation of non current assets		(14,509)	(14,509)
Impairment losses on non-current assets charged to Revaluation Reserve	7,668	(1,534)	(9,202)
Other comprehensive income and expenditure	171,201	147,490	(23,711)
Total Comprehensive Income and Expenditure	**417,366**	**390,156**	**(27,210)**

Note 5b Prior Period Adjustment – continued

Effect on the movement in reserves statement 2018/19

	2018/19 Published	2018/19 As Restated	Correction
	£'000	£'000	£'000
Balance as at the end of the previous reporting period – 31 March	**6,044,839**	**6,035,032**	(9,807)
Surplus or deficit on the provision of services	**246,165**	**242,666**	**3,499**
Other comprehensive income and expenditure	171,201	147,490	(23,711)
Increase/(decrease) in the year	417,366	390,156	(27,210)
Balance at the end of reporting period	**6,462,205**	**6,425,188**	**(37,017)**

Note 5b Prior Period Adjustment – continued

Effect on opening balance sheet 31 March 2019

	31 March 2019 Published	31-Mar-19 As Restated	Correction
	£'000	*£'000*	*£'000*
Property, Plant and Equipment	438,242	475,259	(37,017)
Net Assets	(6,462,205)	(6,425,188)	(37,017)
Unusable Reserves	6,569,146	6,532,129	37,017
Net Worth/Total Reserves	6,462,205	6,425,188	37,017

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

The following table provides comparative figures for 2018/19:

2018/19 - Adjustments between Accounting Basis and Funding Basis under Regulations - Restated	General Fund £'000	Revenue Grants Unapplied £'000	Capital Grants Unapplied £'000	Capital Receipts Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Depreciation, amortisation and impairment of fixed assets	19,174	-	-	-	19,174	(19,174)
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	(42,600)	-	-	29,287	(13,313)	13,313
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	(7,262)	-	-	-	(7,262)	7,262
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	22,594	-	-	-	22,594	(22,594)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	269,435	-	-	-	269,435	(269,435)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(881)	-	881	-	-	-
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	(34)	-	(84)	-	(118)	118
Transfer to Revenue Grants Unapplied Account	3,954	(3,954)	-	-	-	-
Adjustment due to Accumulated Absences, reversal of prior year charge	(4,037)	-	-	-	(4,037)	4,037
Adjustment due to Accumulated Absences, current year charge	3,867	-	-	-	3,867	(3,867)
Total Adjustments	**264,210**	**(3,954)**	**797**	**29,287**	**290,340**	**(290,340)**

Note 7 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance as at 31/03/2018 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/2019 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/2020 £'000
Firefighter Ill Health Pensions	1,172	(1,172)	-	-	-	-	-
Vehicle Fleet Reserve	1,163	(421)	2,123	2,865	(2,152)	790	1,503
London Resilience	2,115	(1,236)	136	1,015	(282)	38	771
Sustainability Reserve	235	-	-	235	(235)	235	235
Hydrants	462	-	-	462	(95)	-	367
Compensation	1,000	-	-	1,000	(713)	-	287
Hazardous Material Protection	-	(18)	18	-	-	-	-
Property	-	-	-	-	-	-	-
Property PFI	-	-	-	-	-	-	-
Pension Early Release	400	(400)	-	-	-	-	-
LSP 2017 Implementation	4,561	(557)	174	4,178	(555)	76	3,699
Emergency Services Mobile Communication Programme	155	(57)	1,830	1,928	(99)	345	2,174
Emergency Medical Response	830	(536)	-	294	-	-	294
EU Procurement Projects	-	-	210	210	(70)	-	140
Community Safety Fund	-	(101)	101	-	(11)	11	-
ICT Development Reserve	1,310	(750)	1,291	1,851	(208)	310	1,953
New Governance Arrangements	300	(300)	-	-	(148)	148	-
Recruitment/Outreach	350	(380)	400	370	(120)		250
Fire Safety & Youth Engagement	318	(194)	591	715	(24)	316	1,007
Additional Resilience Requirements	4,361	(4,005)	411	767	(337)	192	622
Budget Flexibility	11,470	-	11,641	23,111	(467)	7,287	29,931
Capital Receipt - GLA	-	-	11,745	11,745	-	-	11,745
HMICFRS Inspection Regime	-	(128)	149	21	(86)	65	-
LFC Control Centre	-	-	959	959	(230)	-	729
Organisational Reviews	-	-	505	505	(494)	316	327
National Operational Guidance Project	-	-	-	-	(45)	792	747
Transformation Reserve	-	-	-	-	-	5,500	5,500
Total	**30,202**	**(10,255)**	**32,284**	**52,231**	**(6,371)**	**16,421**	**62,281**

Note 8 Minimum Revenue Provision

The LFC is required by statute to set aside a minimum revenue provision, that it considers prudent, for the repayment of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2019/20 was £7.17m (2018/19 £7.26m), being assessed by the LFC as being prudent.

Note 9 Property Plant and Equipment

ACCOUNTING POLICIES

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

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For 2019/20 the basis of calculation of DRC has been changed to the Modern Equivalent Asset (MEA) methodology. The valuations for 2018/19 have been restated on this basis.

Restated land values for 2018/19 are based on an apportionment by the valuer of the increase in London industrial land values.

Note 9 Property, Plant and Equipment (continued)

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation

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

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

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

IMPAIRMENT

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

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

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

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

DEPRECIATION

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

Note 9 Property, Plant and Equipment (continued)

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life

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

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

COMPONENT ACCOUNTING

For assets, where the building value is classed as material (£5 million and above) to the LFC, component accounting is applied. Componentisation is applicable to any significant enhancement and/or acquisition expenditure incurred and revaluations carried out as from 1st April 2010. During 2019/20, the non-current tangible assets of the LFC were revalued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets and it applies where an item of property, plant and equipment asset has major components whose cost is significant (20% or above) in relation to the total cost of the item. In these instances, the components are recognised and depreciated separately according to the useful life.

SURPLUS ASSETS

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for vehicles arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

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

Note 9 Property, Plant and Equipment (continued)

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

Non Current Assets	Operational				Non Operational & Surplus 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 31/03/19	130,842	275,440	30,055	8,724	28,852	1,347	500	475,760
Add back Depreciation	-	3,816	13,521	37,586	1,124	-	-	56,047
Gross Value as at 31/03/19	**130,842**	**279,256**	**43,576**	**46,310**	**29,976**	**1,347**	**500**	**531,807**
Reclassification	-	-	2,428	-	(2,444)	-	-	(16)
Impairment to CIES	-	(1,211)	-	-	-	-	-	(1,211)
Revaluation Gain / (Loss) to Revaluation Reserve	7,142	(9,704)	-	-	(1,124)	85	-	(3,601)
Additions in year	-	4,059	12,391	940	13,202	-	-	30,592
Disposals in year	-	-	(402)	-	(1,035)	-	(500)	(1,937)
Gross value as at 31/03/20	**137,984**	**272,400**	**57,993**	**47,250**	**38,575**	**1,432**	**-**	**555,634**
Accumulated Depreciation as at 01/04/2019	-	(3,816)	(13,521)	(37,586)	(1,124)	-	-	(56,047)
Disposals in year	-	-	241	-	-	-	-	241
Depreciation for year	-	(11,936)	(5,013)	(2,229)	-	-	-	(19,178)
Depreciation written out	-	12,848						12,848
Total Depreciation as at 31/03/20	**-**	**(2,904)**	**(18,293)**	**(39,815)**	**(1,124)**	**-**	**-**	**(62,136)**
Net Book Value as at 31/03/20	**137,984**	**269,496**	**39,700**	**7,435**	**37,451**	**1,432**	**-**	**493,498**

Note 9 Property, Plant and Equipment (continued)

The table below shows the comparative movements in the Authority's Non Current Assets during 2018/19:

Non Current Assets - Restated	**Operational** Land	Buildings	Vehicles	Equipment	**Non Operational & Surplus Assets**	**Heritage Assets**	**Assets held for sale**	**Total**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Net Book value as at 01/04/18	118,207	275,640	20,879	7,776	35,576	1,347	27,006	486,439
Add back Depreciation	-	1,878	13,444	35,712	1,124	-	10,136	62,294
Gross Value as at 01/04/18	**118,207**	**277,518**	**34,323**	**43,488**	**36,700**	**1,347**	**37,142**	**548,733**
Reclassification	742	14	6,365	720	(3,686)	-	(4,155)	-
Impairment to CIES	-	521			(1,093)			(572)
Revaluation (Loss)/Gain to Revaluation Reserve	11,893	(2,026)			(3,271)			6,596
Additions in year		3,229	6,087	2,102	1,550			12,968
Disposals in year	-	-	(3,199)	-	(224)	-	(32,487)	(35,910)
Gross value as at 31/03/19	**130,842**	**279,256**	**43,576**	**46,310**	**29,976**	**1,347**	**500**	**531,815**
Accumulated Depreciation as at 01/04/2018	-	(1,878)	(13,444)	(35,712)	(1,124)	-	(10,136)	(62,294)
Disposals in year	-		3,180				10,136	13,316
Depreciation for year	-	(11,386)	(3,257)	(1,874)				(16,517)
Depreciation written out	-	9,448						9,448
Total Depreciation as at 31/03/19	**-**	**(3,816)**	**(13,521)**	**(37,586)**	**(1,124)**	**-**	**-**	**(65,495)**
Net Book Value as at 31/03/19	**130,842**	**275,440**	**30,055**	**8,724**	**28,852**	**1,347**	**500**	**466,320**

Note 9 Property, Plant and Equipment (continued)

BASIS OF VALUATIONS

OPERATIONAL PORTFOLIO

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

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

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

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

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

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

THE FORMER LFEPA HEADQUARTERS

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

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

In December 2019 Lambeth Council voted to approve U+I and the London Fire Brigade's proposals to create a mixed-use community at 8 Albert Embankment. However there remain issues to be addressed before this can be concluded, including the Secretary of State for Housing, Communities and Local Government decision on a holding direction which could seem him appoint a planning authority. Following the outcome of of the planning application for the development of the property (as part of the 8 Albert Embarkment scheme), the value of this property could be significantly higher than the current £14.9m disclosed in the accounts.

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

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

LFC is satisfied that the MV figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2019/20. On the basis of that advice, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

ASSETS HELD FOR SALE

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

FREEHOLD AND LONG LEASEHOLD INTERESTS

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

VALUER'S REPORT

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

Of the £406.5m net book value of PPE land and buildings subject to valuation, £382m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the London Fire Brigade of replacing the service potential of the assets. At the current time the London Fire Brigade considered that it is too early to assess whether there would be any long-term impact on the use or demand for London Fire Brigade properties as a result of Covid-19 and also too early to assess whether there would be any material effect on construction costs.

The remaining assets in this class comprises properties valued on an existing use or highest and best basis, which has regard to market evidence. Whilst it is widely predicted that the measures taken by the Government to contain the impact of Covid-19 will impact on the

Note 9 Property, Plant and Equipment (continued)

economy and possibly the property market, as at 31 March 2020 it is too early to be able to measure with any reliability this impact.

The London Fire Brigade therefore concludes that the measurement of its PPE assets is materially accurate as at 31 March 2020, but that the situation will be closely monitored and any changes in value that take place over the coming months will be reflected in the 2020/21 accounts.

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

1. This is the tenth time that the Valuers have been the signatory of the report provided to LFC and LFEPA, (LFC previous incumbent) and the previous valuation dates were 1st April 2003, 1st April 2008, 1st April 2013, 1st April 2014, 1st April 2015 and 1st April 2016, 1st April 2017, 31st March 2018 and 31st March 2019. This is the eleventh time that the Valuer's firm has carried out the valuation instruction, with the first valuation date being 1st April 1999. Although this may be construed as a departure from the recommendations which are contained in the Red Book, we do not consider that it has prevented us from providing LFC with an independent and objective opinion of the values of your various properties.

2. The firm has acted for LFEPA/LFC for a period of over 25 years. During that time, the firm has provided property management, landlord and tenant, agency, building surveying and rating services to LFEPA/LFC, under a series of contracts for the provision of property and estate management functions.
3. In the firm's preceding financial year, the fees payable to the firm by LFC represented a significant proportion of the total fee income of the firm.

4. No material increase is anticipated in the proportion referred to in 3, in the foreseeable future.

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

VEHICLES

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

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

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

Note 9 Property, Plant and Equipment (continued)

INTANGIBLE ASSETS

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

Note 9 Property, Plant and Equipment (continued)

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

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

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 01/04/18	1,067	4,560	5,627	-	335	335
Amortised	(442)	(1,643)	(2,085)	-	-	-
Additions	72	298	370	-	95	95
Reclassification	-	264	264	-	(264)	(264)
Net Value as at 31/03/19	**697**	**3,479**	**4,176**	**-**	**166**	**166**
Amortised	(370)	(1,564)	(1,934)	-	-	-
Additions	-	469	469	-	-	-
Reclassification		94	94	-	(94)	(94)
Net Value as at 31/03/20	**327**	**2,478**	**2,805**	**-**	**72**	**72**

Heritage ASSETS

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

Note 10 Financial Instruments

ACCOUNTING POLICY

FINANCIAL LIABILITIES

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

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

The LFC has not restructured its borrowing during the year therefore there have been no gains or losses on the repurchase or early settlement of borrowing resulting from any premiums or discounts.

FINANCIAL ASSETS

Financial assets are classified into one of three categories:

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

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

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

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

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

Note 10 Financial Instruments (continued)

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

01 April 2018		31 March 2019		Financial liabilities and Assets at amortised cost	31 March 2019		31 March 2020	
Long Term £'000	**Current £'000**	**Long Term £'000**	**Current £'000**	**Borrowings**	**Long Term £'000**	**Current £'000**	**Long Term £'000**	**Current £'000**
66,725	6,000	60,725	8,000	Public Work Loan Board Debt (PWLB)	60,725	8,000	55,725	5,000
624	123	543	127	PWLB Accrued Interest	543	127	487	62
67,349	**6,123**	**61,268**	**8,127**	**Total borrowings**	**61,268**	**8,127**	**56,212**	**5,062**
65,315	1,213	64,047	1,268	PFI and finance lease liabilities	64,047	1,268	62,711	1,337
65,315	**1,213**	**64,047**	**1,268**	**Total Other Long term liabilities**	**64,047**	**1,268**	**62,711**	**1,337**
-	11,386	-	11,159	Creditors	-	11,159	-	10,164
132,664	**18,722**	**125,315**	**20,554**	**TOTAL**	**125,315**	**20,554**	**118,923**	**16,563**

01 April 2018		31 March 2019		Financial liabilities and Assets at amortised cost	31 March 2019		31 March 2020	
Long Term £'000	**Current £'000**	**Long Term £'000**	**Current £'000**	**Loans & Receivables**	**Long Term £'000**	**Current £'000**	**Long Term £'000**	**Current £'000**
-	-	-	-	Investments	-	-	-	-
-	-	-	-	Short term investments	-	-	-	-
-	-	-	-	Accrued Interest	-	-	-	-
-	**-**	**-**	**-**	**Total investments**	**-**	**-**	**-**	**-**
52	786	62	4,269	Debtors	62	4,269	77	6,520
-	38,535	-	109,701	Cash Equivalents	-	109,701	-	69,733
52	**39,321**	**62**	**113,970**	**TOTAL**	**62**	**113,970**	**77**	**76,253**

Note 10 Financial Instruments (continued)

FINANCIAL INSTRUMENTS GAINS/LOSSES

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

2018/19 £'000	Financial Instruments Income & Expenditure	2019/20 £'000
9,433	Interest expense	9,130
(861)	Interest income	(1,239)
8,572	**Net gain/(loss) for the year**	**7,891**

2018/19 £'000	Financial Instruments Income & Expenditure	2019/20 £'000
3,315	PWLB borrowing	3,060
3,195	PFI lease interest & contingent rentals	3,113
2,923	Merton Lease Payment	2,957
9,433	**Total Interest expense**	**9,130**

FAIR VALUE OF ASSETS AND LIABILITIES

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

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

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in todays terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the LFC's treasury advisor Link Asset Services and PWLB from the market on 31 March 2020, using bid prices where applicable.

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

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

31 March 2019 Carrying amount £'000	31 March 2019 Fair value £'000	Liabilities & Assets	31 March 2020 Carrying amount £'000	31 March 2020 Fair value £'000
68,725	92,659	Public Work Loan Board Debt (PWLB)	60,725	88,704
65,315	65,315	PFI & Other Finance Leases	64,048	64,048
11,159	11,159	Trade and other creditors	9,659	9,659
145,199	**169,133**	**Total Liabilities**	**134,432**	**162,411**
4,269	4,269	Trade and other debtors	3,439	3,439
62	62	Long term debtors	77	77
109,701	109,701	Cash & Cash Equivalents	69,733	69,733
114,032	**114,032**	**Total Assets**	**73,249**	**73,249**

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

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

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

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

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

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

OVERALL PROCEDURES FOR MANAGING RISK

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The LFC's overall borrowing
    - Its maximum and minimum exposures to fixed and variable rates
    - Its maximum and minimum exposures to the maturity structure of its debt
    - Its maximum annual exposures to investments maturing beyond a year

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

- These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on the treasury management performance are submitted to the Corporate Services Directorate Board for scrutiny, and then to the LFC.

The LFC's daily treasury management function is managed under a shared service arrangement with the Greater London

Authority who carry out borrowing, investment and reporting requirements. Investments are managed through a Group Investment Syndicate. The annual treasury management strategy for 2019/20 which incorporates the prudential indicators and investment strategy was approved by LFC on 27th March 2019 and is available on the LFC website (LFC-0135-D).

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2019/20 was set at £225m with an Operational Borrowing Limit of £220m. This is the maximum limit of external borrowings or other long term liabilities.

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

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

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

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

CREDIT RISK

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

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

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

The LFC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the LFC's deposits, but there was no evidence as at the 31 March 2020 that this was likely to crystallise.

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

The LFC's cash balances averaged £133.61m for the year 2019/20 and attracted interest of £1.23m. The closing investment position on the GIS, as of 31 March 2020, was £66.9m with a Weighted Average Maturity of 72.27 days. Including a sum held on a NatWest Call account (£4.6m) the total investment position as at 31 March 2020 was £71.5m. Cumulative performance for the year was 0.92% versus the average 3 Month LIBID benchmark of 0.64% (gross outperformance of 0.28%). The performance figure is net of fees.

Note 10 Financial Instruments (continued)

LIQUIDITY RISK

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

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

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

31 March 2019	**Maturity analysis**	**31 March 2020**
£'000		***£'000***
8,000	Within 1 year	5,000
5,000	Between 1 and 2 years	3,000
9,000	Between 2 and 5 years	9,500
17,225	Between 5 and 10 years	16,752
29,500	More than 10 years	26,500
68,725	**Total**	**60,725**

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

REFINANCING AND MATURITY RISK

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

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

This includes:

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

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

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2019	Actual 31/03/2020
Less than 1 year	20%	0%	12%	8%
Between 1 and 2 years	20%	0%	7%	5%
Between 2 and 5 years	50%	0%	13%	16%
Between 5 and 10 years	75%	0%	25%	28%
More than 10 years	90%	25%	43%	44%

MARKET RISK

INTEREST RATE RISK

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

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

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

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

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

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

31 March 2019 *£'000*	**Sensitivity analysis**	**31 March 2020** *£'000*
2,005	Increase in interest payable	1,939
(157)	Increase in interest receivable	(1,239)
1,848	**Total**	**700**

Note 11 Long Term Borrowing

31 March 2019	**Long-term Borrowing**	31 March 2020
£'000	*The sources are:*	***£'000***
60,725	Public Works Loan Board	55,725
60,725	**Total**	**55,725**
	These loans mature as follows:	
5,000	Between 1 and 2 years	3,000
9,000	Between 2 and 5 years	9,500
17,225	Between 5 and 10 years	16,725
6,000	Between 10 and 15 years	3,000
23,500	More than 15 years	23,500
60,725		**55,725**
543	Add accrued interest	487
61,268	**Total**	**56,212**

Note 12 Debtors

SHORT TERM DEBTORS

These are as the illustrated in the table:

31 March 2019 £'000	Debtors	31 March 2020 £'000
21,823	Central government bodies - Home Office	22,714
2,528	Central government bodies - HMRC	2,861
81	Central Government bodies - Other	94
834	Other Local Authorities	656
8,054	Other entities and individuals	8,955
(285)	Less: Impairment Allowance for Doubtful Debts	(445)
33,035	**Total**	**34,835**

IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £285k brought forward from 2018/19 to safeguard against future losses or non-recoveries has been increased, as at 31 March 2020, by £160k to £445k.

The aged debt analysis below shows that £697k (£323k 2018/19) of the total outstanding debt is past its due date for payment. All outstanding debt shown below has been allowed for in the LFC's assessment of bad debt provision. The third party debts are being repaid in instalments.

Aged debt analysis	**Greater than 2 Years** *£'000*	**1-2 years** *£'000*	**120-365 days** *£'000*	**90-120 days** *£'000*	**60-90 days** *£'000*	**30-60 days** *£'000*	**Total**
Sundry debt (ex MFB)	33	45	85	14	219	217	613
Third party claims	6	-	-	-	-	-	6
Metropolitan Fire Brigade (MFB) Act	-	14	-	-	64		78
Total	39	59	85	14	283	217	697

Note 13 Cash and Cash equivalents

Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the LFC's cash management.

