



LONDON FIRE BRIGADE

Report title

Statement of Accounts 2020/21 – Audited

Report to

Commissioner's Board
Fire and Resilience Board
Audit Committee
London Fire Commissioner

Date

21 September 2021
12 October 2021
28 October 2021

Report by

Assistant - Director Finance

Report number

LFC-0596

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I agree the recommended decision below.

Andy Roe
London Fire Commissioner

This decision was remotely
signed on 30 September
2021

Date

Executive Summary

This report presents the London Fire Commissioner's (LFC's) audited Statement of Accounts 2020/21, including the Annual Governance Statement, attached at Appendix 1.

The draft Statement of Accounts was presented to the Commissioner's Board on 30 June 2021 (LFC-0549) and published, and passed for external audit, on 2 July 2021.

The audit of the Statement of Accounts is now largely complete and the draft Audit Results Report by the LFC's external auditors, Ernst & Young, is attached at Appendix 2.

EY has also prepared an Addendum to the Draft Audit Plan 2020/21 presented to Commissioner's Board on 16 June (LFC-0536), to provide further detail on the approach to the assessment on the LFC having in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. The Addendum is attached at Appendix 3.

The report also includes the Final Outturn 2020/21 to reflect the audited Statement of Accounts, at Appendix 4.

Recommended decisions

For the London Fire Commissioner

That the London Fire Commissioner approves the audited Statement of Accounts 2020/21, 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 2021 and the authority's income and expenditure for the financial year.

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 Finance Officer, the Director of Corporate Services, to certify draft accounts for audit and public inspection. As previously reported (LFC-0549) the accounts deadlines have been amended for 2020/21 to reflect the additional challenges presented by the pandemic, requiring draft accounts to be approved by 1 August 2021 and accounts published by 30 September 2021.
2. The draft Statement of Accounts was approved by the Director of Corporate Services and passed for external audit on 2 July 2021. The audited Statement of Accounts 2020/21 is at Appendix 1.
3. The external audit for 2020/21 is now largely complete and the Draft Audit Results Report is at Appendix 2. The external auditors will provide an update at Commissioner's Board on the work to conclude the audit.
4. 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 published with the final accounts and has been approved by the LFC.
5. The management of the accounts and audit has again been very challenging for 2020/21. The report on the draft accounts (LFC-0549) set out significant progress that had been made to enable the draft accounts to be presented to Commissioner's Board in June 2021, given that the final Statement of Accounts 2019/20 had only been published in March 2021. The report did however raise potential risks for the audit given the staffing changes in the Finance Team, and that no interim audit was possible for 2020/21 due to the extended period in finalising the 2019/20 audit. The presentation of the accounts now for approval, and with no substantial audit findings, therefore, it is felt, presents further significant progress.

Statutory Accounting Framework

6. The accounts for 2020/21 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'.

7. 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

8. 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 Outturn Position

9. The final position for the capital and revenue expenditure and income has not changed from that reported with the draft Statement of Accounts (LFC-0549). However that report included adjustments to the provisional outturn, which had been published ahead of finalising the draft Statement of Accounts, reducing the underspend for the year by £1.8m, from £14.6m to £12.8m, with the key change relating to the requirement to repay part of the first round Covid funding from the Home Office. The Final Outturn 2020/21 Report is at Appendix 4.

Capital Expenditure

10. In 2020/21, total spending on the capital programme for tangible and intangible assets was £19.2m, and expenditure included the rebuilding and modernising of fire stations and other buildings (£5.9m), upgrading ICT equipment (£1.0m) and the purchase of fleet vehicles and operational equipment (£12.3m). This capital expenditure was funded by capital grant (£1.9m) and capital receipts (£1.9m). The remaining capital expenditure was initially funded from reserves balances and then replaced by one-year temporary borrowing, as a result of the delay in realising further expected capital receipts (15.4m).
11. The LFC took no (permanent) external borrowing during the year. Settlement of maturing principal debt during 2020/21 totalled £5.0m. As a result, as at 31 March 2021, the level of outstanding principal debt totalled £55.7m. The average interest payable on outstanding loans as at 31 March 2021 was 4.7% (4.67% at 31 March 2020).

Service Income and Expenditure

12. 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.
13. The figure for net service expenditure for 2020/21, shown in the table below excludes these accounting adjustments. The outturn position after the application of reserves and grants was £12.8m less than the approved budget.
14. Following movements between the general fund and reserves, the general fund balance decreased by £3.1m from £15.8m as at 31 March 2020 to £12.7m as at 31 March 2021 and the earmarked reserves increased by £17.4m from £62.2m as at 31 March 2020 to £79.6m as at 31 March 2021.