31 March 2019 *£'000*	**Cash and Cash Equivalents**	**31 March 2020** *£'000*
21	Cash held by the Authority	11
(4,057)	Bank current accounts	(1,796)
113,737	Short term deposits held on demand	71,518
-	Short term deposits with maturity of 3 months or less	-
109,701	**Total Cash and Cash Equivalents**	**69,733**

Note 14 Creditors

31 March 2019 *£'000*	Creditors	31 March 2020 *£'000*
8,193	Central government bodies - HMRC	8,759
453	Central government bodies - Other	528
738	Other local authorities	386
13,076	Other entities and individuals	11,771
3,867	Accumulated Absences	4,683
22,180	Receipts in advance	21,158
48,507	**Total Creditors**	**47,285**

Note 15 Provisions

PROVISIONS

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

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

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

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

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

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

Short Term Provisions 2018/19 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	1,070	1,768	295	-	710	-	49	3,892
Increase in provision during the year	155	6,177	-	-	193	75	-	6,600
Utilised during the year	(214)	(1,767)	-	-	(212)	-	(49)	(2,242)
Closing Balance	**1,011**	**6,178**	**295**	**-**	**691**	**75**	**-**	**8,250**

Long Term Provisions 2019/20 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	167	-	-	327	968	-	-	1,462
Increase in provision during the year	307	-	-	333	530	510	146	1,826
Utilised during the year	-	-	-	-	(213)	-	-	(213)
Closing Balance	**474**	**-**	**-**	**660**	**1,285**	**510**	**146**	**3,075**

Note 16 Usable Reserves

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

Note 17 Unusable Reserves

ACCOUNTING POLICY

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

31 March 2019 Restated £'000	**Unusable Reserves**	**31 March 2020 £'000**
(173,830)	Revaluation Reserve	(180,457)
(149,075)	Capital Adjustment Account	(165,889)
6,851,167	Pensions Reserve	6,515,486
3,867	Accumulated Absences Account	4,683
6,532,129	**Total Unusable Reserves**	**6,173,823**

Note 17 Unusable Reserves (continued)

REVALUATION RESERVE

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

The balance of the Revaluation Reserve is reduced when assets with accumulated gains are:

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

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

2018/19 Restated		Revaluation Reserve	2019/20	
£'000	*£'000*		*£'000*	*£'000*
	(173,007)	Balance as at 1 April		(175,364)
(63,727)		Upward revaluation of assets	(22,119)	
49,218		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,407	
	(14,509)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(8,712)
1,981		Difference between fair value depreciation and historical cost depreciation	2,085	
11,705		Accumulated gains on assets sold or scrapped	-	
	13,686	Amount written off to the Capital Adjustment Account		2,085
	(173,830)	**Total Unusable Reserves**		**(180,457)**

CAPITAL ADJUSTMENT ACCOUNT

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

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

2018/19 Restated		Capital Adjustment Account	2019/20	
£'000	£'000		£'000	£'000
	(154,930)	Balance at 1 April		(149,075)
19,174		Charges for depreciation and impairment of non current and intangible assets	22,321	
10,889		Amounts of non current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,712	
	30,063			**24,033**
(13,313)		Use of Capital Receipts to finance new capital expenditure	(30,430)	
(34)		Capital Expenditure Charged Against The General Fund	-	-
(3,515)		Adjusting amounts written out to the Revaluation Reserve	(2,619)	
-		Capital grant and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	-	
(84)		Application of grants to capital financing from the Capital Grants unapplied Account	(631)	
(7,262)		Statutory provision for the financing of capital investments charged against the General Fund	(7,167)	
	(24,208)			**(40,847)**
	(149,075)	**Balance at 31 March**		**(165,889)**

PENSIONS RESERVE

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

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

2018/19 *£'000*	**Pensions Reserve**	**2019/20** *£'000*
6,418,199	Balance at 1 April	6,851,167
163,533	Actuarial (gains) or losses on pensions assets and liabilities	(459,830)
442,016	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	314,741
(172,581)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(190,592)
6,851,167	**Balance at 31 March**	**6,515,486**

ACCUMULATED ABSENCES ACCOUNT

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

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

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

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19		Accumulated Absences Account	2019/20	
£'000	**£'000**		**£'000**	**£'000**
	4,037	Balance as at 1 April		3,867
(4,037)		Settlement or cancellation of accrual made at the end of the preceding year	(3,867)	
3,867		Amounts accrued at the end of the current year	4,683	
	(170)	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		816
	3,867	**Balance as at 31 March**		**4,683**

Note 18 Expenditure and Income Analysed By Nature

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

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

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

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

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

2018/19 Restated ***£'000***	**Expenditure and Income Analysed by Nature**	**2019/20** ***£'000***
609,056	Employee Benefits Expenditure	498,602
34,439	Premises	36,928
15,449	Transport	16,645
29,977	Supplies and Services	29,248
2,207	Third Party Payments	1,871
5,026	Interest Payments	4,749
19,175	Depreciation and Impairment	22,324
715,329	**Total expenditure**	**610,367**
(39,573)	Fees, charges and other service income	(43,497)
(861)	Interest and investment income	(1,239)
(20,006)	Gain on disposal of non-current assets	651
(13,753)	Government grants and contributions	(35,865)
(398,470)	GLA Funding	(392,305)
(472,663)	**Total income**	**(472,255)**
242,666	**Surplus or Deficit on the Provision of Services**	**138,112**

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

EXPENDITURE AND FUNDING ANALYSIS

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

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

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

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

Note 18 Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2018/19:

Expenditure and Funding Analysis	2018/19 Expenditure chargeable to general fund £'000	2018/19 Adjustments between funding and accounting basis £'000	2018/19 Net Expenditure in CIES Statement £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	781,812	(287,558)	494,254
Cost of services	**781,812**	**(287,558)**	**494,254**
Other income and expenditure	(274,936)	23,348	(251,588)
(Surplus) or Deficit on Provision of Services	**506,876**	**(264,210)**	**242,666**
Opening General Fund Balance			(53,890)
(Surplus) or Deficit on Provision of Services			506,876
Closing General Fund Balance			**452,986**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19 Adjustment for capital purposes £'000	2018/19 Net change for the pensions adjustment £'000	2018/19 Adjustments between funding and accounting basis £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	154,458	(442,016)	(287,558)
Cost of services	**154,458**	**(442,016)**	**(287,558)**
Other income and expenditure from the Expenditure and Funding Analysis	(149,233)	172,581	23,348
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**5,225**	**(269,435)**	**(264,210)**

Note 19 Members Allowances

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

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

Note 20 Officer Remuneration

SENIOR OFFICERS

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

London Fire Commissioner and Corporation Sole – Office Holder

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

Note 20 Officer Remuneration (continued)

Senior Officers

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

Note 20 Officer Remuneration (continued)

2018/19 Post title and Name	Remuneration (including fees and allowances) £	Expense Allowances £	Other Compensation payments £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
London Fire Commissioner - Office Holder and Corporation Sole Dany Cotton	202,000	-	-	202,000	31,959	233,959

2018/19 Post title and Name **Directors**	Salary (including fees and allowances) £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
Deputy Commissioner, Director of Operations Tom George	152,795	228	-	153,023	22,514	175,537
Deputy Commissioner, Director of Safety & Assurance Steve Apter	150,581	322	-	150,903	32,676	183,579
Director of Corporate Services and S127 Officer Sue Budden	174,435	670	-	175,105	23,967	199,072
General Counsel Miles Smith*	190,377	-	-	190,377	-	190,377

**The General Counsel Officer was retained by the LFC on an interim basis via an agency arrangement and as such was not salaried.*

Note 20 Officer Remuneration (continued)

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

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

2018/19 No.	Salary Range	2019/20 No.
163	£50,000 - £54,999	294
79	£55,000 - £59,999	109
83	£60,000 - £64,999	80
70	£65,000 - £69,999	80
51	£70,000 - £74,999	63
25	£75,000 - £79,999	32
18	£80,000 - £84,999	21
15	£85,000 - £89,999	16
7	£90,000 - £94,999	5
4	£95,000 - £99,999	8
1	£100,000 - £104,999	1
1	£105,000 - £109,999	1
1	£110,000 - £114,999	2
1	£115,000 - £119,999	0
1	£120,000 - £124,999	1
4	£125,000 - £129,999	1
2	£130,000 - £134,999	2
0	£135,000 - £139,999	2
0	£140,000 - £144,999	1

Note 21 Audit Fees

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

2018/19 £'000	Audit Fees	2019/20 £'000
58	Fees payable to appointed Auditor for External Audit services	99
-	Refund audit fees from PSAA	(6)
58	**Total**	**93**

Note 22 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Note 22 Grants (continued)

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 as shown in the table.

The grants received by the LFC are non-ring fenced and therefore these are unconditional. The 2019/20 £392.3m GLA grant shown in the table is comprised of two elements, grant funding in the form of Retained Business rates £233.2m and GLA Precepts £159.1m.

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

2018/19 £'000	Credited to Taxation and Non-Specific Grant Income	Source of Funding	2019/20 £'000
398,470	GLA Grant	Greater London Authority	392,305
3,732	PFI Grant	Home Office	3,732
881	Contributions to capital	The Metropolitan Masonic Charity	1
403,083	**Total**		**396,038**
	Credited to services		
-	Fire Pensions Grant	Home Office	21,732
3,754	Fire Control Grant	Home Office	3,059
3,457	New Dimensions & USAR Grant	Home Office	3,457
2,275	Emergency Services Mobile Communications Programme (ESMCP)	Home Office	-
451	New Risks grant	Home Office	217
81	Marauding Terrorist Fire-arms Attack	Home Office	-
260	NFCC Building Safety Programme	Home Office	500
691	Fire Safety Grant	Home Office	-
21	Commissioners Secretariat Staff Agency Grant	Home Office	-
1,500	National Operational Guidance	Home Office	-
-	Local Resilience Fund	Home Office	84
-	CPO Grants	Home Office	786
-	Mass Fatalities Regional Capacity	Home Office	32
-	Local Resilence Forum	Ministry of Housing Communities and Local Government (MHCLG)	76
250	National Operational Guidance	National Fire Chiefs Council	-
-	Sustainable Development Grant (Hytime)	Department for Transport (Innovate UK / TEC Strategy Board)	12
267	Apprentice Grant*	HM Revenue and Customs	2,177
71	Access to work	Department of Work and Pensions	-
16	Hydrogen Truck Implementation	Innovate UK (formerly Technology Strategy Board)	-
13,094	**Revenue Grant Income**		**32,132**
2,422	Revenue Contributions Received		-
15,516	**Total**		**32,132**

Note 23 Related Party Transactions

MAYOR OF LONDON AND THE GREATER LONDON AUTHORITY (GLA)

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

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

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

CENTRAL GOVERNMENT

The LFC has relations with and obtains grant funding from Central Government departments. In particular the Home Office has significant influence over the general operations of the LFC – it is responsible for providing the statutory framework within which the LFC operates and provides the majority of its funding via the GLA in the form of various grants. As at 31st March 2020, sums due to and from central government departments are shown in Notes 12 and 14. Grants received from government departments are set out in Note 22.

MEMBERS/OFFICERS

The LFC has direct control over the LFC's financial and operating policies. As of 2018/19 member allowances are no longer paid as detailed in Note 19.
A number of LFC officers were members of the London Fire Brigade Welfare Fund Executive Council. One senior officer is an paid Director of the LFB Enterprises Ltd, the wholly owned trading company.

All LFC officers including senior management except The Fire Commissioner have declared that during the year they, or their close relations or members of the same household had not undertaken any declarable transactions neither with related parties nor with the LFC. The former London Fire Commissioner, Dany Cotton, made a declaration of being the Chair of the Executive Committee, Women in the Fire Service UK, this organisation received payments from LFC during the 2019/20 financial year of £19.8k. No further declarations were made.
This disclosure note has been prepared on the basis of specific declarations obtained in April 2020, in respect of related party transactions. The LFC has prepared this disclosure in accordance with its current interpretation and understanding of CIPFA's Code of Practice on Local Authority Accounting in the UK. The Code's provisions are based on International Accounting Standard 24 (IAS24).

Note 24 Capital Expenditure and Capital Financing

In 2019/20, total spending on the capital programme for tangible and intangible assets was £31.1m. The spend included the rebuilding and modernising of fire stations and other buildings (4.1m), upgrading ICT equipment (£0.2m) and the purchase of fleet vehicles and equipment (£21.6m). Capital expenditure on LFC assets (£31.1m) is to be financed in accordance with the Prudential Code, Government capital grant (£0.6m), and Capital receipts (£30.5m)

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

As at 31st March 2020 the LFC has committed a total of £1.6m to future capital works and purchases.

The capital programme approved by LFC on 3 April 2020 (LFC-0324y-D) included a total forecast capital spend of £35.7m in 2020/21, £46.2m in 2021/22 and £22.7m in 2021/22.

2018/19	**Capital Expenditure and Financing**	**2019/20**
£'000		***£'000***
164,457	Opening Capital Financing Requirement	157,195
11,417	Tangible Operational Assets	17,391
1,550	Tangible Non Operational Assets	13,201
465	Intangible Assets	469
	Sources of finance	
(13,398)	Government grants and other contributions	(31,061)
(34)	Sums set aside from Revenue to Fund Capital Expenditure	
(7,262)	Minimum Revenue Provision	(7,167)
	Other Movements	
157,195	Closing Capital Financing Requirement	150,028
	Explanation of movements in year	
-	Other long term liability PFI and finance lease	-
-	Borrowing from PWLB & Local Authorities in year	-
(7,262)	Increase/(decrease) in underlying need to borrow	(7,167)
	Other movements	
(7,262)	**Increase/(decrease) in Capital Financing Requirement**	**(7,167)**

Note 25 Other Long Term Liabilities

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

31 March 2019 *£'000*	**Other Long Term Liabilities**	**31 March 2020 *£'000***	**Note**
45,622	Long Term PFI Properties	44,285	26
18,425	Long Term Finance Leases	18,425	26
2,939	Deferred Credit	2,592	
6,851,166	Pensions Liability	6,515,485	28
6,918,152	**Total**	**6,580,787**	

Note 26 Service Concession Arrangements, Finance and Operating Leases

LEASES

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

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

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

THE LFC AS A LESSEE

FINANCE LEASES

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

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

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PROPERTY PFI SCHEME

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

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

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

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

The amounts paid under the PFI finance lease in 2019/20 and 2018/19 is shown below:

Finance Lease Property PFI	Unitary Charge	Deferred liability	Income & Expenditure Account
	£'000	*£'000*	*£'000*
Opening balance as at 1 Apr 2019	-	46,890	-
New finance lease liability in year	-	-	-
Principal sum paid in year	1,268	(1,268)	-
Interest	3,114	-	3,114
Contingent rentals	49	-	49
Operational expenses	1,208	-	1,208
Balance as at 31 March 2020	**5,638**	**45,622**	**4,371**
Opening balance as at 1 Apr 2018	-	48,103	-
New finance lease liability in year	-	-	-
Principal sum paid in year	1,213	(1,213)	-
Interest	3,195	-	3,195
Contingent rentals	41	-	41
Operational expenses	1,151	-	1,151
Balance as at 31 March 2019	**5,600**	**46,890**	**4,387**

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

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

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

Comparative Figures for 2018/19:

PFI Property Future Liabilities	Within 1 Year £'000	Within 2 to 5 Years £'000	Within 6 to 10 Years £'000	Within 11 to 15 Years £'000	Within 16 to 20 Years £'000	Within 21 to 25 Years £'000
Lease rental liabilities	1,268	5,712	8,023	10,035	14,912	6,940
Operating Costs	1,208	5,455	9,547	12,058	12,256	4,796
Interest Costs	3,114	11,555	12,141	9,267	5,206	571
Contingent Rentals	49	257	46	(312)	134	125
Total	**5,639**	**22,979**	**29,757**	**31,048**	**32,508**	**12,432**

FINANCE LEASES

The LFC holds two finance leases as at 31st March 2020, one is for its control centre at Merton and the other is for the nine fire stations being provided under the PFI contract.

The LFC entered into a 25 year finance lease arrangement for the provision of its control function at Merton in March 2011 (currently valued on the balance sheet at £14.4m). The building became operational in February 2012, when control functions transferred from the LFC's site at 2 Greenwich View to Merton. Lease payments of £2,955k were paid during 2019/20. The table below shows the future payments under the lease agreement.

Total value of minimum lease payments as at 31/03/2019 £'000	Present value of minimum lease payments as at 31/03/2019 £'000	Merton Control Centre Finance Lease	Total value of minimum lease payments as at 31/03/2020 £'000	Present value of minimum lease payments as at 31/03/2020 £'000
2,923	776	Not later than one year	2,955	665
12,875	2,282	Later than one year and no later than five years	13,227	2,000
41,961	2,342	Later than five years	38,655	1,959
57,759	**5,400**	**Total**	**54,837**	**4,624**

Total value of minimum lease payments as at 31/03/2019 £'000	Present value of minimum lease payments as at 31/03/2019 £'000	PFI Property Finance Lease	Total value of minimum lease payments as at 31/03/2020 £'000	Present value of minimum lease payments as at 31/03/2020 £'000
4,381	4,381	Not later than one year	4,364	4,082
17,267	14,664	Later than one year and no later than five years	17,126	13,607
67,096	29,861	Later than five years	62,872	26,835
88,744	**48,906**	**Total**	**84,362**	**44,524**

OPERATING LEASES

THE LFC AS A LESSEE

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

OPERATING LEASES AND LIABILITIES

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2020 with future sums committed.

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

THE LFC AS A LESSOR

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

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2020 with future sums committed.

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

Land and Buildings As at 31/03/2019 *£'000*	Vehicles, Plant and Equipment As at 31/03/2019 *£'000*	Operating lease payments	Land and Buildings As at 31/03/2020 *£'000*	Vehicles, Plant and Equipment As at 31/03/2020 *£'000*
5,129	3,657	Not later than one year	5,239	3,620
20,406	9,574	Later than one year and no later than five years	19,973	9,497
22,813	3,401	Later than five years	13,519	3,401
48,348	**16,632**	**Total**	**38,731**	**16,518**

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

Note 27 Termination Benefits

ACCOUNTING POLICY

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

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

The LFC terminated the contracts of three employees in 2019/20, incurring liabilities of £0.2m.

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	***2018/19 No.***	***2019/20 No.***	***2018/19 No.***	***2019/20 No.***	***2018/19 No.***	***2019/20 No.***	***2018/19 £'000***	***2019/20 £'000***
0 - 20	-		2	0	2	0	12	0
20 - 40	-		2	1	2	1	63	39
40 - 60	-		-	1	-	1	-	47
60 - 80	-		1	1	1	1	66	71
80 - 100	-		1	0	1	0	90	0
100 - 150	-		-	0	-	0	-	0
Over 150	-		-	0	-	0	-	0
Total	**-**	**-**	**6**	**3**	**6**	**3**	**231**	**157**

Note 28 Pensions

Defined Benefit Pension Schemes

POST EMPLOYMENT BENEFITS – ACCOUNTING POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MCCLOUD/SARGEANT JUDGEMENT

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

Note 28 Pensions (continued)

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

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

Local Government Pension Scheme 2018/19 £'000	Firefighter's Pension Schemes 2018/19 £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £'000	Firefighter's Pension Schemes 2019/20 £'000
		Cost of Services		
12,458	80,200	Current Service cost	13,304	123,700
4,229	182,200	Past service costs/(gain)	-	(2,000)
		Financing and Investment Income and Expenditure		
5,995	156,500	Net Interest expense	5,379	161,930
434		Administrating expenses	468	
23,116	**418,900**	**Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services**	**19,151**	**283,630**
		Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services		
		Re-measurement of the net defined benefit liability comprising:		
(21,195)		• Return on plan assets (excluding the amount included in the net interest expense)	12,685	
(24,868)		• Actuarial (gains) and losses arising on changes in demographic assumptions	5,964	(208,220)
19,646	178,930	• Actuarial (gains) and losses arising on changes in financial assumptions	(53,032)	(188,320)
-	11,020	Experience (gains) and losses on defined benefit obligation	(1,314)	(32,350)
-	-	Other	4,757	
(3,301)	**608,850**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(11,789)**	**(145,260)**
		Movement in Reserves Statement		
(23,116)	(418,900)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(19,151)	(283,630)
9,866	161,650	Employers' contributions payable to scheme	11,108	178,560
1,065		Benefits paid directly to beneficiaries	948	
(12,185)	**(257,250)**	**Actual amount charged against the General Fund Balance for pensions in the year.**	**(7,095)**	**(105,070)**

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

Local Pensions Partnership
2nd Floor
169 Union Street
London SE1 0LL

LGPS Number 2018/19*	FPS Number 2018/19	Membership of Schemes	LGPS Number 2019/20	FPS Number 2019/20
813	4,417	Actives	854	4,417
742	1,057	Deferred Pensioners	721	1,057
1,341	8,485	Pensioners*	1,435	8,485
309	-	Unfunded Pensioners	282	-

** Includes injury pensioners*

LGPS Average Age 2018/19*	FPS Average Age 2018/19	Membership of Schemes	LGPS Average Age 2019/20	FPS Average Age 2019/20
48	81	Actives	48	41
49	85	Deferred Pensioners	49	43
71	119	Pensioners	71	63
73	-	Unfunded Pensioners	75	-
-	117	Injury Pensioners	-	69

Retirement Benefits

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

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

Local Government Pension Scheme As at 31 March 2019 *£'000*	Firefighter's Pension Schemes As at 31 March 2019 *£'000*	LFC Pensions Obligations	Local Government Pension Scheme As at 31 March 2020 *£'000*	Firefighter's Pension Schemes As at 31 March 2020 *£'000*
565,247	-	Present value of the defined benefit obligation	534,149	-
(359,664)	-	Fair Value of plan assets	(347,143)	-
205,583	**-**	**Net**	**187,006**	**-**
20,544	6,625,040	Present value of the unfunded obligation	15,300	6,313,220
226,127	**6,625,040**	**Net liability arising from defined benefit obligation**	**202,306**	**6,313,220**

Note 28 Pensions (continued)

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

Local Government Pension Scheme 2018/19 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2019/20 £'000
334,227	Opening fair value of scheme assets	359,664
8,475	Interest Income	8,737
	Re-measurement gain/(loss)	
21,195	• The return on plan assets excluding the amount included in the net interest expense	(12,685)
-	• Other	(4,757)
10,931	Contributions from employer	12,032
2,782	Contributions from employees into the scheme	2,906
(17,512)	Benefits paid	(16,977)
-	Settlement prices received/(paid)	(1,309)
(434)	Other	(468)
359,664	**Closing fair value of scheme assets**	**347,143**

Note 28 Pensions (continued)

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

Funded Liabilities Local Government Pension Scheme 2018/19 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2018/19 £'000		Funded Liabilities Local Government Pension Scheme 2019/20 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2019/20 £'000
574,586	**6,177,840**	**Opening Balance at 1 April**	**585,791**	**6,625,040**
12,458	80,200	Current Service cost	13,328	135,520
14,470	156,500	Interest costs	14,116	162,070
2,782	21,450	Contributions from scheme participants	2,906	21,340
		Re-measurement (gains) and losses:		
(24,868)	-	• Actuarial gains/losses arising from changes in demographic assumptions	5,964	(208,220)
19,646	178,930	• Actuarial gains/losses arising from changes in financial assumptions	(53,032)	(188,320)
-	11,020	• Experience loss/(gain) on defined benefit obligation	(1,314)	(32,350)
(1,065)	-	Unfunded pension payments	(948)	
4,229	182,200	Past service cost	-	(2,000)
(16,447)	(183,100)	Benefits paid	(16,029)	(199,900)
-	-	Liabilities extinguished on settlements	(1,333)	
585,791	**6,625,040**	**Closing balance at 31 March**	**549,449**	**6,313,180**

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the above the LFC's share of Fund assets is approximately 6%

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 2020 to be -1%. The actual return on the Fund assets over the year may be different.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

VALUATION METHOD

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

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

As at 31 March 2019 £'000	Fair Value of Fund Assets	As at 31 March 2020 £'000
	Equities - Segregated	
4,604	Basic Materials	4,513
8,632	Communications	8,331
39,743	Consumer	40,964
5,611	Energy/Utilities	4,860
19,422	Financial	17,010
18,810	Industrial	16,663
24,026	Technology	22,911
5,143	Real Estate	4,513
11,977	Health Care	9,720
-	Fixed income and other	347
8,452	Investment funds/unit trusts	9,373
2,733	Synthetic Equity (Futures)	4,513
27,442	Credit	27,077
16,329	Fixed Income	17,357
47,906	Investment/Hedge funds & unit trusts	44,782
35,247	Private Equity	33,673
20,645	LDI	17,704
32,298	Government	34,367
20,393	Infrastructure	25,341
9,927	Cash	5,554
288	Currency Hedge (Forward	(2,430)
36	BlackRock DDG	-
359,664	**Total**	**347,143**

FINANCIAL ASSUMPTIONS

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

These assumptions are set with reference to market conditions as at 31 March 2020.

Local Government Pension Scheme 31/03/2019	Firefighter Pension Scheme 31/03/2019	Assumptions as at	Local Government Pension Scheme 31/03/2020	Firefighter Pension Scheme 31/03/2020
2.40%	2.35%	CPI increases	1.90%	2.00%
3.90%	4.35%	Salary increases	2.90%	4.00%
2.40%	2.35%	Pensions increase	1.90%	2.00%
2.40%	2.45%	Discount rate	2.35%	2.25%

ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In 2019/20 the LFC made an additional employer contribution payment of £1,131k to the LGPS fund to reduce the LGPS pension deficit. That payment in 2019/20 was in addition to a £1,016k payment in 2018/19, and a £908k payment in 2017/18 by LFEPA. Together these payments have resulted in ongoing savings from 2020/21 against the LFC's past service deficit payments.

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

Employers Contribution	**2019/20**	**2020/21**
	£'000	***£'000***
LGPS	12,032	9,116
Firefighters Schemes	51,893	54,969
Total	**63,925**	**64,085**

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ETTLEMENTS

As a result of some members transferring out of the LFC LGPS Pension fund over the year liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £24k.

A summary of the tranfers out of the LFC LGPS Pension Fund over the year is set out below. This includes the value of assets transferred from the LFC LGPS scheme in respect of any transfers and the value of the transferred defined benefit obligation.

As the transfer below is considered to be a material 'special event', the value of the transferred defined benefit obligation has been calculated using assumptions derived based on market conditions at the date of transfer.

Settlements Out		***£'000***	**£'000**			
LFC LGPS Transferred To	**Transfer Date**	**Assets Transferred**	**Liabilities Transferred**	**Discount Rate**	**Pension Increases**	**Treated as Special Event**
MOPAC	14 May 2019	1,309	1,333	2.45%	2.45%	Yes
Total		**1,309**	**1,333**			

LOCAL GOVERNMENT PENSION SCHEME

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

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

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

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

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

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

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

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

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

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

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

LGPS – ACTUARIAL ASSUMPTIONS

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

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% p.a. below RPI i.e. 1.9% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between the RPI and CPI is less than assumed at the previous accounting date.

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

FIREFIGHTER PENSION SCHEMES ASSUMPTIONS

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2019/20 Pension Disclosures.

The cost of benefits accruing in the period from 1 April 2019 to 31 March 2020 was determined using the PUCM with a one year control period and based on the principal financial assumptions applying to the 2018/19 Pension Disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

DISCOUNT RATE

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

The duration of the scheme is around 20 years; this estimate is unchanged from last year and is greater than that of any meaningful AA corporate bond data. We believe that there is insufficient corporate bond data of a sufficiently long duration to directly extrapolate the discount rate from these. A nominal discount rate has been calculated by using gilts plus an additional spread to reflect the difference between the yields on gilts and bonds. Based on this methodology, the nom inal discount rate at 31 March 2020 is assumed to be 2.25% a year.

PENSION INCREASES

The pension increase assumption as at 31 March 2020 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.00%

EARNINGS INCREASES ASSUMPTIONS

It is assumed that there is a long term rate of salary growth of 2.00% above CPI.

The assumed nominal rate of salary growth is therefore 4.00% a year.

RATE OF REVALUATION FOR CARE PENSIONS

A rate of revaluation for CARE pensions of 4.00% a year has been assumed, which is equal to our assumed long term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

ALLOWANCE FOR INJURY PENSIONS

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

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2018/19		Mortality Assumptions	2019/20	
LGPS	**Fire Service Pension Schemes**		**LGPS**	**Fire Service Pension Schemes**
Age 65	Age 65	**Average Future Life expectancy as at**	Age 65	Age 65
Retiring today	**Current pensioners**		**Retiring today**	**Current pensioners**
20.9 years	22.0 years	**Male**	21.7 years	21.3 years
23.1 years	22.0 years	**Female**	23.9 years	21.3 years
Retiring in 20 years	**Future Pensioners**		**Retiring in 20 years**	**Future Pensioners**
22.6 years	23.9 years	**Male**	23.1 years	23.0 years
24.8 years	23.9 years	**Female**	25.4 years	23.0 years

MORTALITY ASSUMPTIONS

The post retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 and an initial addition to improvements of 0.5% p.a.

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

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

Note 28 Pensions (continued)

SENSITIVITY ANALYSIS

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

Local Government Pension Scheme	***£'000***	***£'000***	***£'000***
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	539,379	549,449	559,718
Project service cost	12,077	12,370	12,670
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	550,475	543,443	548,431
Project service cost	12,376	12,370	12,364
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	558,728	549,449	540,343
Project service cost	12,665	12,370	12,081
Adjustment to discount rate	**+1 year**	**None**	**-1 year**
Present value of total obligation	567,833	549,449	531,661
Project service cost	12,785	12,370	11,968

FIREFIGHTERS' PENSION SCHEMES

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

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

Comparative figures at year ended 31/03/2019:

Change in financial assumption at year ended 31/03/2019	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	(9.5%)	(619,000)
1 year increase in member life expectancy	2.5%	167,000
0.5% increase in the salary increase rate	1.5%	100,000
0.5% increase in the salary increase rate (CPI)	7.5%	486,000

Note 29 Contingent Liabilities and Assets

CONTINGENT LIABILITIES

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

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

GLA GRANT

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

FIREFIGHTERS' PENSIONABLE PAY

In early 2019 the High Court ruled that firefighters in Wales were entitled to have the additional pay they received for working extended hours, or taking on additional duties, to be considered pensionable. The Mid and West Wales Fire and Rescue Authority had argued that allowances for working extended hours, or additional duties, were not pensionable as they were not permanent.

The implications for the LFC if all allowance payments made in 2018/19 and 2019/20 are reclassified as pensionable this could result in an additional liability of £332k and £369k respectively for the LFC.

CONTINGENT ASSETS

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

Contingent assets are not recognised within the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. As at 31 March 2020 the LFC had no contingent assets.

Note 30 Self Insurance

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

As at 31/03/2019 Amount (£)	Category insured	As at 31/03/2020 Amount (£)
10,000	Property (All Risks of Physical Loss or Damage)	10,000
25,000	Property – Terrorism	25,000
850,000	Combined Liabilities	850,000
850,000	Officials Indemnity	850,000
500,000	Professional Indemnity	500,000
50,000	Airside Liability	25,000
250,000	Fidelity Guarantee	250,000
10,000	Computer	10,000
250,000	Motor Operational Fleet	250,000
100	Motor Leased Vehicles	100
6,500	Marine Hull and Machinery – Lambeth River Station	6,500
1,500	Marine Hull and Machinery – Vessels	1,500
500	Marine Protection and Indemnity	500

Note 31 Going Concern

Introduction

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

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

Assessment of Going Concern

The LFC has undertaken a more detailed assessment of going concern in view of the Covid-19 pandemic and the impact this has had on expenditure and future funding. The costs of responding to the pandemic, which have been partly offset by additional funding and cost recovery, have put additional pressure on the LFC's finances.

The impact will also be felt in future financial years, with the Mayor's Budget Guidance 2020/21 setting out funding reductions for functional bodies including the LFC. The Mayor's consultation letter updated the budget submission requirement setting out that, given the uncertainty on future funding, the revenue budget submission is required to cover only two financial years, 2021/22 and 2022/23, as well as a forecast outturn for 2020/21.

The Covid-19 costs are reported as part of the regular financial position reports, which are published on a quarterly basis, and the impact in the coming two years has been addressed as part of the LFC Budget Submission 2020/21 (LFC-0432) to the Mayor published on 30 November. This has required additional draw on the LFC's reserves as well as other measures set out in the budget submission to manage the budget for the coming year. The budget submission considered the impact of various risks on the budget in the coming year, with specific focus on areas such as the pandemic, counter terrorism, the built environment and transformation. The budget submission was prepared to address these challenges, with key savings, including a recruitment freeze, necessary to support this. The budget submission noted that future budget requirements are to be considered alongside the development of the LFC's next Integrated Risk Management Plan.

Covid-19

The Covid-19 pandemic has created additional pressure on the LFC budget. For the coming financial year there is a forecast substantial additional cost to manage the response to the pandemic, although this is being partly offset by additional funding and cost recovery, and will be reviewed as the pandemic continues with additional costs and funding/cost recovery expected.

The Covid-19 response costs incurred by the LFC have fallen into two main categories. Firstly there are costs relating to changes necessary to adapt business as usual service delivery – most significant amongst these costs is additional cleaning at LFC premises and additional Personal Protective Equipment (PPE) for staff. The other key cost area relates to the LFC contribution to changes in the emergency services response including Pandemic Multi Agency Response Teams (PMART) but primarily Ambulance Driving Assist (ADA) working with the London Ambulance Service (LAS).

The total forecast cost of LFC's response to the Covid-19 pandemic, as reported in the Q2 financial position (LFC-0426), is £9.4m for 2020/21 and will be offset by funding from the GLA of £1.8m, and forecast additional income for cost recovery from the LAS of £3.5m on operational overtime and allowances for ADA support, resulting in a forecast net expenditure of £4.2m.

The pandemic has also impacted on the funding available to the LFC. The Mayor's Budget Guidance, set out three scenarios for funding reductions for functional bodies, including for the LFC a reduction of £15m for 2021/22 as well as an in-year reduction of £10m for 2020/21. The subsequent Mayor's consultation letter confirmed that £5m of the in-year funding reductions would be met from GLA reserves, as well as setting out revised submission requirements with only two years plans for 2021/2 and 2022/23 required, given the uncertainty on future funding.

The LFC is also pursuing funding from the Home Office which has set up a fund to provide costs recovery against specific criteria for fire services nationally. Discussions on this funding continue with the final claim for costs in 2020/21 due to the Home Office in February 2021.

The additional costs and funding reductions can be met from reserves, although this will of course impact on the balance available for future, with the main impact being on the budget flexibility reserve set up to help manage future budget uncertainty.

Reserves

The LFC holds a General Reserve (GR) to help manage unexpected costs and the Chief Finance Officer deems that a minimum level of £15.2m should be maintained on this reserve. The LFC has a Budget Flexibility Reserve (BFR) that has been established to help manage budget uncertainty/deficit in the short term, in particular in the period before the results of the Comprehensive Spending Review were known. The GR and BFR are part of the total reserves held by the LFC.

The latest forecast position on the LFC reserves was set out in the Budget Submission 2021/22. This included forecast balance on reserves at 31 March 2021 of £68.8m with this reducing to £46.4m by 31 March 2022. The main reserve use will be from the BFR with the remaining balance of £16.0m forecast to be drawn from this reserve in 2021/22.

The use of the BFR to manage the impact of Covid-19 has allowed the GR to remain at its stated minimum level of £15.6m, despite the exceptional circumstances being experienced.

Work continues with the GLA to estimate the impact of the pandemic on current

and future funding available. The costs of the response to the pandemic will continue to be monitored and the opportunity to access additional funding to help meet these costs will continue to be pursued.

Cashflow

The LFC cashflow is monitored on a daily basis to ensure that sufficient funds are available to meet LFC commitments as they fall due. To support the consideration of the impact of Covid-19 on the going concern assessment a forecast cashflow has been prepared to consider the position for at least 12 months from the approval of the Statement of Accounts. The LFC had a cash balance of £134.6m at the end of September 2020, and it is forecasting a cash balance of £1.5m as at March 2022. The movement in the cash balance is in part due to the use of reserves over 2020/21 and 2021/22, but the most significant movement is the impact of the profile of funding for the firefighter pensions scheme which is paid as one amount in Q2 to cover costs for the whole financial year, and in 2021/22 has a value of £93.6m. The forecast cashflow has been prepared on the basis of the estimates included in the budget submission, which was itself based on the worst case funding assumptions set out in the Mayor's Budget Guidance 2021/22. LFC remains confident in its ability to maintain sufficient cash for its services throughout the 12 months from the approval of the Statement of Accounts.

Conclusion

The LFC has taken action in 2019/20 and 2020/21 to mitigate the financial exposure to Covid-19. In November 2020 a detailed budget submission, including an updated Medium-Term Financial Plan, was published showing detailed proposals to close the 2021/22 budget gap, whilst maintaining general fund reserves at the minimum required level. Considering all of the above, there are no material uncertainties that cast significant doubt upon the LFC's ability to continue providing the current level of services and that the organisation will remain a going concern 12 months from the approval of these financial statements.

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

2018/19 **Restated** **£'000**	**Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements**	**2019/20** ***£'000***
(16,518)	Depreciation of Non Current Assets	(19,177)
521	Impairment, Impairment Reversal and Revaluation of Non Current Assets	(1,211)
(22,594)	Assets de-recognised during year	(1,937)
(2,085)	Amortisation of Intangible assets	(1,934)
545	(Increase)/Decrease in impairment for provision of bad debts	(1,244)
91	Increase/(Decrease) in inventories	133
(8,941)	Increase/(Decrease) in debtors	1,815
(5,367)	(Increase)/Decrease in creditors	3,167
(6,267)	(Increase)/Decrease in provisions	6,074
(269,435)	Pension Fund costs adjustment	(124,149)
-211	Other Non cash items	(10)
(330,261)	**Net cash (inflow)/outflow from operating activities**	**(138,473)**

Note 33 Cash Flow Statement – Operating Activities

2018/19 *£'000*	Operating Activities	2019/20 *£'000*
(840)	Interest received	(1,241)
3,436	Interest paid	3,181
6,118	Interest element of finance leases	6,070
8,714	**Total**	**8,010**

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

2018/19 *£'000*	**Investing Activities**	**2019/20** *£'000*
12,097	Purchase of property, plant and equipment, investment property and intangible assets	31,061
(42,600)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,987)
(881)	Capital grants received	(1)
(31,384)	**Net cash flows from investing activities**	**29,073**

2018/19 *£'000*	**Financing Activities**	**2019/20** *£'000*
-	Cash Receipts of Short and Long term borrowing	-
1,213	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	1,268
4,000	Repayments of Short and Long term borrowing	8,000
5,213	**Net cash flows from financing activities**	**9,268**

FIREFIGHTERS' PENSION FUND
ACCOUNT AND NOTES

Firefighters' Pension Fund Account Notes

2018/19 £000	2018/19 £000	Firefighters' Pension Schemes Fund Account	2019/20 £000	2019/20 £000
		Contributions receivable		
		- from employer		
(25,702)		- normal	(51,893)	
(682)		- early retirements	(958)	
(26,384)			**(52,851)**	
(21,449)		- from members	(22,862)	
	(47,833)			(75,713)
		Transfers in		
	(896)	- individual transfers in from other schemes		(734)
		Benefits payable		
142,414		- pensions	148,078	
20,873		- commutations and lump sum retirement benefits	31,162	
-		- back dated commutations	-	
146		- lump sum death benefits	262	
	163,433			**179,502**
		Payments to and on account of leavers		
-		- refunds of contributions	-	
69		- individual transfers out to the other schemes	154	
532		- other - interest due on back dated lump sums	709	
-		- interest due on back date commutations lump sums	-	
	601			**863**
	115,305	Deficit/Surplus for the year before top up grant receivable/amount payable to central government		103,918
	(115,305)	Top up grant receivable from/amount payable from central government		(103,918)
	-	Grant received from central government for back dated commutations		-
	-	**Net amount payable/receivable for the year**		**-**

As at 31/03/2019 £000	Net Assets Statement	As at 31/03/2020 £000
41	- Recoverable overpayments of pensions	31
21,156	- Top up receivable from/(payable to) Government	21,845
(21,197)	- other current liabilities	(21,876)
-		-

Firefighters' Pension Fund Account Notes

1. THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

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

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

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

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

ACCOUNTING POLICIES

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

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

Firefighters' Pension Fund Account Notes

payable from the fund exceeded the amounts receivable.

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

CONTRIBUTIONS

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

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

2018/19			2019/20	
2006 Scheme %	1992 Scheme %	Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
10.4	14.2	More than £21,852 and up to and including £31,218	10.4	14.2
10.9	14.7	More than £31,218 and up to and including £41,624	10.9	14.7
11.2	15.2	More than £41,624 and up to and including £52,030	11.2	15.2
11.3	15.5	More than £52,030 and up to and including £62,436	11.3	15.5
11.7	16.0	More than £62,436 and up to and including £104,060	11.7	16.0
12.1	16.5	More than £104,060 and up to and including £124,872	12.1	16.5
12.5	17.0	More than £124,872	12.5	17.0

2018/19 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2019/20 2015 Scheme %
11.0	Up to and including £27,818	11.0
12.9	More than £27,819 and up to and including £51,515	12.9
13.5	More than £51,516 and up to and including £142,500	13.5
14.5	More than £142,501	14.5

ANNUAL GOVERNANCE STATEMENT

London Fire Commissoner - Annual Governance Statement 2019/20

Introduction

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

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

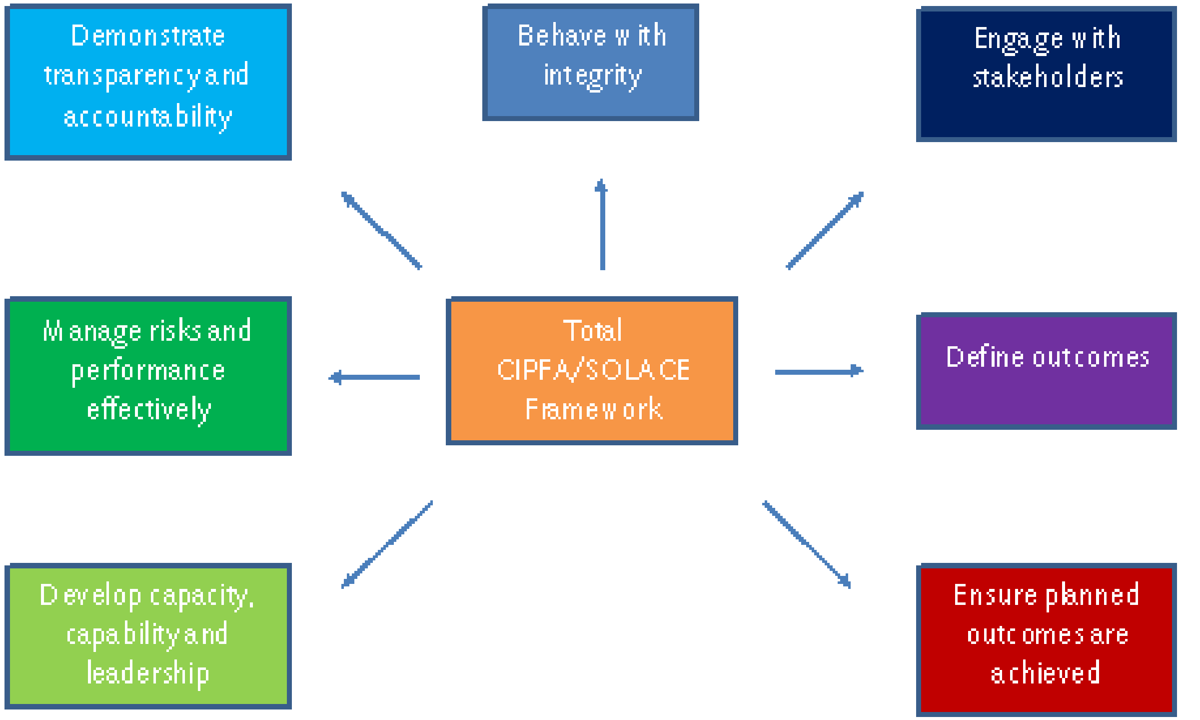
3. This Annual Governance Statement for 2019/20 reflects the governance arrangements in place under the LFC.

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

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

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

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


Demonstrate transparency and accountability
Behave with integrity
Engage with stakeholders
Manage risks and performance effectively
Total CIPFA/SOLACE Framework
Define outcomes
Develop capacity, capability and leadership
Ensure planned outcomes are achieved

7. The key elements of the LFC's governance framework at the London Fire Brigade (LFB) are set out below against these core principles, *Table 1: How the LFC meets the principles under the CIPFA framework*:**Cipfa Principle**	**How the LFC Meets the Principle**
Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law	• Behaving with integrity through leadership is provided by the LFC, the Commissioner's Board (CB), Directorate Boards (DB), the Top Management Group and senior officers • New behavioural framework outlines the behaviours expected of all employees in the organisation at all levels, following the leading self, leading the function and leading the service model. This is supported by a scheme of governance, anti-fraud measures, and whistleblowing procedures • Director of Corporate Services is the Head of Paid Service and is responsible for all LFC staff • Director of Corporate Services is the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct • Decision making framework and scrutiny and review arrangements (see para 8 below) • Code of conduct, Register of Interests, Declarations of Gifts and Hospitality, politically reserved roles

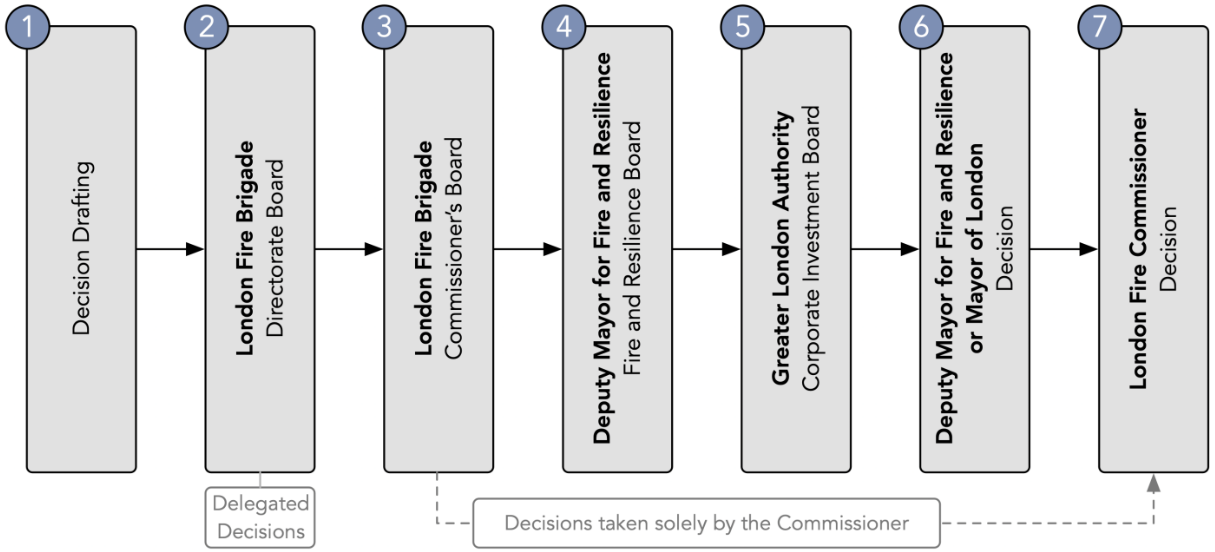
Principle 2 – Ensuring openness and comprehensive stakeholder engagement	• Public consultation on London Safety Plan, which is the Brigade's integrated risk management plan detailing how the Brigade will address risk in the community • Joint working arrangements on the incident ground and through day to day business with partners to improve community safety • Community safety youth programmes including Education Team, Fire Cadets, Crossfire, Local Intervention Fire Education (LIFE) and Juvenile Fire setters Intervention Scheme (JFIS) and community engagement programmes such as Crossfire working with local/emergency service partners • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with NFCC, London Resilience Group and the Government • Utilising online communication channels such as Twitter, Facebook and YouTube on a daily basis to promote engagement with the service
Cipfa Principle	**How the LFC Meets the Principle**
Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits	• LFC's Transformation Delivery Plan setting out the LFC's purpose, vision and strategy for the Brigade • London Safety Plan with specific commitments and performance indicators for key service areas. • LFC's Sustainable Development Strategy and Inclusion Strategy which are specific strategies focussing on social impacts, sustainability and the environment • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety • Equality analyses and sustainable development impact assessment procedures

Principle 4 – Determining the intervention necessary to achieve intended outcomes	• Operational Improvement Panel Oversight Panel, Operations Professionalism Board and Grenfell Improvement Board • Quarterly corporate performance report tracks the performance of all the Brigade's activities in terms of key performance indicators and commitments. The report also highlights remedial actions being taken where slippage does occur. • The LFC, via the Commissioner's Board, the Deputy Mayor, and the London Assembly (via the Fire Resilience and Emergency Planning Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • Transformation Delivery Plan setting a clear vision, strategy, and action plan for the Brigade's priorities
Principle 5 – Developing capacity, including the capability of leadership and individuals within the Brigade	• Investment in training, apprentice schemes and Big Learning (an online learning portal) is used to develop staff at all levels. • Training partnership with Babcock Training Limited • Maintenance of skills through development and maintenance of operational professional (DaMOP) • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way.