Service Expenditure and Income 2020/21

Service Expenditure	2020/21		
	Budget £'000	Outturn £'000	Variance £'000
Operational staff	278,364	281,657	3,293
Other staff	64,099	60,862	(3,237)
Employee related	24,526	24,016	(510)
Pensions	21,321	21,162	(159)
Premises	39,550	39,710	160
Transport	16,972	16,724	(248)
Supplies and services	28,661	32,598	3,937
Third party payments	1,800	1,957	157
Capital financing costs	8,050	8,553	503
Central contingency against inflation	178		(178)
Total revenue expenditure	483,521	487,239	3,718
Other income	(42,116)	(52,476)	(10,359)
Net revenue expenditure	441,405	434,764	(6,641)
Use of reserves	1,425	1,425	
Financing Requirement	442,829	436,188	(6,641)
Financed by:			
Specific grants	(41,329)	(47,507)	(6,178)
GLA funding	(401,500)	(401,500)	
Net Financial Position		(12,819)	(12,819)

Balance Sheet

15. The net Pensions Deficit, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes is £7.2bn as at 31 March 2021. 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 Plan 2020/21 - Addendum

16. When the Audit Plan 2020/21 was presented to Commissioner's Board in June 2021 (LFC-0536) this included details on new requirements in relation to the Value for Money assessment. The external auditors have now provided an addendum to the audit plan, at Appendix 3, to provide more detailed analysis and the identification of a risk of significant weakness in relation to findings from external regulators. This specifically relates to the findings by HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), and of course led to the 'except for' VFM conclusion in 2019/20.

Audit Results Report

17. The LFC's external auditor has issued a draft Audit Results Report which shows the audit findings up to 10 September 2021, and this is at Appendix 2. The external auditors will provide an update on the work to conclude the audit at Commissioner's Board on 21 September 2021. 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 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 for the LFC's accounts it should be at a level of more than £10m.

18. The Director of Corporate Services has agreed amendments with the external auditor on all matters arising from the audit. This included the reclassification of some pension elements, and well as adjustments to accounting treatment in Property, Plant & Equipment and Receivables/Payables, and further details on these changes is set out in the Audit Differences section of the draft Audit Results Report.
19. The external auditors are expected to issue an unqualified opinion on the accounts. However there is expected to again be a qualification on the VFM conclusion in relation to the HMICFRS report that, whilst noting progress had been made, there was still work required to fully address the recommendations made, including significant recommendations on incident command training and competence assessment.

Schedule of Uncorrected Misstatements

20. 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. As of 10 September there are no unadjusted audit differences in the financial statements, however the auditors are still reviewing final elements of the audit which may result in the requirement to make further adjustment to the accounts.

Audit and Public Inspection

21. Ernst and Young commenced their audit on 5 July 2021 and the LFC's accounts were open to public inspection from 5 July 2021 to 13 August 2021. 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

22. As part of the standard closing of accounts process a general letter of representation is formally acknowledged by the LFC. This represents a formal response to the auditor and provides a management response to any uncorrected items raised as part of the audit. The draft letter is included at Appendix D of the draft Audit Results Report (Appendix2), and this will be finalised following conclusion of the audit.

Annual Governance Statement (AGS)

23. The Annual Governance Statement provides an overview of the governance arrangements that were in place for the LFC during the year 2020/21 and is included with the Statement of Accounts.

Finance comments

24. This report is by the Assistant Director, Finance and there are no further comments.

Workforce comments

25. There are no workforce implications from the report.

Legal comments

26. The report seeks the Commissioner's approval of 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.
27. Under section 127 of the Greater London Authority Act 1999 the LFC is required to decide for the proper administration of its financial affairs. The Director of Corporate Services as the statutory Chief Finance Officer under the same section is the officer who has responsibility for the administration of those affairs.
28. The LFC has discretion when deciding for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. These include 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.
29. Regulation 7 of the Accounts and Audit Regulations 2015 (the 2015 Regulations) provides that the LFC (as a Category 1 Authority as defined in regulation 2 of the 2015 Regulations) is required to prepare an annual statement of accounts each year.
30. The 2015 Regulations set out detailed requirements on the LFC in relation to its annual audit and accounting processes.
31. The Accounts and Audit (Amendment) Regulations 2021 (the 2021 Regulations) amend regulation 10 of the 2015 Regulations. These amendments delay the deadline for Category 1 Authorities, including the LFC, to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) from 31st July to 30th September in the financial year immediately following the financial year to which the accounts relate. These amendments apply only to the publication of accounts relating to a financial year beginning in 2020 or 2021.
32. Regulation 2 of the 2021 Regulations also amends regulation 15 of the 2015 Regulations. These amendments delay the deadline for relevant authorities to commence the period for the exercise of public rights, so that the relevant period must commence on or before the first working day of August in the financial year immediately following the financial year to which the accounts relate. These amendments apply only to the commencement of the relevant period for accounts relating to a financial year beginning in 2020 or 2021.
33. Regulation 2 of the 2021 Regulations also requires relevant authorities to publish a notice and give reasons if they do not commence the relevant period by this date.
34. This report presents the LFC's audited Statement of Accounts 2020-21 including the Annual Governance Statement for approval in accordance with regulation 9 of the 2015 Regulations.
35. This report confirms that the requirements of the 2015 Regulations, as amended by the 2021 Regulations, and 2014 Act have been complied with.