Cipfa Principle	How the LFC Meets the Principle
Principle 6 – Managing risks and performance through strong internal control and financial management	• Corporate risk register identifies strategic risks • Key risks are considered by Directorate Boards and Commissioner's Board every quarter • Budgetary control systems and monthly budget reporting to Commissioner's Board and approval by LFC • Scheme of delegation • Monitoring financial spend and outcomes/profiling of departments and key suppliers
Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Risk Information Officer and Data Protection Officer roles • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls • Scrutiny by Deputy Mayor • Fire, Resilience and Emergency Planning Committee review of LFC decisions and can challenge policy • External audit of Brigade's systems of internal control

Decision making framework and scrutiny

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



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

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

Review of effectiveness

11. The LFC uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements in reviewing effectiveness, is the annual report and opinion of the external auditors. Another significant element is the internal audit function conducted on behalf of the LFC by the Mayor's Office for Policing and Crime (MOPAC). MOPAC is fully compliant with Public Sector Internal Audit Standards (PSIAS). Internal audit covers key governance processes, risk management and internal controls. During 2019/20, MOPAC reported on a number of areas, including all key financial systems. The internal auditors' opinion for 2019/20 was that, based on the areas audited, the LFC's internal control environment and systems of internal control were adequate. This means that basic controls are in place but they may not be operating effectively. The end of year report detailing the work conducted by MOPAC can be located here.

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

Issues identified	Performance in 2019/20
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	No significant issues or breaches of officer conduct have occurred.
Proven frauds carried out by members of staff	No fraud cases have been identified in 2019/20.
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2019/20, nor were there any previous authorisations that continued into 2019/20.
Complaints/compliments received from members of the public	A total of 122 complaints were received. These have been actioned accordingly. In addition, a total of 313 compliments were received during 2019/20.
Number of whistleblowing cases	A number of complaints were raised (see above) and one of these qualified as a whistleblowing case

13. Last year's Annual Governance Statement highlighted one key area of improvement, namely reviewing the new governance arrangements after the first year of implementation as required by the Mayor's London Fire Commissioner Governance Direction 2018. The review was completed in August 2019 and concluded that the new governance arrangements were effective. It also considered recommendations made by internal audit regarding an effective assurance framework and an independent audit committee.

14. A further governance review was also conducted in year as a result of the LFC's Transformation Delivery Plan (more on this below). The output of this review was reported to the Commissioner's Board on 25 March 2020 and made a number of recommendations to improve the decision making process. This included the head line structure for decision making, changes to the Scheme of Governance, terms of references for boards and transformation delivery actions. One of the key new additions is the creation of a Transformation Board to oversee the transition of the Brigade so that it meets the LFC's vision for the service. The new arrangements are scheduled to come into effect in the next financial year on 1 May 2020. Progress has also been made in 2019/20 towards defining an assurance framework for the Brigade and the appointment of an audit committee. Both of these are expected to come into force in the following financial year.

Grenfell Tower Inquiry Report and the HMICFRS Inspection Report

15. Since the publication of the previous AGS, the Brigade has received two reports that have been critical of its performance in key areas; the Grenfell Tower Phase One Inquiry Report and Her Majesty's Inspectorate for Constabulary and Fire and Rescue Service (HMICFRS) Inspection Report. Both of these reports were received during quarter three, 2019/20. As a result of the reports, dedicated action plans have been put into place to address the recommendations made.

16. There are many areas of overlap between the two reports, especially in terms of recommendations about training, and the maintenance and assessment of officer competence. Given the importance of the reports, both action plans have now been brought together under the Assistant Commissioner for the Grenfell Tower Investigation and Review Team and progress will be reported on together as from the new financial year to both the Home Office (under section 26 of the Fire and Rescue Services Act 2004) and the HMICFRS. The Deputy Mayor and Fire and Resilience Emergency Committee has been holding the LFC to account for delivery against the action plan(s) and will continue to do for the lifetime of the action plans.

17. The terms of reference for the HMICFRS inspection of the Brigade conducted in the summer of 2019 did not include governance of the organisation.

LFC's Transformation Delivery Plan

18. In light of the external criticism of the Brigade, the LFC has put into place a Transformation Delivery Plan (TDP) setting out the purpose, vision and strategy for LFB, not only to ensure delivery against the Grenfell Tower Inquiry and HMICFRS recommendations, but also to transform and transition the Brigade to where it should be; having a central and influential role within the UK fire and rescue service.

19. The central purpose behind the plan is to get the Brigade to learn to adapt in a more agile and rapid way and to put in place the right behaviours to achieve this.

20. The TDP is based on four strategic pillars; (1) The best people and best place to work, (2) Seizing the future, (3) Delivering excellence, and (4) Outward facing. There are a number of actions against each pillar which the Brigade needs to deliver to transform itself.

21. Accordingly, delivery against the TDP features as the key area of improvement for the following year (2020/21).

Key areas of improvement for 2020/21	**Planned action**
Risk critical: Incident command, leadership training, reconnecting with London's communities. *Longer term*: Cultural change, becoming an agile and learning organisation, driving innovation in the fire and rescue service	Effective and timely delivery of the Transformation Delivery Plan (TDP), including delivery of the HMICFRS and Grenfell Tower Inquiry action plans.

CoVID-19 impact

22. A new coronavirus disease (COVID-19) causing respiratory symptoms was first identified in December 2019 in China. The World Health Organization declared the outbreak of COVID-19 a pandemic on the 11 March 2020, as a result of COVID-19 spreading worldwide.

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

24. In-line with our Strategic Response arrangements (SRA) the Commissioner's Continuity Group (CCG) is being convened on a regular basis to provide strategic management of the incident and ensure that the LFB remains prepared for any potential impacts of COVID-19 spread in London. We are also liaising with the National Fire Chiefs' Council to ensure sharing of best practice and information across the country and that we are aligned with the national position as relevant.

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

Partnership working

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

Forward look and recovery

27. The Brigade has set up a dedicated Recovery Group what will assist in plotting the path to recovery by prioritising the resumption of critical/important activities through risk assessments and aligning these to best support the governments social distancing relaxation plans. This group will be capturing lessons learnt and good practice to inform organisational improvements in efficiency, effectiveness and minimise the impact on our staff and their wellbeing.

Financial and governance implications of coronavirus on the Brigade

28. It is likely that the impact of the coronavirus will have a long term effect on the Brigade's finances. It is hard to be certain about the overall financial impact but the Brigade has incurred additional costs owing to the pandemic. The forecast at the time of this statement is that these costs may increase to about £7,000k by the end of the 2020/21 financial year, but with an expectation that some additional funding will be made available to help meet these costs. There is also an expectation that COVID-19 will impact on future funding, with this to be addressed in the Mayor's Budget Guidance. The existing financial controls provide the mechanism to regularly review these costs and their impact on the budget position.

29. In terms of the impact on governance arrangements, there has been minimal impact to date. Governance and decision making meetings are being conducted virtually through Microsoft Teams and the BT Conference Call facility which ensures that decisions and business as usual can progress.

Equalities considerations

30. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.

31. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.

32. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.

33. The Brigade, under the leadership of the LFC, takes the Public Sector Equality Duty very seriously. A new Inclusion Strategy for the London Fire Brigade (LFB) has recently been approved by the LFC, entitled the 'Togetherness' Strategy, replacing the current 'Safer Together' Strategy. The new Togetherness Strategy reflects the Transformation Delivery Plan and as such has a dedicated externally-facing pillar which includes a number of strategic objectives and actions directly relating to how we advance equality of opportunity, foster good relations and eliminate discrimination in the communities we serve and protect. These are important deliverables in terms of how the Brigade governs itself.

34. Detailed below are some examples of how the Brigade is working to promote equality for all staff and for the people of London it provides services to.

Equality in the community

35. LFB carries out around 80,000 Home Fire Safety Visits annually and in addition to reducing fire risk, crews also ensure that referrals are made to specialist services such as safeguarding and to the Metropolitan Police (MPS) and/or London Ambulance Service (LAS) depending on the issue. Fire Safe and Well Visits are being carried out in five pilot boroughs in London and are focused on supporting the most vulnerable people in London and information has been distributed on behalf of the Met and LAS as part of these visits to raise awareness of specific issues e.g. bogus calling, cyber crime and flu jabs.

36. The LFB, LAS and MPS work together to support vulnerable young people through joint delivery at a borough and pan London level through cadets, junior citizens, "prison me no way" and youth boards.

Equality for our staff

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

38. A revised process for conducting Equality Impact Assessments (EIAs) was agreed in 2019, and includes a new template, guidance and best practice for staff to conduct EIAs on their decisions and policies, and to support them through the governance process – in particular completing the 'Equality Implications' sections of their Board reports.

39. The Brigade's Counselling and Trauma Service provides input into planning and implementing interventions to improve workforce mental wellbeing to supplement pre-existing interventions on physical wellbeing. A desktop computer based training programme was made available to all employees in January 2020 to raise awareness and understanding of all mental health conditions. A training package aimed at assisting managers to recognise and manage stress, anxiety and depression is also progressing.

40. The Brigade is also working with Mental Health First Aid England to train staff to become LFB Mental Health First Aiders. The first 16 members of the workforce received their training in March 2020 and there are another 60 members of staff due to receive training over the next 12 months.

Equality in recruitment

41. One of the Brigade's key priorities is to increase the number of women and BAME members of the community joining the Brigade as trainee firefighters. The Brigade has undertaken research to understand the barriers that exist for people joining the service. LFB has an Outreach Team who are engaging with these target groups through community and partner based activities, to increase attraction rates. Compared to 2018, the 2019 recruitment campaigns saw the number of applications double from these groups. As a result, firefighter appointments from female and BAME categories were three times that of the previous year.

42. The Brigade is also developing a new Talent Management Framework to identify, recruit and retain talent from diverse backgrounds. Work is also underway to explore new and existing talent schemes and opportunities, such as creating a bridge from the Fire Cadet programme,

tapping into the rich diversity of the cadet force. The role of Firefighter is now mapped against the Operational Firefighter apprenticeship standard and all trainee firefighters now complete an 18 month apprenticeship managed by the Talent Team. The team are also working with a number of internal and external stakeholders to improve and develop talent, recruitment and assessment processes for now and the future to draw from a wider and more diverse talent pool.

Conclusion

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

Andy Roe
London Fire Commissioner
Dated 26 March 2021

Glossary of Terms

ACCRUALS

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

ACT/365

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CONTINGENCY

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

CONTINGENT ASSET/LIABILITY

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

CORPORATE AND DEMOCRATIC CORE (CDC)

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

EARMARKED RESERVES

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

IMPAIRMENT

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

MINIMUM REVENUE PROVISION

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

PROVISIONS

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

PUBLIC WORKS LOANS BOARD

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

REVENUE EXPENDITURE

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

INVENTORIES

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

London Fire Commissioner Audit Results Report

Year ended 31 March 2020

17 March 2021

Building a better working world

Private and Confidential

17 March 2021

Dear Commissioner,

We are pleased to attach our audit results report. This report summarises our audit conclusion in relation to the audit of the London Fire Commissioner for 2019/20.

We have substantially completed our audit of London Fire Commissioner for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have a number of matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Commissioner, Deputy Commissioners, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you.

Yours faithfully,

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Commissioner and management of the London Fire Commissioner in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Commissioner and management of the London Fire Commissioner those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Commissioner and management of the London Fire Commissioner for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report and audit plan addendum shared with the Commissioner on 25th March 2020 and 13th May 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

In our audit plan addendum, we explained that the outbreak of COVID-19 has rapidly spread in the UK having a serious impact on the operations of companies, public sector bodies and the wider economy. Therefore, we were required to perform a review of our planning procedures to consider whether our risk assessment remained appropriate.

We concluded that there were no changes to the risk or focus on the risks noted in section 2 although concluded that additional procedures would be required to address our significant risks around pension liability valuation and property, plant and equipment valuation as a result of the pandemic and the uncertainties involved in valuation at the year end.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform in respect of going concern and an internal consultation process was required on all audits.

Other areas to bring to your attention as a result of Covid-19 are as follows:

- **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats concerning this material uncertainty have been included in the year-end valuation reports produced by the external valuer. PPE valuation was already included as a significant risk in our audit plan, however, we consider that the material uncertainties disclosed by the valuer gave rise to additional audit focus relating to disclosures on the valuation of property, plant and equipment.

- **Adoption of IFRS16** – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Executive Summary

Materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £10.8m (Audit Planning Report – £10m). This results in updated performance materiality, at 75% of overall materiality, of £8.1m, and an updated threshold for reporting misstatements of £0.5m.

Specific materiality – We set a materiality of £3.2m (Audit Planning Report - £2.9m) for the firefighters' pension fund financial statements which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

As noted at Appendix A, our approach to the audit of the balance sheet has been fully substantive.

Status of the audit

We have substantially completed our audit of the London Fire Commissioner's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the outstanding items in Appendix D we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

Audit differences

<u>Adjusted Differences</u>
There were a few corrected audit adjustments that were sufficiently significant to bring to the attention of the Commissioner. These include:

- £11.96m related to FFPF liability
- £1.08m related to the accounting of an impaired debtors balance
- £1.04m related to the valuation of a surplus asset
- £8.79m related to valuation of land & building as at 31 March 2020
- £1.1m related to valuation of land & buildings in the prior year

We also identified disclosure errors that have been amended.

<u>Unadjusted Differences</u>
As part of our audit procedures on the pension liability, we have written to the auditors of the London Pension Fund Authority.
The auditor of the pension fund identified a £9.5m error in the value of holdings with one of the pension fund's Investment Managers. The variance was not material to the pension fund and has not been adjusted for. LFC's share of this error will result in a £0.56m overstatement of LFC's pension assets and subsequent pension liability.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the London Fire Commissioner's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Commissioner.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.
In section 7 we have provided an update on our recommendations from the 2018/19 audit, and our observations from the 2019/20 audit.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risks:

- Findings of external regulators and the Commissioner's response
- Financial resilience and funding arrangements

Following the completion of this work, we are proposing to issue a qualified 'except for' conclusion in respect of the Authority's arrangements in place in 2019/20 to deploy resources in a sustainable manner.

The details behind this conclusion can be seen at section 5 of this report.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Fraud risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What did we do?

- We made inquiries of management about risks of fraud and the controls put in place to address said risks.
- We understood the oversight given by the London Fire Commissioner, in his role as those charged with governance, of management's processes for safeguarding against fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessed the accounting estimates for evidence of management bias.
- Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied through our work on journal entries.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of Business.

Significant risk

Risk of fraud in revenue recognition – MFB Act Income

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

The only material revenue income stream which is not grant related, and which we have therefore assessed as at risk of manipulation, is income relating to the Metropolitan Fire Brigade (MFB) Act. MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation.

Significant Risk

What judgements are we focused on?

As noted in our audit plan, we focused on MFB Act Income, as an income stream that could be susceptible to manipulation.

We noted that the Authority is heavily reliant on levied insurance companies providing accurate data returns.

The financial year that the income relates to is more complex for this revenue stream because of the wording of the MFB Act.

What did we do?

- We reviewed and tested MFB revenue recognition policy and ensured that it was consistent with the Act and with accounting standards
- We tested a sample of MFB revenue transactions to ensure that they had been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split.
- We tested unpaid MFB invoices to identify indicators that the debt should be impaired or written off.
- We understood variances in income recognised compared to budget and prior years; and
- For a sample of insurers, tested that they have been correctly recorded in the entity's database and that any associated levy's have been correctly raised.

What are our conclusions?

We confirmed that the only significant source of invoiced income in 2019/20 is Metropolitan Fire Brigade (MFB) Act income.

We tested income received before and after year-end to ensure that it had been appropriately recognised.
We also tested the adjustments in relation to income deferred in the prior year and recognised in the current year, and income deferred in the current year, and noted no issues.

We identified one instance where a return received from the insurance company in 2019/20 was not included in LFC's database.

We raised a control deficiency in 2018/19 around the completeness of MFB income and whilst the process can still be improved, as highlighted by the instance above, we can conclude that steps have been taken to remediate the deficiency and there is now a system in place to make contact with the insurance companies.

We satisfied ourselves that the levied income for 2019/20 was materially accurate and complete based on procedures performed.

Significant risk

Risk of error in the valuation of the net pension liability

What is the risk?

The London Fire Commissioner's current pension fund net deficit is a material and judgemental item. Small changes in assumptions when valuing these assets and liabilities can have a material impact on the financial statements. The Code requires the London Fire Commissioner to disclose this liability on the Balance Sheet.

The information disclosed is based on the IAS 19 report issued to the London Fire Commissioner by the actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a significant risk.

Significant Risk

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary; and
- the assessments of the actuary undertaken by PWC and the EY actuarial team.
- In 2019/20 there has been on-going developments around the McCloud and Goodwin legal cases. We considered whether adjustments were required in respect of these developments.

What did we do?

We responded to this risk by:

- Liaising with the auditors of the London Pensions Fund Authority, the LGPS administering authority, to obtain assurances over the information supplied to the actuary in relation to the London Fire Commissioner;
- Assessing the conclusions drawn on the work of the actuaries, Barnett Waddingham and Government Actuaries Department, by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, including the use of our own pensions specialists; and
- Reviewing and testing the accounting entries and disclosures made in relation to IAS19.

What are our conclusions?

We identified misstatements through our audit work to address this risk.

We noted a material difference between the value of employer's contribution for the fire fighter's pension scheme as included on the LFC ledger (and disclosed in the accounts) and the IAS 19 report provided by the actuary. An updated IAS 19 report was obtained based on the actual contributions resulting in a increase to the liability of £11.96m. The appropriate adjustments have been made in the financial statements.

As part of our audit procedures we obtain assurances over the London Fire Commissioner LGPS pension liability through liaising with the auditor of the London Pension Fund Authority. In their reporting to us, the auditor confirmed an audit error in the valuation of investment assets. The impact of this error on LFC's liability is estimated to be £0.56m. This is above our triviality threshold for reporting however this has not been adjusted for in the financial statements based on materiality.

Our review and testing of accounting entries and disclosures resulted in some minor disclosure amendments which have been updated in the final accounts.

We have also carried out additional procedures in respect of the McCloud & Goodwin judgement through use of our EY Pensions specialist team. In our view, the approach taken by the actuaries is reasonable.

Significant risk

Valuation of property, plant and equipment (PPE)

What is the risk?

Auditing standards (ISA 620) require us to gain particular assurances when an expert has been engaged and where this influences material figures in the financial statements. The London Fire Commissioner engages a professional valuer to provide it with asset valuations. The bulk of its estate relates to fire stations. These are specialised assets, and therefore a depreciated replacement cost methodology should be used to determine the existing use value. In previous financial years the methodology employed by the valuer in determining these valuations departed from the Red Book and the Code of Practice on Local Authority Accounting (the Code). In 2019/20 improvements continue to be made in bringing the methodology to be in line with the red book/ code requirements. However, the methodology continues to be developed each year which increases the risk of material misstatement. Furthermore, for 2019/20 a full revaluation has been undertaken of all fire stations, as opposed to a sample. This further increases the risk of material misstatement.

Significant Risk

What judgements are we focused on?

We focused on aspects of the financial statements where management make judgements regarding:

- significant changes in the asset base; and
- the assumptions and estimates used to calculate the valuation.

The bulk of the Authority's estate relates to fire stations. These are specialised assets, and therefore a depreciated replacement cost methodology should be used to determine the existing use value.

What did we do?

We responded to this risk by:

- Reviewing the valuation instructions provided to the valuer against the requirements of the Code of Accounting Practice for Local Government;
- Engaging our internal expert to assess the appropriateness of the methodology applied by the valuer in valuing specialised assets;
- Confirming that the information provided by the valuer as the management's expert has been appropriately reflected in the financial statements; and
- Reviewing and testing the accounting entries and disclosures made within the financial statements.

See next slide for our conclusions surrounding PPE valuations.

Significant risk

What are our conclusions?

Prior Period Adjustment:

The valuer's change in methodology that has been implemented in 2019-20 has resulted in material movements to the DRC asset valuations. Under IAS 8, the change in methodology constitutes a prior period adjustment meaning a restatement of the prior year balances, including the prior year opening balances and the inclusion of a third balance sheet. The Authority had accounted for a prior period adjustment and the applicable disclosures in their draft financial statements.

However, through our audit process we identified errors in the accounting for the prior period adjustment which included:

- No revaluation of buildings as at 1 April 2018
- Incorrect accounting for accumulated depreciation
- Overstatement of the valuation of Lambeth fire station in all three years

This has resulted in material changes to both the prior year restated figures and the 2019-20 balances that were originally published in the draft accounts. Final audit adjustments have been disclosed at section 4 to this report. All differences have been corrected by management.

Valuation Methodology:

Since the change in methodology applied in 2019-20 was significant, we have engaged our EY Real Estate valuation specialists to perform a review of 5 fire stations. Specialist review focussed on the underlying assumptions underpinning the valuation which includes: obsolescence, Modern Equivalent Asset assessment and build costs. For each asset reviewed, our specialist determines a range of acceptability for the asset value. For the 5 assets subject to specialist review, all assets were found to be within range and assumption supportable.

However the following findings have been noted:

- The valuer's approach to assessing obsolescence is not in line with best practice and does not strictly align with the Royal Institution of Chartered Surveyors (RICS) guidance. The current valuation method applies a formulaic approach to calculating obsolescence at a portfolio level when our view is that physical obsolescence should be assessed by reference to an assessment of the likely remaining economic life of each building set against its expected original design life and this should be informed by an inspection.

- The Lambeth site is partly still operational and partly unutilised and so different valuation methods have been applied to different parts of the asset. The combined site is subject to a development agreement and the total potential value of the building could be in excess of the current value. There is significant planning risk concerning the site and, as a result, the valuation remains uncertain. We have requested enhanced disclosures within the financial statements which disclose the uncertainties in relation to this asset's valuation.

Significant risk

What are our conclusions?

Material Uncertainty:
In 2019-20, the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats concerning this material uncertainty have been included in the year-end valuation reports produced by the external valuer.

We have assessed the impact of this material uncertainty on LFC's asset portfolio. LFC holds no investment property and almost 90% of the portfolio consists of assets valued under DRC methodology which is considered to be less impacted by market fluctuations. On the basis of our analysis we are satisfied that the material uncertainty attached to other assets within the portfolio will not give rise to a material misstatement within the financial statements.

We have however ensured that financial statements correctly disclose this material uncertainty – appropriate disclosures have been included in Note 4 and Note 9.

Valuer Objectivity:
The Authority's external valuer, Dron & Wright, has acted as the valuer for a period of 10 years, with the Authority's fees representing a significant proportion of total fee income of the firm.

We considered whether or not this gives rise to an independence issue. The RICS guidance considers it 'good practice' to rotate valuers at intervals not exceeding 7 years. It is also recognized that in smaller firms this may not be practical but that other measures could be introduced such as arranging for periodic reviews at regular intervals by other members. In 2019-20 the valuer has included an objectivity letter in their valuation report that confirms the report has been peer reviewed by another valuer within the same firm. Although this is a step forward from previous years the review would provide further assurance if it was provided by a third party firm. We recommend that the Authority considers the RICS guidance in future periods to ensure that valuations remain objective and independent.

As part of our audit work we have ensured that the financial statements appropriately disclose how long Dron & Wright has acted as the Authority's valuer and disclose that the fee income is a significant proportion of the firms total income. These disclosures have been included at note 9 to the financial statements.

Componentisation:
As per the Authority's accounting policy, componentisation is only applied to assets over £5m which is a higher threshold than we would usually expect to see. Componentisation would not impact on the year-end valuation of the assets but would impact on the subsequent depreciation. We have performed analysis to assess the impact on depreciation should all assets be subject to componentisation. Our analysis shows that the impact would be an increase to the yearly depreciation charge of approximately £1.8m. We do not consider this to be material to the financial statements as a whole and an adjustment has not been made but we would like to bring this to the attention of the Commissioner.

Other areas of Audit Focus

Area of Audit Focus - Other areas of audit focus

What is the risk/area of focus?	What we did
Going Concern Compliance with ISA 570 Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.	We confirm that we have performed the following procedures: ‣ Obtained and reviewed managements going concern assessment; ‣ Challenged management's assessment of going concern using sensitivity analysis; ‣ Reviewed supporting evidence such as cash flow forecasts and post year-end bank statements for evidence to support management's going concern assessment; and ‣ Ensured sufficient disclosure within the financial statements. Following our work in this area we consider management's assessment to be robust and appropriate and, following discussion with officers, management have included an additional detailed disclosure note within the revised financial statements in respect of going concern. We have completed our going concern consultation and will be issuing an unqualified audit opinion with no impact as a result of our going concern procedures.

03 Audit Report

Draft audit report

The audit report is addressed to the London Fire Commissioner as corporation sole.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE LONDON FIRE COMMISSIONER

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of the London Fire Commissioner for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 34.
- 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Fire Commissioner as at 31 March 2020 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 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

Findings of External Regulators

During 2019/20, London Fire Commissioner received two key reports:

- The Grenfell Tower Inquiry October 2019 - phase 1 report; and
- the December 2019 HMICFRS Effectiveness, Efficiency and People report following an inspection period of May to July 2019.

The first included multiple findings and recommendations in respect of the Commissioner's planning and preparation arrangements in place before the Grenfell incident, as well as recommendations in relation to the policies and procedures in place within the organisation.

HMICFRS identified a number of areas requiring improvement, including staff training, protecting the public through fire regulation and responding to fires and other emergencies.

We have evaluated all of the findings and formed our conclusion as to whether proper arrangements were in place for each area throughout the financial year.

We have identified two key areas where we are unable to conclude that there were adequate arrangements in place throughout the 2019/20 financial year. These are:
Staff Competence and Training
Emergency Planning and Responding

These issues are evidence of weaknesses in proper arrangements for informed decision making through demonstrating and applying arrangements for managing risks effectively and maintaining a sound system of internal control.

Audit Report

Our opinion on the financial statements

Qualified conclusion [Except for]

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matter(s) reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the London Fire Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on page 23, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Audit Report

Our opinion on the financial statements

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the London Fire Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Fire Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 London Fire Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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.

Certificate

We certify that we have completed the audit of the accounts of The London Fire Commissioner in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the London Fire Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Fire Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson
Ernst & Young LLP
London

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements which have been corrected by management that were identified during the course of our audit:

- An increase to pension liabilities of £11.96m with a corresponding increase to the pension reserve.

This was identified through a comparison of the Firefighter pension scheme employer contributions per the ledger and the contributions balance provided to the GAD actuary for use in the IAS 19 report. A material difference was noted between these two figures and an updated IAS 19 report was obtained resulting in an audit adjustment of £11.96m.

- An increase in the receivables impairment of £1.085m and a corresponding reduction of the debtors balance .

In our testing we identified debtors in relation to QBE debtors. These are costs that LFC incurred in relation to the Grenfell Tower inquiry and that LFC expected to be reimbursed by QBE as part of the insurance contract that LFC had with QBE. Upon further investigation, it emerged that what QBE were willing to reimburse to LFC was lower than what was recognised in the accounts and that there was a dispute in place between LFC and QBE. As a result an impairment has now been recognised totalling £1.085m.

- An reduction of £1.035m to Surplus assets with a corresponding adjustment to the revaluation reserve

In our audit work we identified that selling fees totalling £1.035m has been incorrectly added to the NBV of surplus assets when calculating the valuation.

- An increase of £1.6m to land and an increase of £10.39m to Buildings as at the 31 March 20 as a result of changes to the valuation of Lambeth fire station and the write out of accumulated depreciation. These adjustments result in a decrease of £7.37m to the revaluation reserve and £1.4m impairment in the CIES.

- An increase of £1.06m to buildings as at 31 March 19 as a result of changes to the valuation of Lambeth fire station and the write out of accumulated depreciation. This adjustment results in a decrease of £5.08m to the revaluation reserve and a credit of £6.15m to the CIES for impairment.

- A decrease of £7.95m to land and buildings as at 1 April 18 as a result of changes to the valuation of Lambeth fire station and the write out of accumulated depreciation. There is a corresponding credit of £4.58m to the revaluation reserve and a debit of £4.59m to the CIES.

- A reclassification of impairment charge in the CIES from other operating expenditure to net cost of services. This reclassification totals £1.2m in 2019/20 and £0.57m in 2018/19 after audit adjustments above impacting on impairment.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the commissioner and provided within the Letter of Representation.

We have identified one judgmental misstatement of £0.56m in relation to the authority's pension liability valuation.

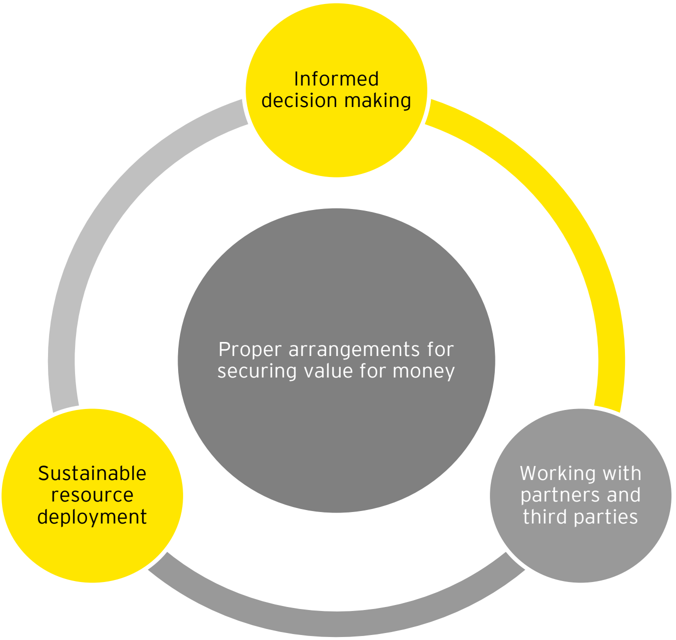
As part of our audit procedures we obtain assurances over the London Fire Commissioner LGPS pension liability through liaising with the auditor of the London Pension Fund Authority. In their reporting to us, the auditor confirmed an audit error that was identified in the valuation of investment assets in the fund. The impact of this error on LFC's liability is estimated to be £0.56m. This is calculated by applying LFC's share of the London Pension Fund to the error identified by the pension fund auditor for the whole fund. This is above our triviality threshold for reporting however this has not been adjusted for in the financial statements based on materiality.

This is set out in the table below:

Uncorrected misstatements 31st March 2020	Effect on the current period:	Balance Sheet (Decrease)/Increase				
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Reserves Debit/ (Credit)
Judgmental differences:						
1. Difference noted in investment asset valuation by pension fund auditor						
LGPS Pension Liability					560,500	
Pensions reserve						(560,500)
Total of uncorrected misstatements					560,500	(560,500)

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of Covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion. We did not identify any significant risks in relation to Covid-19.

Overall conclusion

We identified two significant risks around VFM arrangements as reported in our audit plan. The table below presents our findings in response to the risk in our Audit Planning Report.

Based on work, we are issuing a qualified 'except for' value for money conclusion, reflecting weaknesses in the Authority's arrangements for taking informed decisions.

Value for Money Risks

What is the significant value for money risk?

Findings of external regulators and the Commissioner's response

During 2019/20, London Fire Commissioner received two key reports:

- The Grenfell Tower Inquiry October 2019 - phase 1 report; and
- the December 2019 HMICFRS Effectiveness, Efficiency and People report following an inspection period of May to July 2019.

The first included multiple findings and recommendations in respect of the Commissioner's planning and preparation arrangements in place before the Grenfell incident, as well as recommendations in relation to the policies and procedures in place within the organisation.

HMICFRS identified a number of areas requiring improvement, including staff training, protecting the public through fire regulation and responding to fires and other emergencies. Although notable actions have been undertaken by the Commissioner in response, the arrangements commented on by HMICFRS have been in place for the majority of the 2019/20 financial year.

Our assessment of the adequacy of VFM arrangements looks at whether or not those arrangements were in place throughout the year of audit. Given the timing of the findings and despite actions already in place by the organisation to address those findings, we noted in our Audit Plan that this was likely to result in a qualification of our VFM conclusion.

What did we do?

We reviewed the recommendations of both reports to identify the specific areas relevant to our value for money conclusion. On the basis of this assessment, we raised a range of queries to ascertain the scope and timing of the Transformation Delivery Plan, which sets out the Commissioner's response to the recommendations in both the Phase 1 Grenfell Report and HMICFRS inspection report.

We were provided with a range of evidence that outlined the key governance decisions, internal reporting and progress during the year against the planned actions set out on the Transformation Delivery Plan. This information was provided as a result of enquiries made of the relevant Heads of Services. In addition to this documentation we also inspected: key contracts, budgets, committee minutes, internal audit reports, and other documents as necessary to inform our overall conclusion.

We reviewed risk registers and other internal monitoring reports to assess whether the issues raised were being appropriately tracked and reported by senior management. We also evaluated how these information systems have changed throughout the financial year.

We then formed our assessment as to whether the Transformation Delivery Plan adequately addressed the findings from the regulators and whether we had sufficient evidence to conclude that suitable arrangements were in place throughout the financial year.

Value for Money Risks

What were our findings?

As noted above, the findings of both the HMICFRS and Grenfell Inquiry Phase 1 reports covered a broad range of areas and varied significantly in both the level of severity and the pervasiveness of the matters raised. We have evaluated all of the findings and formed our conclusion as to whether proper arrangements were in place for each area throughout the financial year.

The Commissioner provided extensive evidence to support both arrangements in place during 2019/20 and of their improvement journey following the inspection reports.

We were provided with evidence to support adequate arrangements for contract management, financial planning and other remedial actions in line with the Transformation Delivery Plan. However, we have identified two key areas where we are unable to conclude that there were adequate arrangements in place throughout the 2019/20 financial year. This is largely due to the timing of planned actions to address the findings of the inspection reports falling either towards the end of the 2019/20 financial year or in the 2020/21 financial year. Below, we have outlined the relevant factors we identified that have led to this conclusion.

Inspection Finding	Commissioner's response status
Staff Competence and Training	
Managing staff performance – Shortfalls in the performance management and improvement process for staff during 2019/20	The new talent and performance process commenced in April 2020 with the launch of the 360 questionnaire. The new performance cycle commenced in May 2020.
Talent identification and leadership pipeline – Weaknesses in the performance management and talent identification process for senior management	The new process for identifying potential was set and agreed at Commissioner's Board in February 2020.
Ensuring quality of training and that national guidance is being met - The training being delivered by Babcock was inadequate during the year. Additionally, the full suite of training in line with the revised PN633 (High Rise Firefighting) could not be completed in year	Meetings have been held with Babcock and appropriate remedial action has been agreed. Changes could not have been implemented during 2019/20 and have been profiled for 2020/21. Face to face training for officers in revised PN633 has been delayed due to COVID-19. an alternative timetable has been agreed and adhered to, but could not be completed in 2019-20.

Value for Money Risks

What were our findings? (continued)

Inspection Finding	Commissioner's response status
Backlog of training in risk critical areas – Significant training gaps existed during the financial year	Having reviewed the Q4 training update report, we determined that significant gaps remained. An appropriate action plan to address the remaining gaps has been agreed for 2020/21. This has been impacted by Covid-19 and a recovery plan is in place, with training in risk critical areas being prioritised.
Training of incident commanders – material gaps in training of lower ranking incident commanders existed during the financial year	Level 1 Acquisition training was prioritised and delivered to Level 1 Incident Commanders at the role of Leading Firefighter and above during 2019/20 (with the last few who missed training receiving training in 2020/21). An action plan is in place to complete Level 1 Revalidation courses and ensure those deemed out of ticket for Level IC are brought 'in ticket'. Remaining gaps for lower ranking staff that existed during 201920 are being addressed during 2020/21. Delivery of training was impacted by Covid-19 and a recovery plan is in place.
<u>Emergency Planning and Responding</u>	
Learning from incidents – Inadequate policies and procedures in place around debriefing of incidents	During 2019/20, the Operational Policy and Assurance team initiated a review of operational debriefing processes. The results of this review and any remedial action will take place in 2020/21.
Quality assurance of building risk assessment database – The commissioner had and insufficient level of assurance over the building risk assessment database, prior to the assurance review undertaken late in the financial year.	The building risk assessment database was quality assured by March 2020. However, thorough the majority of 2019/20 the Commissioner had an insufficient level of assurance over the information held in the database.

Value for Money Risks

What were our findings? (continued)

As a result, this has led to an ‘except for’ qualification of our Value for Money conclusion. This means we have concluded that, on the basis of our work, and having regard to the guidance issued by the Comptroller &Auditor General in November 2017, with the exception of the matters highlighted above, we are satisfied that, in all significant respects, the Commissioner did put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As required by the National Audit Office framework for these procedures, we are unable to take into account actions taken after the 2019/20 financial year to form this year’s conclusion. However, we noted that the scope of the Transformation Delivery Plan put in place by the Commissioner is designed to address the findings of external regulators and that the Commissioner has a system of internal monitoring and reporting to achieve the agreed remedial actions. Steps have already been undertaken or are in progress to address the remaining shortfalls. We also recognise that Covid-19 has caused unforeseen delays in achieving the objectives of the plan.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of accounts 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

In addition to our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

In 2019/20 the Authority falls below the £500m threshold for requiring a full audit and as such we will be able to complete the required procedures upon finalisation of the financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We do, however, wish to update you on progress made in relation to previous recommendations, as well as report on areas where improvements could be made to the operation or design of controls within the Authority to reduce the risk of error.

1. Contract Register

A contract register is maintained by the Authority, which is intended to capture all of the brigade contracts. The register is updated via an online form. The expectation is that the register is complete and accurate. Although the register is held within the procurement team, where contracts do not involve procurement the expectation is that other departments will provide the necessary information to ensure that the register is complete and accurate.

Last year we identified two instances where the process had not operated as designed and recommended that all departments be reminded of the process that needs to be followed so that the contract register can be relied upon by the Authority as a complete record.

In 2019/20, we did note one issue of **a variance of £100,000** between the approximate contract price per the contract and per the contract register. Although we noted that the wording of the contract included a provision for increase in cost due to changes in annual charges, the price in the contract should have been recorded in the register. Considering this finding, and that the contract register will be a key tool for the Authority as they prepare for the implementation of IFRS 16, the contract register will continue to be an area of focus for the Authority.

2. Evidence supporting expenditure

In previous years we have raised recommendations around support for system generated accruals. Management has worked to introduce an accrual de minimis policy and enhance evidence. As such, we did not have any issues in obtaining sufficient appropriate evidence for expenditure in 2019/20.

3. Metropolitan Fire Brigade Act income

As part of our testing, we have only identified one fail out of a sample of 25 companies selected to test - we had raised a control deficiency in 2018/19 around the completeness of MFB income and whilst the process can still be improved, we can conclude that steps have been taken to remediate the deficiency and there is now a system in place to make contact with the insurance companies.

Assessment of Control Environment

Financial controls (cont.)

4. Asset valuations

Officers have worked with their valuer to change the methodology currently applied to determine asset valuations for specialised assets in 2019/20. As detailed in section 2, we have identified additional areas for improvement and we will work with officers to ensure that this is further improved.

5. Manual Journals

In our journals testing we identified three journals which were reversals of duplicate postings. Further enquiries highlighted that the control designed to address duplicate postings had not functioned as designed. LFC operate a central journals manual list whereby journal numbers are allocated. This list should be reviewed to identify manual journals that have been posted twice. However the three journals we tested were actually identified as duplications through year end closedown processes when reconciling figures. Although clearly the year end process acts as a compensating control, there is a risk that duplicate journals are posted and not picked up through the year end process. As such we recommend that LFC implements a thorough review of the manual journals list including reviewing for similar descriptions and amounts to ensure this control is effective at identifying duplicate journals.

08 Data Analytics

Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

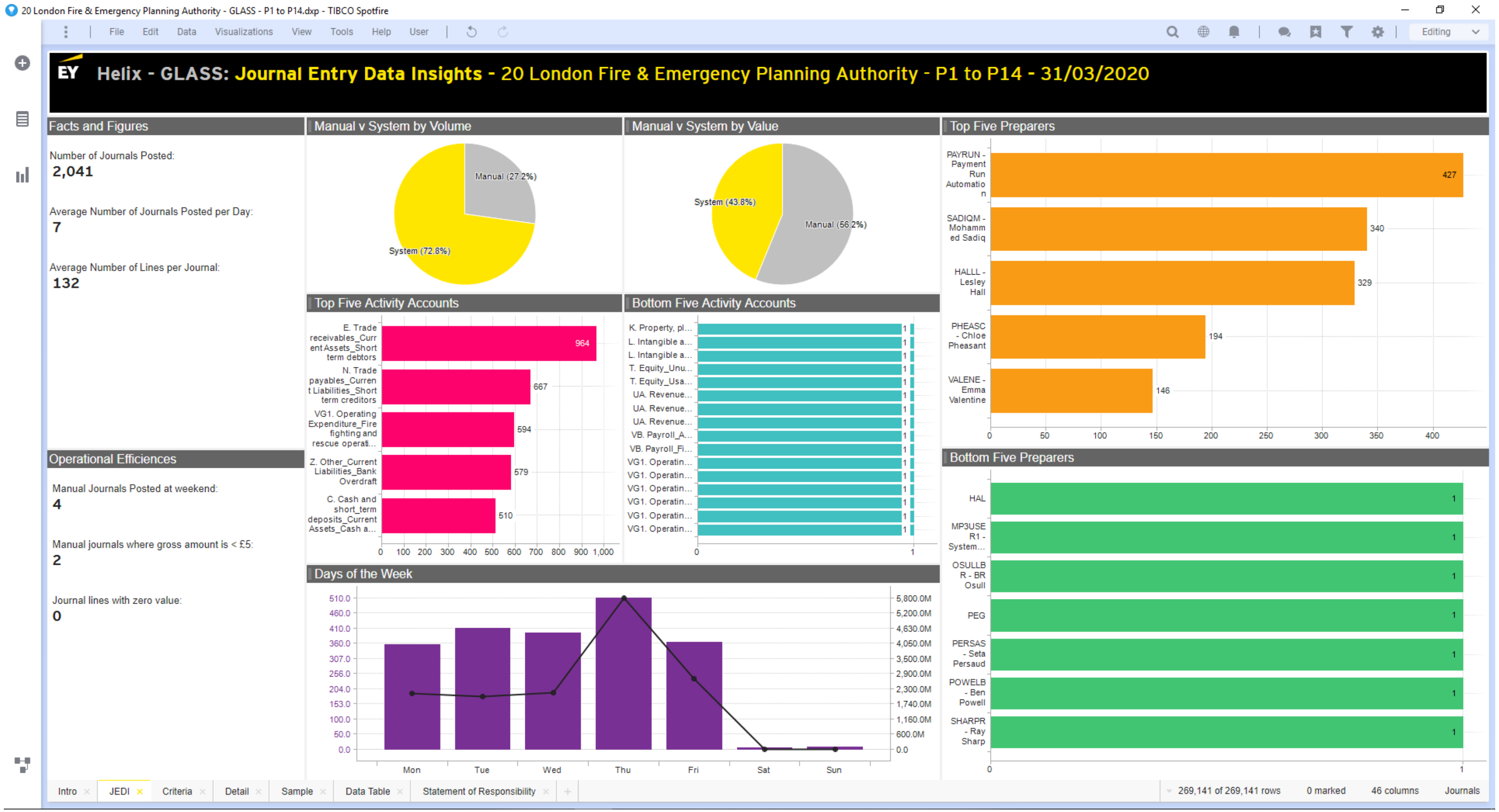
Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing, by analysing payroll transactions posted in the year to the General ledger and analysing the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted by senior management, those posted around the year-end, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.



Journal Entry Testing

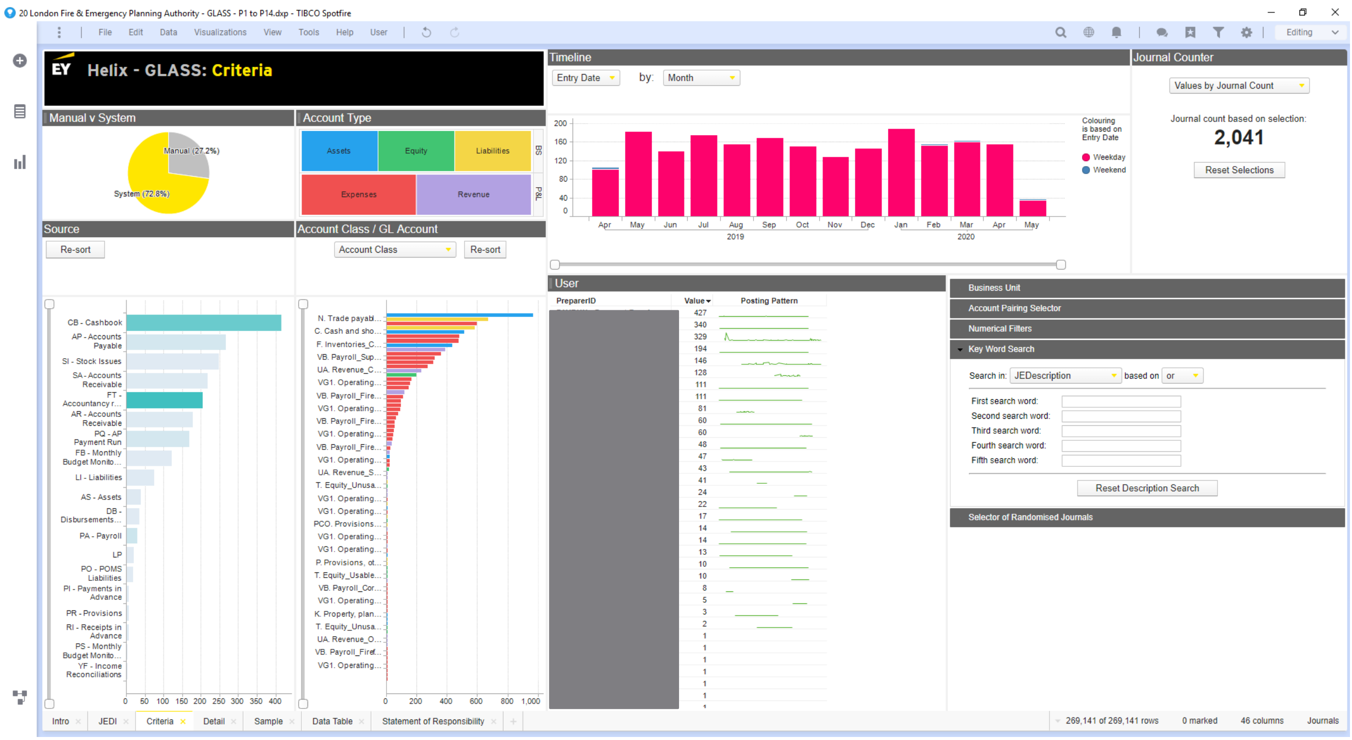
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2020



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.
We did however note a control deficiency as discussed on page 36

09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this with you.