Sustainability implications

36. There are no sustainability implications arising from the report.

Equalities implications

37. 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 taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
38. 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.
39. 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, Sexual orientation.
40. 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.
41. 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 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.
42. 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.
43. 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 to the need to—
 - (a) tackle prejudice, and
 - (b) promote understanding.
44. There are no equality implications directly resulting from this report.

List of Appendices

Appendix	Title	Protective Marking
1.	Statement of Accounts 2020/21 - Audited	No protective marking
2.	Draft Audit Results Report	No protective marking
3.	Addendum – Audit Plan 2020/21	No protective marking
4.	Final Outturn 2020/21	No protective marking



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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.

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

HOW THAT WORKS IN PRACTICE

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

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

The LFB will maximise what it can do by working with individuals and businesses to help them identify what they can do for themselves to

ensure their own safety and the safety of others. The LFB will continue to provide services to meet the needs of all communities.

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

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

2. THE MAYOR OF LONDON

The London Fire Commissioner is a corporation sole and the fire and rescue authority for London. It is a functional body of the Greater London Authority. The Mayor of London sets its

Director of Corporate Services' Narrative Report (continued)

budget, approves the London Safety Plan, and can direct it to act. There is a Deputy Mayor for Fire and Resilience.

3. THE LONDON FIRE COMMISSIONER

HOW THE LONDON FIRE BRIGADE IS GOVERNED

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

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

HOW DECISIONS ARE MADE

The process for decisions is:

- i. Reports for decision are taken to a Commissioner's Board
- ii. The Commissioner's Board will discuss and agree final recommendations
- iii. The London Fire Commissioner will then take final decisions based on

recommendations from the Commissioner's Board

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

EXCEPTIONS TO THE PROCESS

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

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

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

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

London Fire Brigade staff will prepare performance reports, monitoring data and help

develop thematic reviews to facilitate the scrutiny work of FREP.

OUR FOUR PILLARS

The best people and the best place to work

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

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

Seizing the future

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

Director of Corporate Services' Narrative Report (continued)