We confirm we have undertaken no non-audit work outside the NAO Code requirements.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees due for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Planned Fee 2019/20	Final Fee 2018/19
	£	£
Total Scale Fee – Code work	51,961	51,961
Changes in work required to address professional and regulatory requirements and scope associated with risk	47,200 (Note 2)	13,274 (Note 1)
Specialist review of PPE methodology and asset valuations	3,323	
Additional work as a result of Covid-19	9,618 (Note 3)	-
Additional work required for qualified VFM conclusion	1,755 (Note 4)	-
Additional work required as a result of errors identified during the audit	TBC (Note 5)	-
Total audit fees	TBC	65,235

Notes:
(1) The 2018/19 Code work includes an additional fee of £13,274, which relates to additional work reviewing asset valuations, Metropolitan Fire Brigade Act income and additional work in relation to pensions – particularly the impact of the McCloud/Sargent ruling.
(2) For 2019/20, the scale fee has been impacted by a range of factors which have resulted in additional work, as detailed in our audit planning report.
(3) Following Covid-19 additional work has been required to assess the impact on the audit and to complete our going concern procedures and consultation process as detailed on page 16 of this report.
(4) Additional time has been required for completion of work and internal consultation processes on the audit report as a result of the qualified VFM conclusion.
(5) Considerable time has been spent in relation to pensions, PPE and the restatement of the previous years balances. We will provide a detailed breakdown to the Director of Corporate Services on the completion of the audit.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

10 Appendices

Appendix A

Audit approach update

We confirm that our approach to the audit of the balance sheet has been fully substantive, which is the same as the approach adopted in the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix B

Summary of communications

Date	Nature	Summary
March 2020	Report	The audit planning report, including confirmation of independence, was issued to management.
25 March 2020	Meeting	The partner in charge of the engagement, accompanied by audit manager, met with the Commissioner (virtually at Commissioners' Board) and presented the audit planning report and discuss focus areas of the audit.
13 May 2020	Report	Our audit plan addendum was shared with the Commissioner and management
16 Feb 2021	Report	The draft audit results report, including confirmation of independence, was issued to management.
17 March 2021	Report	The audit results report, including confirmation of independence was issued to management.
24 March 2021	Meeting	The partner in charge of the engagement and other senior members of the audit team, will meet with the Commissioners Board o discuss the results of the audit of the financial statements.
In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.		

Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the London Fire Commissioner of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report
Subsequent events	▸ Enquiry of the London Fire Commissioner and management where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report
Fraud	▸ Enquiries of the London Fire Commissioner to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to the London Fire Commissioner's responsibility.	Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report and Audit results report
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Planning Report Audit Results Report
Certification work	▸ Summary of certification work	Annual Audit Letter

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Prior Period Adjustment	Final internal consultation procedures in respect of the prior period adjustment.	EY
Agreement of final trial balance to financial statements	A number of adjustments have been made through the audit. Once all adjustments have been posted we will need to agree the final trial balance to the financial statements.	EY and management
Statement of Accounts and Annual Governance Statement	Review of the final version of the Statement of Accounts and Annual Governance Statement	EY and management
Management representation letter	Receipt of signed management representation letter	Management and London Fire Commissioner
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Final review procedures	Final review by Engagement Partner and quality reviewer	EY
Whole of Government Accounts	Assurance statement to be sent to the National Audit Office	EY

Management representation letter

Management Rep Letter

Feb 2021
Ernst & Young
Janet Dawson
1 More London Place,
London,
SE1 2AF,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of the London Fire Commissioner ("the Authority") for the year ended 31st March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of the London Fire Commissioner of *31st March 2020* and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/02, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20*19/20*, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

Management representation letter

Management Rep Letter

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   -Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Commissioners Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *01 April 2019* to the most recent meeting on the following date: *[list date]*.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter

Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *29* to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. As disclosed in Note*5* to the financial statements, there have been no events, including events related to the COVID-19 pandemic subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement and annual governance statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Comparative information – corresponding financial information

Property, plant and equipment balances, and subsequent impact on reserves have been restated in the prior period following a change in valuation methodology.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

Management representation letter

Management Rep Letter

I. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the *valuation of both property, plant and equipment and pension liabilities and* have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Asset Valuation and Pension Liability Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context *of the* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on asset valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

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Sue Budden – Director of Corporate Services

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Andy Roe – London Fire Commissioner

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LONDON FIRE BRIGADE

Report title

Financial Outturn Report for 2019/20

Report to	Date
Corporate Services DB Commissioner's Board	02 March 2021 10 March 2021

Report by	Report number
Assistant Director, Finance	[LFC-0000]

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Summary
This report presents the London Fire Commissioner's (LFC) financial outturn for the 2019/20 financial year, sets out the position on the financial reserves and also provides an update to the approved capital programme.

Recommended decision
That the Commissioner:

1. Notes the revenue and capital financial outturn position as set out in the report.

2. Agrees the transfer of £5,500k into a new Transformation reserve to fund the LFC's transformation delivery plan and £324k to the Compensation reserve to allow the reserve to be maintained at a level of £1m to meet any additional spend on compensation costs in future year.

3. Agrees the carry forward of the net capital budget slippage of £491k to 2020/21, as detailed from paragraph 33 below.

4. Agrees the proposed movements in reserves as set out at Table 3.

Background

1. This report presents the financial outturn position for 2019/20. The draft Statement of Accounts was approved by the Chief Finance Officer (Director of Corporate Services) to meet the target deadline of 31 May 2020, and was subject to external audit, with final accounts, also on today's agenda to be approved by the London Fire Commissioner (LFC).

Tables and Appendices to this report

2. A number of appendices provide additional detail on the financial position, as follows:
    - Appendix 1 provides a summary of the outturn financial position for the revenue budget;
    - Appendix 2 contains additional detail on the outturn financial position;
    - Appendix 3 reports on the outturn on the capital programme;
    - Appendix 4 considers the risks to the capital position that have not been quantified and therefore carried forward to 2020/21;
    - Appendix 5 provides an analysis of outstanding debt relating to charges for Shut in Lift attendances;
    - Appendix 6 meets the requirement to disclose all budget virements within the quarter under the LFC Scheme of Governance; and
    - Appendix 7 provides an update on expenditure approved in the Additional Resilience Requirements report (FEP2763).

Revenue

3. The outturn position for 2019/20 on the revenue budget is an underspend of £5,135k (1.2%).

4. The revenue outturn includes additional underspends of £3,142k since last reported to LFC as at the end of Quarter 3 (LFC-0296). The main reason for this increase in the underspend is due to changing the policy on accruals following a review of the 2018/19 accounts, and agreed with the external auditors. The materiality limits for liabilities were changed from £5k per supplier to £5k per transaction, and this change has resulted in a reduction in the value of liabilities raised for 2019/20. The 2020/21 Budget report in March 2020 (LFC- 0324y-D) stated that the potential impact of that decision would be to increase the forecast underspend by approximately £3,000k to £6,142k.This change in accounting policy has adjusted the expenditure recognised in the 2019/20 financial year, but does not change expenditure overall.

5. The additional underspends from the Quarter 3 position, including the impact on each area from the change in the liability limit, are mainly due to:

    - £1,225k underspend on FRS staff budgets mainly due to ongoing vacancies and in particular challenges in recruiting to Fire Safety Inspecting Officer posts.
    - £509k due to reduction in overall spend on Mechanical, Electrical and Plumbing planned works compared to the forecast reported by the LFB's Property Services Integrator (KBR) for building maintenance, as well as accruals not raised due to the change in the materiality limit to £5k per transaction.
    - £344k on Energy costs mainly due to the change in the materiality limit for liabilities.
    - £396k decrease in spend on Other Property services due to the Transformation of Property project progressing slower than initially planned, with the new Head of Property only commencing in late November 2019.
    - £567k on Professional services mainly on Grenfell Investigation legal costs, offset by revised income from the insurers.
    - £1,010k on Hardware and Software due to a significant number of orders where equipment and services could not be delivered as a direct consequence of the COVID-19 lock down.
    - £404k reduction in the expected spend on clothing and laundry, including for new recruits, due to the change in the materiality limit for liabilities.
    - £285k on payments to Other Local Authorities, mainly due to a reduction in payments by the Central Programme Office, for seconded staff ,and also including £74k for the GLA

collaborative procurement project which is now being fully funded by the GLA and has been offered as a saving in 2020/21.

- £311k reduction in expected spend on operational equipment, due to the change in the materiality limit for liabilities.
- £239k additional interest income due to cash balances being held at a higher level for longer than previously expected.
- £260k reduction in expected spend on running costs, due to the change in the materiality limit for liabilities.

6. The above underspends are offset by an increase in spend on the following:

- £992k for Operational staff mainly due to progressing towards full establishment, as well as ongoing overtime. The average vacancies have reduced to 56 compared to the previously reported position of 61 at the end of December (Q3).
- £458k on professional development budgets due to additional incident command training as a result of changes brought in to allow officers to receive training before they are required to act up to the next rank (Forward Development).
- £1,100k reduction in customer and client receipts due to a decrease in the settlement of outstanding claims with Insurers on the reimbursement of disclosure costs relating to Grenfell in the current year.
- £722k reduction in specific grant income from the Home Office due to a revision to the income expected from the Home Office because the Home Office now only match fund actual spends by the National Fire Chiefs Council (NFCC) Central Programme Office hosted by LFB.
- £353k on contract hire and operating leases due to the change in the materiality limit for liabilities.

7. The key variances are explained in more detail from paragraph 11 below.

2020/21 Budget process

8. As part of the 2020/21 budget process, a review of previous years underspends was carried out to identify underspending areas in 2019/20 that could be taken as a saving in 2020/21. This contributed to savings of £3,543k, with other changes reported through adjustments to the Medium-Term Forecast. Areas of significant underspending that were addressed through this process are summarised in Table 1 below.

Table 1. Budget Reductions incorporated into the 2020/21 Budget

	Revised Budget	Outturn	Outturn Variance		2020/21 Savings	Medium Term Savings
	£	£	£	%	£	£
Operational Staff	267,936,608	267,441,142	(495,466)	(0.2%)	(86,000)	
Trainee Firefighters	2,194,401	2,494,599	300,198	13.7%		(61,000)
FRS Staff	54,394,623	52,142,522	(2,252,101)	(4.1%)		
Other Pension Payments	880,000	1,103,531	223,531	25.4%		(30,000)
Professional Development	17,746,408	18,773,057	1,026,649	5.8%	(157,000)	
Recruitment	136,967	71,117	(65,850)	(48.1%)	(10,000)	
Medical and Welfare Expenses	1,985,081	1,852,263	(132,818)	(6.7%)	(25,000)	
Rents	8,282,856	8,283,216	360	0.0%	(237,000)	
Property Rates	8,795,117	8,594,754	(200,362)	(2.3%)	(1,378,000)	
Running Costs	2,486,164	2,497,353	11,190	0.5%	(350,000)	
Vehicle and Equipment Contract	11,261,224	11,011,300	(249,924)	(2.2%)	(150,000)	
Vehicle Passthroughs	784,469	502,110	(282,360)	(36.0%)	(27,000)	
Contract Hire & Operating Leases	1,153,263	1,560,758	407,495	35.3%	(7,000)	
Travel	1,221,981	1,026,439	(195,543)	(16.0%)	(10,000)	
Operational Equipment	1,625,059	1,516,991	(108,068)	(6.7%)	(53,000)	
Equipment Furniture and Materials	323,815	359,021	35,206	10.9%	(9,000)	
Catering	337,436	249,510	(87,926)	(26.1%)	(1,000)	
Clothing & Laundry	3,484,897	3,457,890	(27,007)	(0.8%)	(25,000)	
General Office Expenses	716,444	576,893	(139,551)	(19.5%)	(2,000)	
Professional Services	10,036,534	10,180,117	143,584	1.4%	(121,000)	
Communications	4,045,118	4,570,436	525,318	13.0%	(2,000)	
Hardware and Software	6,911,324	6,338,124	(573,200)	(8.3%)	(229,000)	
Grants and Subscriptions	205,771	218,655	12,884	6.3%	(1,000)	
Other Local Authorities	1,633,594	1,424,390	(209,204)	(12.8%)	(86,000)	
Debt Repayment	6,357,000	5,898,453	(458,547)	(7.2%)		(540,000)
External Interest	3,418,000	3,059,656	(358,344)	(10.5%)		(1,185,000)
Contingency	292,871	(0)	(292,871)	(100.0%)	(37,000)	
MFB Act Income	(29,137,291)	(29,593,415)	(456,124)	1.6%	(420,000)	
Customer and Client Receipts	(11,117,627)	(12,968,845)	(1,851,218)	16.7%	(30,000)	
Specific grants	(35,387,072)	(34,786,846)	600,226	(1.7%)		(3,111,000)
Budget Reductions incorporated in the 2020/21 Budget					(3,453,000)	(4,927,000)

Capital

9. The capital outturn for 2019/20 is £31,061k. This is a reduction of £357k from the position reported as at the end of Quarter 3 of £31,418k k (LFC-0296). This is due to budgets brought forward from 2020/21 of £1,738k and disposal costs of £164k, offset by budget re-phasing to 2020/21 of £2,229k and budget savings of £30k.

10. The key variances are explained in more detail from paragraph 33 and in Appendix 3.

Reasons for the Revenue Position

Staff

11. The budget for operational staff underspent by £476k, 0.2% of the revised budget. The underspend decreased by £992k from the forecast position in Quarter 3 due to reducing vacancy levels (£438k) and increased overtime (£554k). The average vacancies have fallen to 56 compared to the previously reported position of 61 at the end of December (Q3). As previously reported the underspend includes the impact of an agreed backdated London Weighting claim (£2,822k) of 4.6% from July 2017 and 3.4% from July 2018 and an additional one-off payment to consolidate London Weighting into basic pay. A 2% pay award was also agreed from July for Operational and Control staff in line with budget estimates.

12. FRS staff budgets underspent by £2,315k (4.3% of the FRS budget) mainly due to vacancies and in particular challenges in recruiting to Fire Safety Inspecting Officer posts. This underspend has increased by £1,225k due to vacancy levels remaining above forecast. As previously reported, the FRS staff budget includes an additional £1m vacancy margin to reflect the level of vacancies at the start of the year. This is in addition to the normal annual vacancy margin of £0.9m, for a total margin in 2019/20 of £1.9m.

Employee Related

13. Employee related budgets overspent by £1,181k. This increased by £535k from the forecast position at Quarter 3 mainly on professional development budgets due to additional incident command training as a result of changes implemented to allow officers to receive training before they are required to act up to the next rank (Forward Development).

14. The overspend on compensation budgets, relating to personal injury claims, was funded from the compensation reserve, in place to smooth the impact of compensation claims in any one year. £324k was drawn from the reserve to meet the compensation spend in relation to personal injury matters leaving a balance of £676k in the reserve. It is proposed to transfer £324k from the general reserve to allow the earmarked reserve to be maintained at a level of £1m to be applied to any overspend on compensation costs in future years.

15. There is an underspend of £133k on medical and welfare expenses mainly due to reductions in spend on medical appeals and childcare.

16. As previously reported at Quarter 3, there is an additional overspend on Employee related budgets of £568k mainly due to the cost of additional firefighter development (FFD) training. This training took place in order to reduce firefighter vacancies. The initiative to increase FFD training commenced in 2018/19, but some of the training was completed in 2019/20. Specifically, these costs relate to additional FFD training at the Fire Service College, as well as larger class sizes for the London-based training (the class size was temporarily increased from 12 to 14 delegates).

Firefighter Injury Pensions

17. Firefighter pensions budgets include expenditure on injury pensions, ill health top ups and sanction charges. There is an overspend of £109k (0.5%). As previously reported, this is made up of an underspend on injury pensions (£129k) following medical reviews as well as overall injury pensioner numbers, offset by overspends on the budget for ill health top ups (£219k), with increased ill health retirements, and sanction charges (£19k).

Premises

18. Premises budgets overspent by £244k, with the most significant area of overspend being building maintenance, a decrease in expenditure of £1,488k from the forecast overspend at Quarter 3. There was a £509k reduction in overall spend on planned works compared to the forecast reported by the LFB's Property Services Integrator (KBR) for building maintenance, as well as accruals not raised due to the change in the materiality limit to £5k per transaction which also largely accounted for the reduction on Energy costs, of £344k and Cleaning and domestic supplies £126k. There was also a decrease in spend on other property services (£396k) due to the consultants budget set aside for the Property Transformation project not being utilised as the project has progressed slower than the initial plan, with the new Head of Property only commencing in late November 2019.

Transport

19. Transport budgets underspent by £303k, a reduction in underspend of £183k since last reported. This is due to a reduction in forecast overspend in running costs (£260k) and on vehicle passthroughs (£114k) due to the change in the materiality limit for liabilities, offset by a reduction in the forecast underspend on vehicle and equipment contract due to abatements (£180k) and on contract hire and operating leases (£352k) again due to the change in the materiality limit for liabilities.

20. The remainder of the underspend includes previously forecast underspends on vehicle passthroughs (now £282k) and the vehicle and equipment contract (now £250k) due to abatements, as well as on reimbursements to staff for travel within the Ultra Lower Emission Zone (ULEZ) (£196k) with staff switching to other forms of travel to work or taking up loans provided for staff to purchase ULEZ compliant vehicles.

Supplies and Services

21. Supplies and services budgets underspent by £184k and expenditure has decreased by £2,434k from the forecast position reported at Quarter 3. The reduction in expenditure includes £1,010k on Hardware and Software due to a significant number of orders where equipment and services could not be delivered as a direct consequence of the COVID-19 lock down, £567k on Professional services mainly on Grenfell Investigation legal costs offset by a revised income from the insurers, £404k on clothing and laundry and £311k on operational equipment due to the change in the materiality limit for liabilities.

Capital Financing

22. There is an underspend of £816k on capital financing costs, an increase of £7k since last reported. There were underspends on External Interest (£358k) following the maturing of debt with no new borrowing required, and Debt Repayment (£458k) due to lower debt levels, following a reduction in planned capital expenditure.

Income

23. Income budgets are forecast to over recover by £1,859k a movement of £1,100k due to a reduction in customer and client receipts due to a decrease in the settlement of outstanding claims with Insurers on the reimbursement of disclosure costs relating to Grenfell in the current year.

24. As previously reported at the end of Q3, there is additional income due to Babcock on ICT service charges of (£129k) relating to prior years that had been in dispute; and with Mitie Energy of (£342k) due to successful negotiations for services not provided against contracts awarded for a project since 2009. There is also an additional (£263k) income as a result of

Operational Resilience staff seconded to the Cabinet Office, Royal Borough of Kensington and Chelsea and Babcock. This is alongside additional training income for running smoke filled environment and National Inter-agency Liaison Officer (NILO) courses and over recovery expected on Shut in Lift Income (£201k).

25. There is also an additional (£919k) on Interest Receivable due to a higher capital receipts balance, with cash balances being held at a higher level for longer than previously anticipated, and Metropolitan Fire Brigade (MFB) Act Income from insurance companies (£456k) following higher than expected returns from existing insurance companies.

Specific grant

26. There is a reduction of £600k in specific grant income, a movement of £722k since last reported at the end of Q3 due to a revision to the income expected from the Home Office because the Home Office now only match fund actual spends by the National Fire Chiefs Council (NFCC) Central Programme Office hosted by LFB.

27. Appendix 5 includes an update on the position on outstanding Shut in Lift debt.

Reserves

28. Table 2 below sets out the position on the financial reserves, resulting from the financial position reported above. The balance on the general reserve, following the outturn position, is £20,268k, and this is £5,136k above the minimum general reserve position of 3.5% of the net revenue expenditure.

29. It is proposed to transfer £5,500k into a new Transformation reserve to fund the LFC's transformation programme, as set out in the 2020/21 budget report (LFC- 0324y-D), and £324k to the Compensation reserve to allow this earmarked reserve to be maintained at a level of £1m to meet any additional spend on compensation costs in future years.

Table 2. Position on Reserves

£000s	**Opening Balance at 01/04/19**	Approved Movements in Q4 18/19	Approved Movement to Q1	Transfer Between Reserves	Proposed Use of Reserves	**Anticipated Balance at 31/03/20**
Additional Resilience Requirements	**767**	68	(337)	(98)	168	**568**
Capital Expenditure Reserve	**11,745**					**11,745**
Central Programme Office	**0**	250	542		(147)	**645**
Community Safety Investment Fund	**0**	11	(11)			**0**
Compensation	**1,000**		(250)		(74)	**676**
Emergency Services Mobile Communication Programme	**1,928**	345	(99)		(2)	**2,172**
Emergency Medical Response	**294**					**294**
Fire Safety and Youth Engagement	**715**	273	42		(23)	**1,007**
HMICFRS inspection regime	**21**	65	(63)		(22)	**0**
Hydrants	**462**		(95)		95	**462**
ICT Development Reserve	**1,851**	150	(208)		160	**1,953**
LFC Control Centre	**959**		(209)	(21)		**729**
LFB Museum Project	**210**		(70)		61	**201**
London Resilience	**1,015**	38	(150)	(38)	(94)	**771**
London Safety Plan Initiatives	**4,178**	76	(499)	(536)	(56)	**3,162**

£000s	**Opening Balance at 01/04/19**	Approved Movements in Q4 18/19	Approved Movement to Q1	Transfer Between Reserves	Proposed Use of Reserves	**Anticipated Balance at 31/03/20**
New Governance Arrangements	**0**	148		(148)		**0**
Organisational Reviews	**505**	316	(355)	(51)	(88)	**327**
Recruitment/ Outreach	**370**			(120)		**250**
Sustainability	**235**		(235)		235	**235**
Vehicle & Equipment Reserve	**2,865**	244	(1,965)	(187)	1,741	**2,697**
Budget Flexibility	**23,110**	7,287	(467)			**29,930**
General	**23,204**	(9,271)	(1,325)	1,200	6,460	**20,268**
Total	**75,434**	**0**	**(5,754)**	**0**	**8,413**	**78,093**

30. The reserves table above includes a transfer back into the Vehicle & Equipment reserve of £1,741k due to Ultra Low Emission Fleet Project with minimal amount spent this financial year, the Sustainability reserve of £235k as costs are now expected to be incurred in 2020/21, £168k on Additional Resilience Requirements due to a reduction in forecast one off training and other costs and £160k on the ICT development reserve due to revised forecasts for spend on this budget and Hydrants £95k.

31. As previously reported at Quarter 3, £566k has been transferred back into the general reserve, made up of £187k from the Vehicle & Equipment reserve, £148k from the New Governance reserve, £120k from the Outreach reserve and £38k from the London Resilience reserve, as all these projects are now completed; as well as £51k from the Organisational Review reserve as the funding for the training review has been contained within existing budgets, and £21k from the Control reserve, as actual costs of temporarily increasing the Control establishment are slightly less than originally forecast.

32. There is additional use of reserves, from the position previously reported, of £147k from Central Programme Office, £324k on Compensation reserve to fund personal injury claims £56k from the London Safety Plan reserve to fund the blue light secondary schools project, £88k from the Organisational Review reserve to fund the Role to Rank project costs, £22k to fund the project team working on the Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection past the original September end date, £23k to fund Fire Safety and Youth Engagement and £94k from London Resilience to fund the costs for the replacement of the IT hardware on the eight existing Command Support Units.

33. Following a review of the remaining reserve balances, £634k has been transferred back into the general reserve made up of £98k from Additional Resilience Requirements and £536k from London Safety Plan (LSP) Initiatives, as these programmes near conclusion. This leaves a balance of £3,162k in the LSP Initiatives reserve required for the Opening up Fire Stations project (£1.5m), Firefighter Technology project (£0.8m) and other remaining projects (£0.9m).

34. The forecast movement on the reserves in 2019/20 was included as part of the Budget Report 2019/20, and Table 3 below shows the movements from that original position to the provisional outturn. This shows the anticipated balance on reserves at 31st March 2020 presented in the Q1 financial position report and the revised forecast balance included in this report, with the balance on reserves increasing from £69,680k to £78,093k, a movement of £8,413k, largely as a result of the increase in the general reserve due to the movement in the outturn forecast.

Table 3. Movement in Reserves – Q1 to Provisional Outturn

£000s	Anticipated Balance March 2020 (Q1 Report)	Provisional Outturn Balance March 2020	**Movements**
Additional Resilience Requirements	498	568	**70**
Capital Expenditure Reserve	11,745	11,745	**0**
Central Programme Office	792	645	**(147)**
Community Safety Investment Fund	0	0	**0**
Compensation	750	676	**(74)**
Emergency Services Mobile Communication Programme	2,174	2,172	**(2)**
Emergency Medical Response	294	294	**0**
Fire Safety and Youth Engagement	1,031	1,007	**(23)**
HMICFRS inspection regime	22	0	**(22)**
Hydrants	367	462	**95**
ICT Development Reserve	1,793	1,953	**160**
LFC Control Centre	750	729	**(21)**
LFB Museum Project	140	201	**61**
London Resilience	903	771	**(132)**
London Safety Plan Initiatives	3,755	3,162	**(593)**
New Governance Arrangements	148	0	**(148)**
Organisational Reviews	466	327	**(138)**
Recruitment/ Outreach	370	250	**(120)**
Sustainability	0	235	**235**
Vehicle & Equipment Reserve	1,143	2,697	**1,554**
Budget Flexibility	29,930	29,930	**0**
General	12,608	20,268	**7,660**
Total	**69,680**	**78,093**	**8,413**

Capital Programme

35. The capital outturn for 2019/20 is £31,061k, which is a reduction of £357k compared to the position reported at Quarter 3, £31,418k (LFC-0296). The main changes in the programme are outlined below.

• Budgets brought forward from 2020/21	£1,738k
• Budget slippage to 2020/21	(£2,229k)
• Disposal costs	£164k
• Budget Savings	(£30k)
Total	**(£357k)**

36. The budgets brought forward from 2020/21 of £1,738k primarily relate to Fleet, with key movements being on Aerial Appliances (£741k), Fire boats replacement (£234k), and Other Fleet Appliances and Vehicles (£589k).

37. The budget slippage of £2,229k to 2020/21 includes ICT projects on Wireless Access Points (£658k), Multi Agency Incident Transfer (MAIT) (£195k), and Control and Mobilisation (£100k); Property projects on Minor Improvements – Stations (£327k), Operational Support Centre

(£197k), Croydon Training Centre (£151k), and West Hampstead Cottages (£144k); and on Fleet Equipment (£134k).

38. The disposal costs of £164k relate to professional fees and will be offset against capital receipts when the sale of assets has been completed.

39. The changes from the Q3 position are summarised by department in Table 4 below, and a more detailed explanation of the changes is provided in Appendix 3

Table 4. Capital Budget Changes by Department

Budget Year	**Q3 Forecast £000s**	**Outturn 2019/20 £000s**	**Variance £000s**		**Savings £000s**	**Slippage to/ from later years £000s**	**New Budget £000s**
ICT	1,749	623	(1,126)		(18)	(1,108)	0
Property	9,539	8,625	(914)		12)	(902)	0
Communications	30	0	(30)		0	(30)	0
Fleet	20,009	21,558	1,549		0	1,549	0
Operational Policy	91	91	0		0	0	0
Disposal costs	0	164	164		0	0	164
Capital Programme	**31,418**	**31,061**	**(357)**		**(30)**	**(491)**	**164**

Debtors

40. An analysis of debtors relating to Shut in Lifts charges is provided in Appendix 5. This includes a chart to show the amount of outstanding SiL debts over the last 12 months, with £222k outstanding at the end of March 2020, with 31% of this under 30days old. Overdue invoices are reviewed, and action taken as necessary to address outstanding balances.

41. The total number of Shut in Lift debts has been falling gradually over the previous years, after its peak in 2015, with the overall balance reduced from £300k at the end of September 2015 to £104k at the end of June 2018. However, the level of outstanding debts has increased during 2019/20. This is in part due to an increase in the number of Shut in Lift incidents, with charges in the year exceeding the budget by £201k. Work is ongoing to understand the reason for this, and whether additional income should be built into the budget estimates for future years.

42. Debts continue to be monitored to determine appropriate actions to manage outstanding balances, but it does however continue to be a challenging process to recover a number of these debts.

Additional Resilience Requirements

43. Appendix 7 provides detailed information on the additional resourcing costs agreed (FEP2763) following the Grenfell Tower fire and terrorist incidents in 2017. This includes the actual spend for 2018/19 and 2019/20 and forecast spend for future years.

44. It is proposed that reporting on Additional Resilience Requirements is no longer presented as a separate appendix and is reported as business as usual from 2020/21.

Finance comments

45. This report is presented by the Assistant Director, Finance and there are no further comments.

Workforce comments

46. No staff-side consultations have been undertaken on this report.

Legal comments

47. The report is a financial update submitted in accordance with Part 6 (Financial Regulations) of the London Fire Commissioner's ("LFC") Scheme of Governance which sets out detailed rules covering financial planning, monitoring and control.

48. This report fulfils the obligations set out in paragraph 8 and 9 of the Financial Regulations which stipulates that appropriate financial information must be provided to enable budgets be monitored effectively, and that all virements (transfers of budget) of revenue budget that had not been committed be reported as part of the quarterly financial position report.

49. The Director of Corporate Services has responsibility for the administration of the LFC's financial affairs under section 127 of the Greater London Authority Act 1999, and is required to ensure arrangements for all financial and accounting matters, the security of money, and other assets are economic, efficient and effective.

Sustainability implications

50. There are no direct sustainable implications.

Equalities implications

51. This The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.

52. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.

53. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.

54. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:

    (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.

    (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.

    (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.

55. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

56. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

57. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

(a) tackle prejudice, and

(b) promote understanding.

58. Consultation with the Inclusion Team has taken place with regard to this financial position. The outcomes have been considered when coming to the conclusions in this report. There are no direct equality impacts arising from this statement of financial position, however an initial equality impact assessment has been undertaken on the 2020/21 budget proposals and will be considered in light of savings proposals on an individual basis.

List of Appendices

Appendix	Title	Protective Marking
1.	Summary Financial Position	Not protectively marked
2.	Detailed Financial Position	Not protectively marked
3.	Capital Programme	Not protectively marked
4.	Risks to the Revenue and Capital Position	Not protectively marked
5.	Outstanding Lift debtors	Not protectively marked
6.	Scheme of Governance - Budget Virements	Not protectively marked
7.	Additional Resilience Requirements	Not protectively marked

Consultation

Name/role	**Method consulted**
Heads of Department	Departmental finance returns

Summary Financial Position

Appendix 1

	Revised Budget	Outturn	Outturn Variance	Previous Forecast Outturn Variance	Movement between variance figures
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Operational staff	270,131	269,955	(176)	(1,184)	1,008
Other staff	59,911	57,594	(2,317)	(1,046)	(1,271)
Employee related	24,028	25,209	1,181	646	535
Pensions	20,769	20,878	109	218	(109)
Premises	39,641	39,885	244	1,732	(1,488)
Transport	16,947	16,645	(303)	(485)	183
Supplies and services	29,538	29,248	(289)	2,145	(2,434)
Third party payments	2,055	1,871	(184)	107	(291)
Capital financing costs	9,775	8,959	(816)	(823)	7
Central contingency against inflation	123	(0)	(123)	(187)	64
Total revenue expenditure	**472,920**	**470,245**	**(2,674)**	**1,124**	**(3,798)**
Other income	(40,575)	(43,636)	(3,061)	(4,144)	1,083
Net revenue expenditure	**432,345**	**426,609**	**(5,735)**	**(3,020)**	**(2,715)**
Use of earmarked reserves	(2,476)	(2,476)	(0)	0	(0)
Financing Requirement	**429,869**	**424,133**	**(5,735)**	**(3,020)**	**(2,715)**
Financed by:					
Specific grants	(37,564)	(36,964)	600	(122)	722
GLA funding	(392,305)	(392,305)	0	0	0
Net Financial Position	**0**	**(5,135)**	**(5,135)**	**(3,142)**	**(1,993)**

Detailed Financial Position

Appendix 2

	Original Budget	Revised Budget	Outturn	Outturn Variance		Previous Forecast Outturn Variance (Q3)	Movement between Q3 and outturn variance
	£	£	£	£	%	£	£s
Operational Staff	270,798,421	267,936,608	267,460,883	(475,724)	(0.2%)	(1,467,388)	991,663
Trainee Firefighters	1,590,569	2,194,401	2,494,599	300,198	13.7%	283,693	16,505
Total Operational Staff	272,388,990	270,131,009	269,955,483	(175,526)	(0.1%)	(1,183,695)	1,008,169
FRS Staff	53,080,258	54,394,623	52,079,726	(2,314,897)	(4.3%)	(1,090,145)	(1,224,752)
Control Staff	5,299,147	5,516,689	5,514,269	(2,419)	(0.0%)	44,000	(46,419)
Total Other Staff	58,379,405	59,911,312	57,593,995	(2,317,316)	(3.9%)	(1,046,145)	(1,271,171)
Other Pension Payments	880,000	880,000	1,103,531	223,531	25.4%	137,000	86,531
Severance	0	8,060	86,655	78,595	975.1%	0	78,595
Professional Development	18,353,950	19,923,150	20,949,368	1,026,218	5.2%	568,365	457,853
Recruitment	181,159	136,967	71,117	(65,850)	(48.1%)	4,535	(70,385)
Employee Related Insurance	215,000	215,000	266,274	51,274	23.8%	61,777	(10,503)
Compensation	805,814	879,986	879,986	0	0.0%	0	0
Medical and Welfare Expenses	2,279,081	1,985,081	1,852,263	(132,818)	(6.7%)	(125,372)	(7,446)
Total Employee Related	22,715,004	24,028,244	25,209,194	1,180,950	4.9%	646,305	534,645
Firefighter Pension Scheme	20,769,276	20,769,276	20,877,880	108,604	0.5%	218,020	(109,416)
Building Maintenance	8,512,832	8,761,350	9,338,583	577,233	6.6%	1,086,001	(508,768)
Grounds Maintenance	120,984	120,984	105,513	(15,471)	(12.8%)	0	(15,471)
Premises Security	547,752	547,752	701,281	153,529	28.0%	122,000	31,529
Energy Costs	2,271,205	2,271,205	2,533,262	262,057	11.5%	606,000	(343,943)
Rents	8,256,016	8,282,856	8,283,216	360	0.0%	61,118	(60,758)
Property PFI Contract	5,635,202	5,635,202	5,628,556	(6,647)	(0.1%)	0	(6,647)

Detailed Financial Position

Appendix 2

	Original Budget	Revised Budget	Outturn	Outturn Variance		Previous Forecast Outturn Variance (Q3)	Movement between Q3 and outturn variance
Property Rates	8,936,853	8,795,117	8,594,754	(200,362)	(2.3%)	(172,332)	(28,030)
Water & Sewerage Rates	271,515	271,515	244,661	(26,854)	(9.9%)	0	(26,854)
Fixtures & Fittings	97,969	87,969	97,476	9,507	10.8%	10,000	(493)
Cleaning and Domestic Supplies	2,101,297	2,065,597	1,938,069	(127,528)	(6.2%)	(2,000)	(125,528)
Premises Insurance	322,000	322,000	333,456	11,456	3.6%	18,000	(6,544)
Other Property Services	2,573,583	2,479,247	2,086,345	(392,902)	(15.8%)	3,583	(396,485)
Total Premises	39,647,207	39,640,793	39,885,171	244,378	0.6%	1,732,370	(1,487,992)
Running Costs	2,486,164	2,486,164	2,497,353	11,190	0.5%	271,659	(260,469)
Vehicle and Equipment Contract	11,282,867	11,261,224	11,011,300	(249,924)	(2.2%)	(430,149)	180,225
Vehicle Passthroughs	658,889	784,469	502,110	(282,360)	(36.0%)	(168,279)	(114,081)
Maintenance and Repairs	2,200,000	40,281	46,707	6,426	16.0%	0	6,426
Contract Hire & Operating Leases	1,157,462	1,153,263	1,560,758	407,495	35.3%	54,740	352,755
Travel	975,583	1,221,981	1,026,439	(195,543)	(16.0%)	(213,462)	17,919
Total Transport	18,760,965	16,947,382	16,644,666	(302,716)	(1.8%)	(485,491)	182,775
Hydrants	496,055	428,204	398,512	(29,692)	(6.9%)	(0)	(29,692)
Operational Equipment	2,767,692	1,625,059	1,516,991	(108,068)	(6.7%)	202,857	(310,925)
Smoke Alarms	700,000	586,638	556,033	(30,605)	(5.2%)	(49,999)	19,394
Equipment Furniture and Materials	294,441	323,815	359,021	35,206	10.9%	51,922	(16,716)
Lost & NFWT Operational Equipment	116,871	116,871	81,757	(35,114)	(30.0%)	(31,871)	(3,243)
Catering	303,636	337,436	249,510	(87,926)	(26.1%)	(7,910)	(80,016)
Clothing & Laundry	3,271,629	3,484,897	3,457,890	(27,007)	(0.8%)	376,820	(403,827)
General Office Expenses	619,245	716,444	576,893	(139,551)	(19.5%)	(28,469)	(111,082)
Professional Services	9,615,198	10,036,534	10,255,806	219,272	2.2%	786,477	(567,205)
Postal Services	61,055	61,055	74,218	13,163	21.6%	34	13,129

Detailed Financial Position

Appendix 2

	Original Budget	Revised Budget	Outturn	Outturn Variance		Previous Forecast Outturn Variance (Q3)	Movement between Q3 and outturn variance
Communications	3,982,950	4,045,118	4,570,436	525,318	13.0%	494,321	30,997
Hardware and Software	6,345,135	6,911,324	6,181,874	(729,450)	(10.6%)	280,955	(1,010,405)
Staff Reimbursements	248,721	242,721	236,526	(6,195)	(2.6%)	0	(6,195)
Grants and Subscriptions	205,771	205,771	218,655	12,884	6.3%	48,057	(35,173)
Other Insurance	250,000	250,000	267,394	17,394	7.0%	16,394	1,000
Advertising	105,861	115,861	99,597	(16,264)	(14.0%)	5,377	(21,641)
Other Supplies and Services	45,170	50,170	147,325	97,155	193.7%	(62)	97,217
Total Supplies and Services	29,429,429	29,537,919	29,248,439	(289,480)	(1.0%)	2,144,903	(2,434,383)
Other Agencies	321,700	333,097	315,053	(18,044)	(5.4%)	0	(18,044)
Other Local Authorities	1,406,894	1,633,594	1,456,620	(176,974)	(10.8%)	108,016	(284,990)
Audit & Bank Charges	88,600	88,600	99,822	11,222	12.7%	(600)	11,822
Total Third Party Payments	1,817,194	2,055,291	1,871,495	(183,796)	(8.9%)	107,416	(291,212)
Debt Repayment	6,357,000	6,357,000	5,899,253	(457,747)	(7.2%)	(458,547)	800
External Interest	3,418,000	3,418,000	3,059,774	(358,226)	(10.5%)	(364,000)	5,774
Total Capital Financing Costs	9,775,000	9,775,000	8,959,027	(815,973)	(8.3%)	(822,547)	6,574
Budget for Non Staff Inflation	0	0	0	0	0.0%	0	0
Central Contingency	100,841	(22,692)	0	22,692	(100.0%)	22,692	(1)
Savings to Be Achieved	(173,287)	(146,732)	0	146,732	(100.0%)	72,871	73,861
Savings done by DA	120,997	292,871	(0)	(292,871)	(100.0%)	(282,871)	(10,000)
Contingency	48,551	123,448	(0)	(123,448)	(100.0%)	(187,308)	63,860
Total revenue expenditure	**473,731,021**	**472,919,674**	**470,245,351**	**(2,674,323)**	**(0.6%)**	**1,123,828**	**(3,798,151)**

Detailed Financial Position

Appendix 2

	Original Budget	Revised Budget	Outturn	Outturn Variance		Previous Forecast Outturn Variance (Q3)	Movement between Q3 and outturn variance
MFB Act Income	(29,137,291)	(29,137,291)	(29,593,415)	(456,124)	1.6%	(456,124)	(0)
Customer and Client Receipts	(9,008,762)	(11,117,627)	(12,976,746)	(1,859,119)	16.7%	(3,018,332)	1,159,213
Interest Receivable	(320,000)	(320,000)	(1,239,250)	(919,250)	287.3%	(680,000)	(239,250)
Bad Debts	0	0	173,353	173,353	0.0%	10,382	162,971
Total Other Income	(38,466,052)	(40,574,918)	(43,636,058)	(3,061,140)	7.5%	(4,144,074)	1,082,934
Net revenue expenditure	**435,264,969**	**432,344,756**	**426,609,293**	**(5,735,463)**	**(1.3%)**	**(3,020,246)**	**(2,715,217)**
Use of Earmarked Reserves	(12,401,066)	(2,475,860)	(2,475,860)	(0)	0.0%	0	(0)
Financing Requirement	**422,863,903**	**429,868,896**	**424,133,433**	**(5,735,463)**	**(1.3%)**	**(3,020,246)**	**(2,715,217)**
Financed by:							
Specific grants	(31,608,903)	(37,563,814)	(36,963,588)	600,226	(1.6%)	(121,550)	721,776
GLA Grant	(391,255,000)	(392,305,082)	(392,304,610)	472	(0.0%)	0	472
Net Financial Position	**0**	**0**	**(5,134,765)**	**(5,134,766)**	**0.0%**	**(3,141,796)**	**(1,992,970)**

2019/20 Capital Outturn

The capital outturn for 2019/20 is **£31,061k**, which is a **£357k** reduction from the position reported at Q3 of £31,418k (LFC-0296). The changes in the programme are detailed below.

Budgets brought forward from 2020/21	£1,738k
Budget slippage to 2020/21	(£2,229k)
Disposal costs	£164k
Budget Savings	(£30k)
Total	**(£357k)**

Budget brought forward from 2020/21 – £1,738k

- ICT - Farynor Replacement (£9k)
- Property - Appliance Bay Doors (£17k)
- Property - Lambeth River Station (£12k)
- Property - Rewiring works - stations(£107k)
- Fleet - Fire boat replacement (£234k)
- Fleet - Aerial Appliances (£741k)
- Fleet - Other Fleet Appliances and Vehicles (£589k)
- Fleet - Fleet equipment (£29k).

Slippage to 2020/21 – £2,229k

- ICT - Wireless Access Points (£658k)
- ICT - Control and Mobilisation (£100k)
- ICT - Multi Agency Incident Transfer (MAIT (£195k)
- ICT - Upgrade Operating System (£98k)
- ICT - Mobile Data Terminals Replacement (£56k)
- ICT - Telephone System (£10k)
- Communication - Museum fit out (£30k)
- Fleet - CCTV on Pumping Appliances (£44k)
- Property - Heating works at various stations (£91k)
- Property - Croydon Training Centre (£151k)
- Property - Minor Improvements – Stations (£327k)
- Property - Operational Support Centre (£197k)
- Property - Roofing works – Stations (£94k)
- Property - West Hampstead Cottages (£144k)
- Property - Windows works (£24k)
- Property - Plumstead Refurbishment (£10k)

Other Costs - £164k

- Professional fees incurred in the disposal of sites (£164k)

Budget savings – £30k

- ICT - Business Intelligence Solution (BIS) (£18k)
- Property - Workplace improvement project (£8k)
- Other savings (£4k)

Capital Schemes Update

The key movements on the capital schemes in 2019/20 are considered below.

- <u>Budgets brought forward</u>

The budgets brought forward from 2020/21 of £1,738k primarily relate to Fleet, with key movements being on Aerial Appliances (£741k), Fire boats replacement (£234k), and Other Fleet Appliances and Vehicles (£589k).

- Aerial Appliances (£741k) - At the beginning of the financial year the forecast Aerial Appliance spend was £1.85m, which was made up of 15 Stage 1 payments, relating to the 32m and 64m aerials. As the project progressed Fleet were able to accelerate progress and also make some payments relating later stages in the appliance build, which will ultimately lead to the appliances being operational earlier.

- Fire Boats (£234k) - The budget included the Stage 1 payment for one boat however additional progress was able to be made on the delivery programme and allowed the Stage payments for both boats 1 and 2 to be made bringing forward the expenditure.

- Other Fleet Appliances and Vehicles (£589k) – The brought forward budget primarily relates to pumping appliances, where it was forecast to deliver 47 appliances, from batches 1 and 2, during the year. However, and despite one appliance in batch 2 not being delivered due to factory closure because of COVID-19, Fleet were able to deliver 46 appliances from batches 1 and 2 and also four appliances from batch 3, which resulted in 50 pumping appliances being delivered in 2019/20.

- <u>Budget slippage</u>

The budget slippage of £2,229k to 2020/21 includes ICT projects on Wireless Access Points (£658k), Multi Agency Incident Transfer (MAIT) (£195k), and Control and Mobilisation (£100k); Property projects on Minor Improvements – Stations (£327k), Operational Support Centre (£197k), Croydon Training Centre (£151k), and West Hampstead Cottages (£144k); and on Fleet Equipment (£134k).

- Wireless Access Points (£658k) - This project was initially delayed by a procurement challenge, which resulted in the award of the contract being later than planned. Subsequently manufacturing and component issues caused by COVID-19 have pushed back the delivery of the equipment to 2020/21, with this now expected in May 2020.

- Multi Agency Incident Transfer (MAIT) (£195k) – This project is a collaboration with the Metropolitan Police Service and the London Ambulance Service, and progress is dependent on those other agencies. They are, however, not yet in a position to progress the project, therefore the budget has been slipped to 2020/21.

- Control and Mobilisation (£100k) – The delivery on enhancements was delayed due to problems with the system upgrade, and consequently this has now been slipped to 2020/21.

- Minor Improvements – Stations (£327k) – This slippage relates to a number of projects across fire stations, with key areas being the proposed replacement gates installation at Fulham, with concerns about this possibly restricting use of the drill tower (£81k); refurbishment at Southgate, including 'privacy for all' works (£51k), works at Clapham to convert single person quarters to office accommodation (£63k), and works to refurbish the showers at Feltham, with delays due to technical issues with the electric supply and the contractor stopping due to COVID-19 (£34k).

- Operational Support Centre (£197k) - Further delays were experienced in handing over the building, therefore works were not invoiced as anticipated. In addition, a new hose testing machine was not been delivered as a result of a slowdown in manufacturing.

- Croydon Training Centre (£151k) – The project suffered a delay of four months caused by pre-planning application discussions and issues with the design of the Real Fire Training Venue (RFTV) systems.

- West Hampstead Cottages (£144k) - Supply chain difficulties have been experienced in sourcing trade and equipment hire as a result of COVID-19, with a lack of the materials required for the internal lime plastering has delayed completion of the internal works.

- Fleet Equipment (£134k) – A key reason for this slippage is the delay in the delivery of 155 Smoke Blockers, which were due in March 2020, due to COVID19 restrictions at the factory, in China, manufacturing these.

Capital Budget Movements

The tables below provide a summary of the movements since the Q3 financial position report (LFC-0296) and a summary of the impact on the capital budgets in future years.

2019/20 Capital Programme Appendix 3

The below table sets out the detailed outturn position for capital projects and the movement from the Q3 position.

Department	2019/20 Q3 £000	2019/20 Provisional Outturn £000	Movement Q3 to Outturn £000	Reason for Movement Q3 to Outturn
ICT Capital Projects				
Business Intelligent Solution	384	**366**	(18)	Saving
Control & Mobilisation System (CAMS)	100	**0**	**(100)**	Slippage to 2020/21
Farynor Replacement	20	**29**	**9**	Negative slippage
ICT – Virtual Desktop Technology	0	**0**	**0**	
Mobile Data Terminals Replacement	71	**15**	**(56)**	Slippage to 2020/21
Multi Agency Incident Transfer (MAIT)	195	**0**	**(195)**	Slippage to 2020/21
Netscaller Replacement	73	**73**	**0**	
New computer terminals - Fat Client	0	**0**	**0**	
New Finance System	0	**0**	**0**	
New HR and Payroll System	0	**0**	**0**	
New telephone system equipment	150	**140**	**(10)**	Slippage to 2020/21
Performance and Administration Management Solution	0	**0**	**0**	
Upgrade Operating System	98	**0**	**(98)**	Slippage to 2020/21
Wireless Access Points	658	**0**	**(658)**	Slippage to 2020/21
ICT Total	**1,749**	**623**	**(1,126)**	

2019/20 Capital Programme Appendix 3

Department	2019/20 Q3 £000	2019/20 Provisional Outturn £000	Movement Q3 to Outturn £000	Reason for Movement Q3 to Outturn
Property Capital Projects				
Appliance Bay Doors (Phase 3)	458	**475**	17	Offset against 2020/21 budget
Brigade wide Survey for Asbestos & Removal	20	**16**	(4)	Saving
Bromley FS – Improvements	(2)	**(2)**	0	
Development costs	1	**1**	0	
Heating at various stations	499	**408**	(91)	Slippage to 2020/21
Lambeth River Station Redevelopment	61	**73**	12	Slippage to 2020/21
LFB Training Centre, Croydon	613	**462**	(151)	Slippage to 2020/21
Minor Improvement Programme	2,118	**1,791**	(327)	Slippage to 2020/21
Operations Support Centre Project (IELP)	3,980	**3,783**	(197)	Slippage to 2020/21
Plumstead Fire Station Redevelopment	50	**40**	(10)	Slippage to 2020/21
Rewiring of property at various fire stations	528	**635**	107	Offset against 2020/21 budget
Roofing replacements	649	**555**	(94)	Slippage to 2020/21
West Hampstead Cottages Refurb (FEP2776)	463	**319**	(144)	Slippage to 2020/21
Window replacement at various stations	59	**35**	(24)	Slippage to 2020/21
Workplace Improvement Plan (WIP) Union Street	42	**34**	(8)	Saving
LFB Museum – Fit out	0	**0**	0	
Property Total	**9,539**	**8,625**	**(914)**	
Communications Capital Projects				
LFB Museum – Fit out	**30**	**0**	(30)	Slippage to 2020/21
Communications Total	**30**	**0**	**(30)**	

2019/20 Capital Programme

Appendix 3

Department	2019/20 Q3 £000	2019/20 Provisional Outturn £000	Movement Q3 to Outturn £000	Reason for Movement Q3 to Outturn
Fleet and Equipment Capital Projects				
CCTV on Pumping Appliances	**232**	**188**	(44)	Slippage to 2020/21
Replacement of Fire Boat	**233**	**467**	234	Offset against 2020/21 budget
Replacement of Aerial Appliances	**4,762**	**5,503**	741	Offset against 2020/21 budget
Replacement of Fleet and other Vehicles	**14,143**	**14,732**	589	Offset against 2020/21 budget
Replacement of Fleet associated Equipment	**639**	**668**	29	Offset against 2020/21 budget
Fleet and Equipment Total	**20,009**	**21,558**	**1,549**	
Operational Policy Equipment Capital Projects				
Fireground Radios	0	**0**	0	
Portable Hygiene Units	91	**91**	0	
Respiratory Protective Equipment - Barrie	0	**0**	0	
Operational Policy Equipment Total	**91**	**91**	**0**	
Disposal Costs	**0**	**164**	**164**	
Overall Total	**31,418**	**31,061**	**(357)**	

2019/20 Capital Programme

Appendix 3

The table below sets out the impact of the capital project slippage from 2019/20, and the capital budgets for future years.

Capital Programme 2020/21 onwards - Outturn 2019/20	2020/21 Capital Strategy Budget £000	Slippage from 2019/20 £000	2020/21 Revised Budget £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000
ICT Projects	**1,380**	**1,108**	**2,488**	**3,290**	**4,846**	**5,950**
Property Projects	**13,251**	**902**	**14,153**	**21,090**	**13,750**	**10,365**
Communication Project	**80**	**30**	**110**	**1,120**	**1,152**	**0**
Fleet Projects	**17,779**	**(1,549)**	**16,230**	**15,652**	**2,948**	**42**
Operational Policy Projects	**3,200**	**0**	**3,200**	**5,000**	**0**	**0**
CAPITAL EXPENDITURE TOTAL	**35,690**	**491**	**36,181**	**46,152**	**22,696**	**16,357**

1. <u>Risks to Capital Expenditure and Financing</u>

1.1. The capital programme is regularly reviewed and the associated risks to the programme are assessed throughout the year. Some risks are generic such as contractor default whilst other risks are specific to individual projects. Mitigating actions are adopted to reduce the risk occurring and to limit the impact of the risk, should it occur.

1.2. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However even a well managed project can be subject to **re-phasing or deferral** due to a number of unforeseen issues, such as failure or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

1.3. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group, chaired by the Director of Corporate Services) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.

1.4. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans Board (PWLB) rates. No allowance has been made in the capital programme for potential future **capital grants or contributions** and the Brigade will bid for available capital resources as and when such opportunities arise.

1.5. The 2020/21 capital programme includes the sale of the former fire station at **Clerkenwell** and the part disposal of 8 Albert Embankment If the sales are delayed, it will impact on the financing of the capital programme and will result in additional borrowing and revenue costs than that currently envisaged. The level of required borrowing will be dependant on the timing of the capital receipts and the level of actual capital expenditure incurred during the year.

1.6. The **LFB Training Centre** project has a number of dependencies and challenges on maintaining costs within budget and with design in particular on the Real Fire Training Venue. This will need to be monitored on an ongoing basis.

1.7. A number of fire stations require major refurbishment/redevelopment which are not currently in the medium term capital programme. Should opportunities arise to relocate these fire stations funding may need to be requested/re-directed from other projects if deemed a priority.

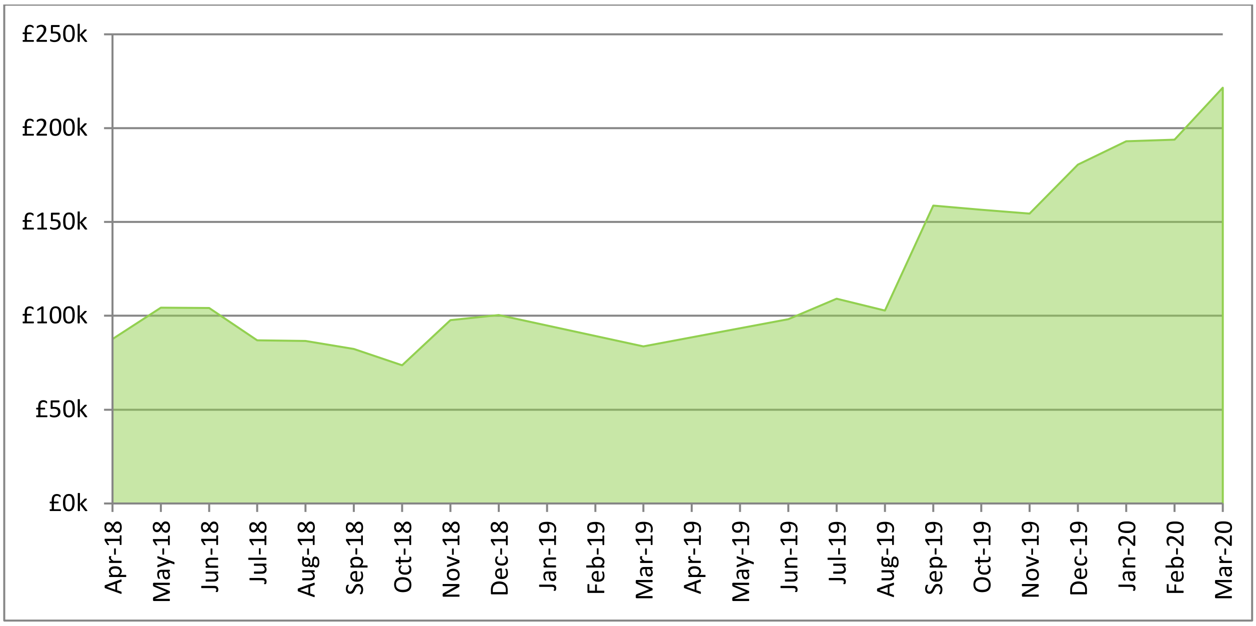
1.8. **Replacement vehicles and equipment -** Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements, and which may in turn impact the LFC's cash flow. The forecast cash expenditure for 2020/21 and future years is based on the current assessment of the stage payment requirements for the pump replacement and aerial appliance replacement programme, which represents nearly 50% of the forecast Vehicles and Equipment expenditure in that period, and the delivery timings for the balance of the fleet replacement programme.

Outstanding Shut in Lift Debtors **Appendix 5**

The chart below shows the amount of outstanding Shut in Lift debts over the last 12 months, with £222k outstanding at the end of March 2020. 31% of this outstanding debt is under 30 days old.

The level of outstanding debts has increased during the year. This is in part due to an increase in the number of Shut in Lift incidents, with charges in the year exceeding the budget by £201k. Work is ongoing to understand the reason for this, and whether additional income should be built into the budget estimates for future years.

Debts continue to be monitored to determine appropriate actions to manage outstanding balances.



The table below shows the top five (worst) outstanding debtors for LIFT income. It should be noted that about 40% of the outstanding invoices due from these five organisations are less than 30 days overdue.

	£ outstanding	No of invoices
PEABODY TRUST	14,978	37
A2 DOMINION HOMES LIMITED	9,342	23
LONDON BOROUGH OF SOUTHWARK	8,950	22
ROYAL BOROUGH OF GREENWICH	7,729	19
LONDON BOROUGH OF CROYDON	7,238	18
Grand Total	48,238	119

Review of the top five debtors

Peabody Trust:
Debts have been referred to General Counsel.

Outstanding Shut in Lift Debtors — Appendix 5

A2 Dominion Homes Limited:
Fourteen invoices with value of £5,688 have been referred for debt recovery, however five invoices totalling £2,034 are under 30 days old.

London Borough of Southwark:
All outstanding invoices are under 30 days old.

Royal Borough of Greenwich
Fourteen invoices with a total value of £5,695 are under 30 days old, and five invoices totalling £2,034 are currently in dispute over Purchase Order issues.

London Borough of Croydon
Six invoices totalling £2,441 are under 30 days old, and payment is expected shortly for 12 invoices with a total value of £4,798.

Financial Regulation 9:
"(b) With the agreement of the Director of Corporate Services, a Head of Service may transfer up to £50,000 from a budget head within that department's approved budget to a budget head within another department's approved budget, but if those budget heads are in different Directorates the agreement of the appropriate Director or Commissioner is also required.

(c) With the agreement of the Director of Corporate Services, Directors may transfer up to £150,000 from a budget head within that department's approved budget to a budget head within another department's approved budget.

(e) The Director of Corporate Services shall report all transfers under (b) and (c) to the Commissioner as part of the quarterly Financial Position reports."

There were no transfers under this delegated authority in Q4 of 2019/20.

Summary of changes from Q3 forecast

This appendix provides detailed information on the additional resourcing costs agreed following the Grenfell Tower fire and terrorist incidents in 2017 .

Spend at end of March 2020	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Capital	419,865	5,632,962	0	0
Revenue	3,765,676	5,523,737	5,409,894	4,723,494
Reserve Funded	213,000	241,612	0	0
Total	4,398,541	11,398,311	5,409,894	4,723,494
Forecast in Dec. Financial Position Report				
Capital	419,865	5,577,050	0	0
Revenue	4,764,796	4,799,894	5,409,894	5,409,894
Reserve Funded	213,000	241,612	0	0
Total	5,397,661	10,618,556	5,409,894	5,409,894
Movement from previous	(999,120)	779,755	0	(686,400)
Movement from Q3 Report				
R6 - Cost of investigation team. This forecast includes a draw of (£165k) from reserves. R7a - Grenfell Legal Support (external legal advisors), R7b - Insurance recovery - Income from insurance company for cost incurred.	(1,457,085)			
C1 -Extended Height Aerial Appliances x3. Revised purchase price as included in the capital programme.		779,755		
R6 -Grenfell Investigation Legal Team additional spend and saving in 2022/23	457,965			(686,400)
Total Movement	(999,120)	779,755	0	(686,400)

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
C1	Procurement/ Technical & Service Support	Aerial appliances are used for a range of tasks at incidents which include providing a means of escape for firefighters working inside a building, as water towers, lighting and observation platforms and rescues, as just several examples. Greater height ladders have now become available on a similar size chassis to the Brigade's current fleet that could be effectively utilised at certain incidents within London. As part of the Brigade's existing plan to upgrade its aerial appliance fleet as announced in March, there is a benefit to procuring such vehicles at this time. There has been additional 3 Aerial appliances of 64m TTL with expected cost of £2.8m. Stage 1 process was completed in 2019/20 - cost £419,865 and stage 2 & 3 process is expected to be completed by August 2020.	Revised purchase price as included in the capital programme.	0	0	419,865	2,819,962	0
C2	Operational Policy	The Brigade has been considering using drones for some time. It is currently able to request the support of police helicopters however this is an extremely expensive option, is not always available, is not within our direct control and for some uses is not as effective as drones might be.	To be progressed via revenue. Complete.	0	0	0	0	0
C3	Operational Policy	Our Standard Duration BA has a working duration of 31 minutes. Extended duration BA has a working duration of 45 minutes. All available EDBA was utilised at Grenfell. This	Spending on this is deferred pending further research into BA	0	0	0	2,813,000	0

Additional Resilience Requirements

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		proposal is for BA on all appliances to provide this longer duration.	requirements being carried out by the project team.					
R1a	Procurement/ Technical & Service Support	Ongoing maintenance requirement of £150k for three aerial appliances	Based on item C1 above. This is now forecast to be delayed to 2020/21	0	0	0	75,000	150,000
R1b	Procurement/ Technical & Service Support	Ongoing maintenance requirement of £613k for Extended Duration Breathing Apparatus Sets	The impact to PEG might be far less than originally forecast but until the final decision on breathing apparatus requirements is reported and approved no change to the funding requirement other than to defer it until 2021/22	0	0	0	0	613,000
R2a	Operational Policy	To map the area and conduct localised or wide area search/casualty search. Can also enter danger areas and structures to minimise risk to crews.	Report due to be submitted to SADB that will recommend option on continuing Drone use.	0	16,000	24,000	24,000	24,000

Additional Resilience Requirements

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R2b	Operational Policy	Early Warning safety device for structural stability. Can also be used for Trench rescue and confined space working.	Complete	0	6,600	0	0	0
R2c	Operational Policy	To provide welfare/shelter for crews/command team in both inclement or sunny weather.	OPA have recommissioned existing equipment and this is not expected to incur significant costs. Currently working on what the initial cost will be for bringing the tents up to the specification required and what the slot price will be for annual maintenance.	0	0	0	0	0
R2d	Operational Policy	For crew welfare over long periods of use compared to full face which can cause crews to overheat.	Revised forecast based on 1800 units being ordered.	0	0	44,000	0	0
R3a	Operational Policy	A shirt which has the ability to breathe and keep the user's skin dry from sweat. The initial cost is based on estimate of £10 per shirt and allocation of five each for all firefighter and crew manager roles.	T-shirts have been issued to USAR personnel. This project is complete.	0	15,000	5,000	5,000	5,000

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R3b	Operational Policy	A shirt which has the ability to breathe and keep the user's skin dry from sweat. The initial cost is based on estimate of £10 per shirt and allocation of five each for all firefighter and crew manager roles.		0	0	0	242,000	52,000
R4	People Services	Changes in the nature of the Brigade's work, in particular MTFA and EMR activities have increased the workload of the C&W Team. The unprecedented nature of the Grenfell Tower fire has increased workloads on a significant and sustained basis. In addition to supporting colleagues who were impacted by the fire in the immediate aftermath, the team are supporting the collection of witness statements by the police and will be required to support individuals for months and years to come, up to and including the Public Inquiry. In recognition of this the Resources Committee on 21 July approved the establishment of four additional Counsellor posts (FRS E).	Complete	68,836	244,894	244,894	244,894	244,894

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R5	Fire Stations	An increase in the Deputy Assistant Commissioner (DAC) establishment from 12 to 16 is required to provide greater resilience within the operational top management group. DACs provide strategic support at incidents that require eight or more fire engines. They are also integral to the Brigade's wider strategic response arrangements including to Major Incidents. Whilst specific positions are still being finalised, the additional posts will support the ongoing day to day resilience within existing departments and provide the necessary level of managerial responsibility to the Brigade's Grenfell Investigation Team.	Complete	238,500	424,000	424,000	424,000	424,000
R6	Grenfell Investigation Team	The establishment of this team was set out in the report on the Grenfell Tower Inquiry – Proposed Terms of Reference as presented to the A&U Committee on 13th July (FEP 2747). The associated legal costs are set out in a separate line below. One-off costs are for equipment set up and the ongoing costs are for 12 staff positions. Note staffing requirements are still being assessed.	This forecast includes a £265k overspend against budget in 2019/20, and includes a draw of £165k from reserves. The forecast spend for future years is under review.	705,506	1,812,732	2,057,965	1,581,843	858,000

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R7a	General Counsel	The establishment of this team was set out in the report on the Grenfell Tower Inquiry – Proposed Terms of Reference as presented to the A&U Committee on 13th July (FEP 2747). The associated legal costs are set out in a separate line below. One-off costs are for equipment set up and the ongoing costs are for 12 staff positions. Note staffing requirements are still being assessed. Update as of January 2020 - Anticipated costs of external legal advice and representation.	Future years spend assumes it will be reimbursed under LFCs insurance arrangements.	504,657	1,601,360	2,777,295	TBC	TBC
R7b	General Counsel	Expected income from insurance company for reimbursement of costs incurred.	Income from insurance company for cost incurred.	0	(200,000)	(3,944,846)	TBC	TBC
R7c	General Counsel	The Grenfell fire has led to the instigation of a Public Inquiry of which the Authority is expected to be a core participant. Additionally, a parallel criminal investigation into the fire is being carried out by the Metropolitan Police with support from the Authority and HSE. The Authority may be required to play an extensive role in each. This growth bid is twofold. Firstly, the costs in backfilling posts of staff required to work on the Grenfell Tower case and secondly for external legal advice and representation. As per January 2020 update – e-Disclosure Services in relation to hosting, licencing and		95,631	424,050	461,368	78,000	0

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		support for Disclosure Management software.						
R8	Fire Stations	This is based on a 30 per cent increase in operational overtime at FRU and FRU/USAR Stations alongside overtime costs for Regulatory Fire Safety in relation to cladding inspections. For Fire Safety, the one off costs cover additional inspections in June and July 2017.	Complete	0	103,000	103,000	103,000	103,000
R9	Fire Safety	The ongoing costs are for an additional resources to support the inspection programme.	All posts have now been set up and recruitment is ongoing	0	224,590	950,000	1,500,000	1,500,000
R10	General Counsel	This review will consider whether additional support is required for the Chair/future Deputy Mayor for Fire and Rescue in order to increase resilience in the event of future major and/or protracted operational events. This review will take into account where any additional costs might fall	Complete	0	0	0	0	0

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		– to the GLA or LFEPA/ future LFC. Additional 2 posts.						
R11	Fire Stations	It is anticipated that the aftermath of recent incidents will see an increase in sickness rates for operational staff in particular. This sets out the overtime cost that will be expected to be incurred in covering the resulting gaps. Forecast impact to overtime spend at stations.	Complete	371,000	371,000	371,000	371,000	371,000
R12	Training & Professional Development	This training is required to deliver items C1, C2, C3, R2 and smoke evacuation hoods. This includes additional training requirements for: • Extended Height Appliances • Drone Piloting • Extended Duration Breathing Apparatus Sets • Improved USAR Kit. <u>February 2020 update:</u> ongoing funding (£437k) is used to support the overall training provision. This sum is the same in each year from 2019/20 onward and is needed. One off spend in 2019/20 has been amended to £2k (from £4k), due to lower than expected spend by OP&A on drone training. One off spend in 2020/21 has been amended from £51,612 to £52,000 due to rounding. This aligns those figures	Revised forecast for one off spend has been provided, and on-going costs are under review	0	7,000	441,000	488,612	437,000

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		with the amounts contained in the Reserve. That leaves balance on the Reserve of £106k all of which relates to drone training. OP&A are not currently able to advise when further spend will be incurred. • Smoke Evacuation Hoods This also includes ongoing EDBA training Requirements.						
R13 (new)	Finance Services	Items funded through the capital programme will increase the overall level of external borrowing required over the current four year planning period and increase capital financing costs by £842k per annum. This will increase the current projected budget gap and would remain an additional cost to LFEPA for the lifetime of the assets. The intention is to seek government funding for these items in order to avoid this. This forecast assumes this funding is not received.	Linked to EDBA - TBC	0	0	0	608,000	608,000

Additional Resilience Requirements

Appendix 7

Ref	Department	Description of Growth	Update	Actual Spend in 2017/18	Actual Spend in 2018/19	Actual Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R14 (new)	Operational Policy	This will, in part, form part of the BARIE replacement programme led by IT. A wider BA replacement project will shortly be underway to examine the next generation of BA and how this can be delivered to the LFB. Whilst telemetry is being identified as a consideration any additional communications requirements over an above the BARIE sets can be included for consideration. Outline costs have yet to be determined.	TBC	0	0	TBC	TBC	TBC
R15 (new)	Operational Policy	This budget will be used to explore the viability of the purchase of smokehoods for all front line appliances and is for the equipment costs only and does not include any additional staffing costs that may be associated with getting this project up and running. This would be dependant on whether OP stop/starts or continues any current or other future work.	Complete	0	89,000	20,000	20,000	20,000
Total additional resilience requirements				**1,984,130**	**5,139,226**	**4,398,541**	**11,398,311**	**5,409,894**