Delivering excellence

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

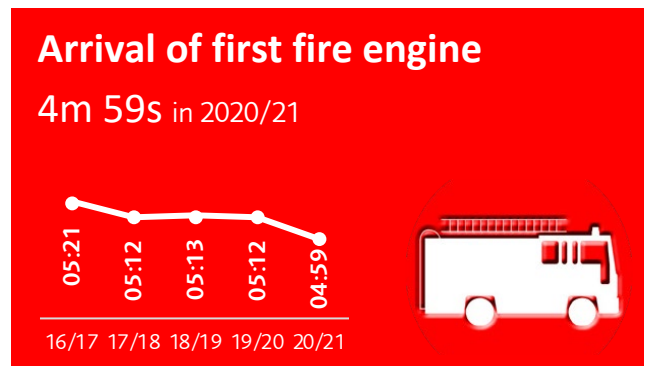
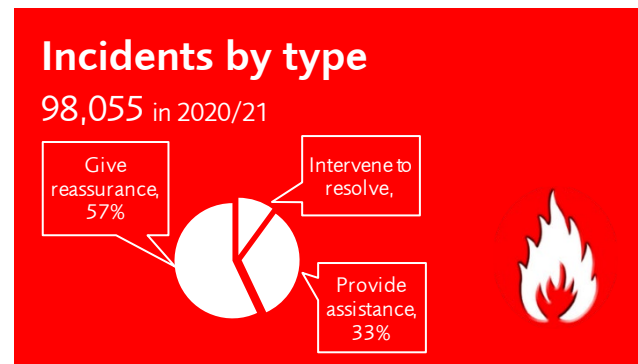
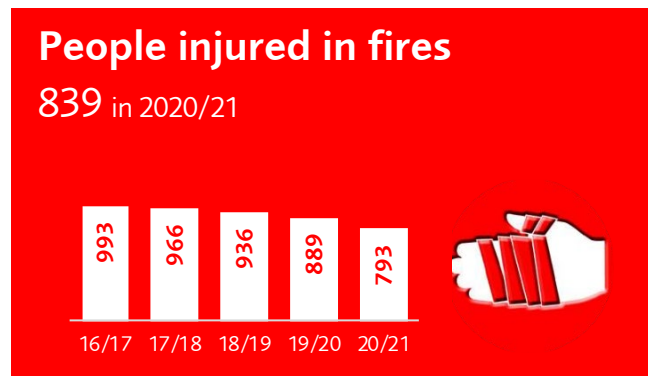
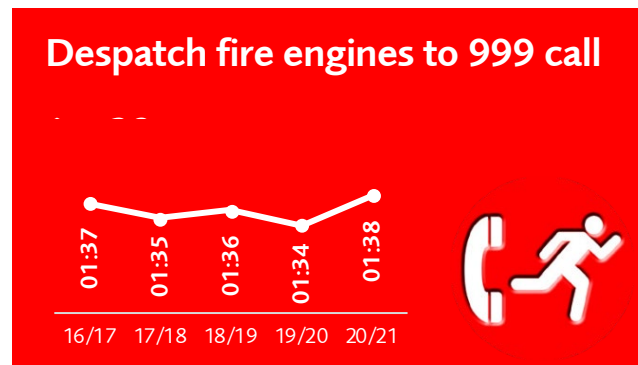
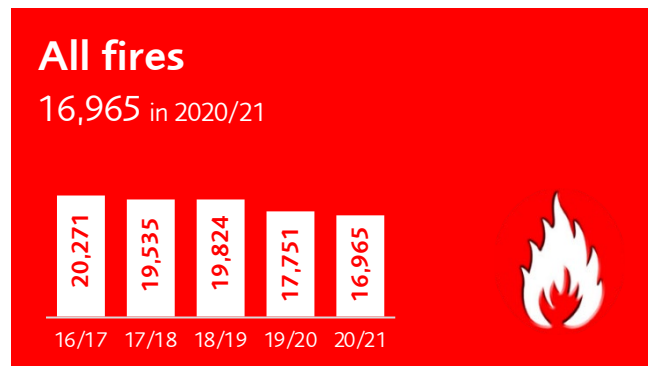
Outward facing

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

Director of Corporate Services' Narrative Report (continued)

THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2020/21

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



Fire safety audits

9,173 in 2020/21



London Fire Brigade

Largest UK fire & rescue service

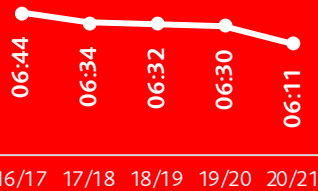
102 fire stations, 1 river station

142 fire engines



Arrival of second fire engine

6m 11s in 2020/21



All incidents attended

96,896 in 2020/21



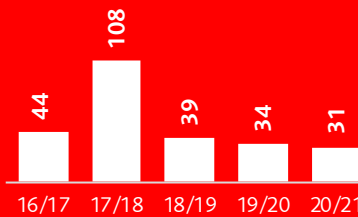
Home fire safety visits

17,349 in 2020/21



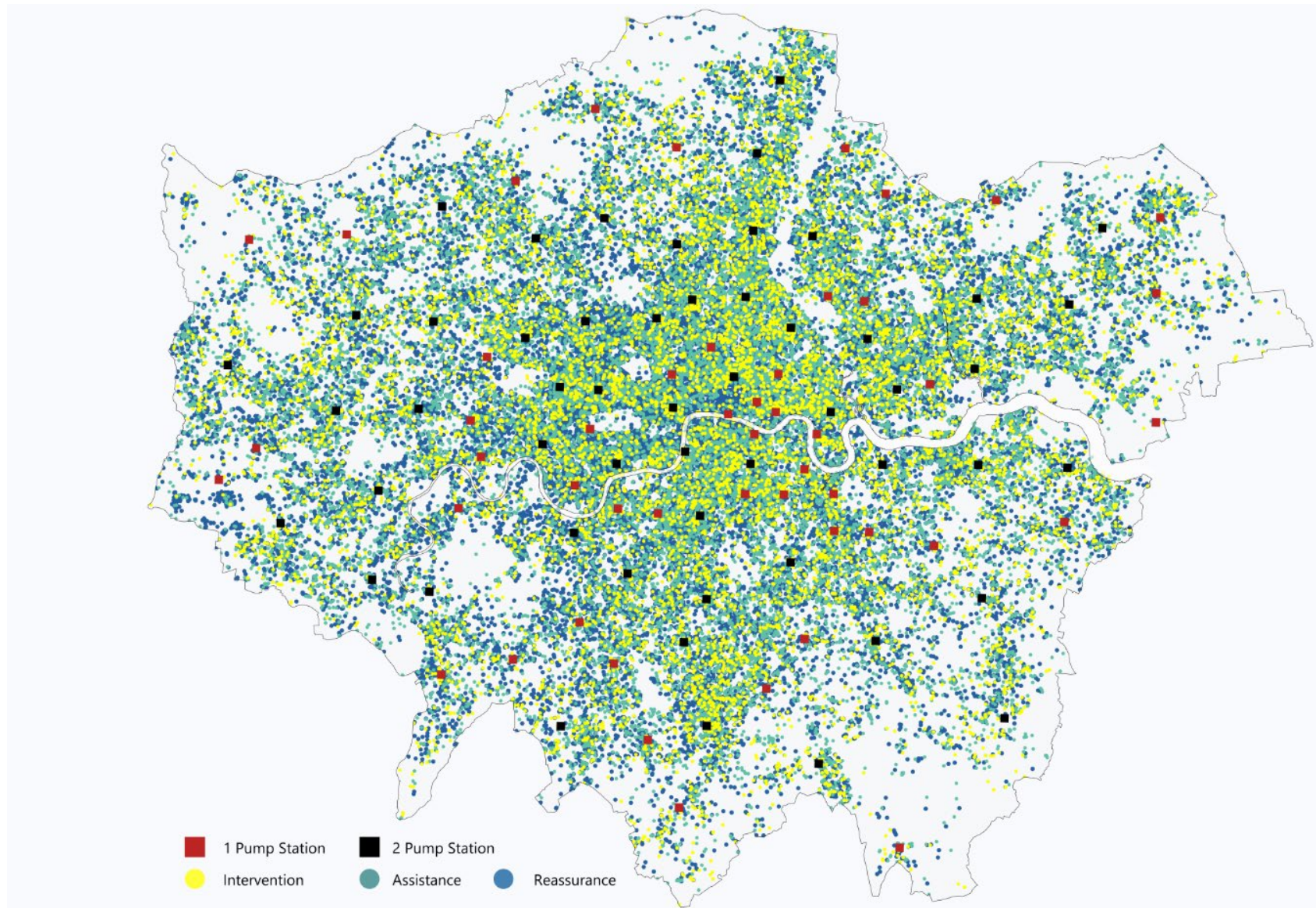
People who died in fires

31 in 2020/21



Director of Corporate Services' Narrative Report (continued)

MAP OF FIRE BRIGADE LOCATIONS AND ATTENDANCES



Director of Corporate Services' Narrative Report (continued)

THE BRIGADE'S PERFORMANCE

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

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

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

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

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

CORONAVIRUS IMPACT ON DELIVERY

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

BRIGADE'S RESPONSE TO COVID-19

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

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

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

Director of Corporate Services' Narrative Report (continued)

firefighters drove ambulances to more than 110,000 incidents and staff also delivered food and medicine to vulnerable people.

CALLING FOR CHANGE IN THE BUILT ENVIRONMENT

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

CULTURE AND TRANSFORMATION

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

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

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

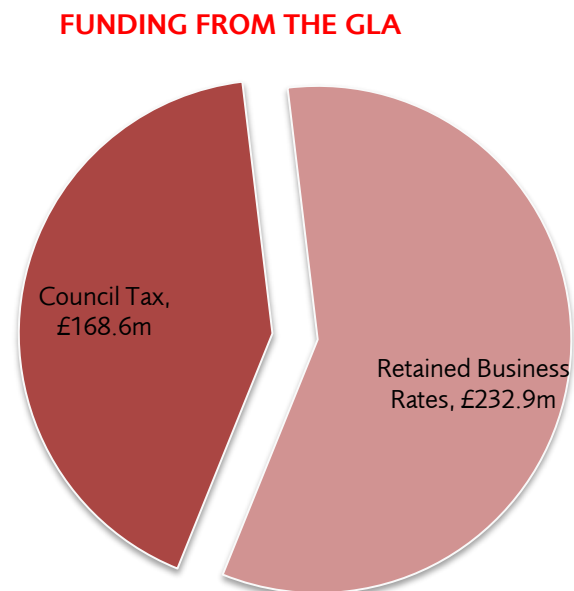
Director of Corporate Services' Narrative Report (continued)

FINANCIAL PERFORMANCE

CORE FUNDING

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

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

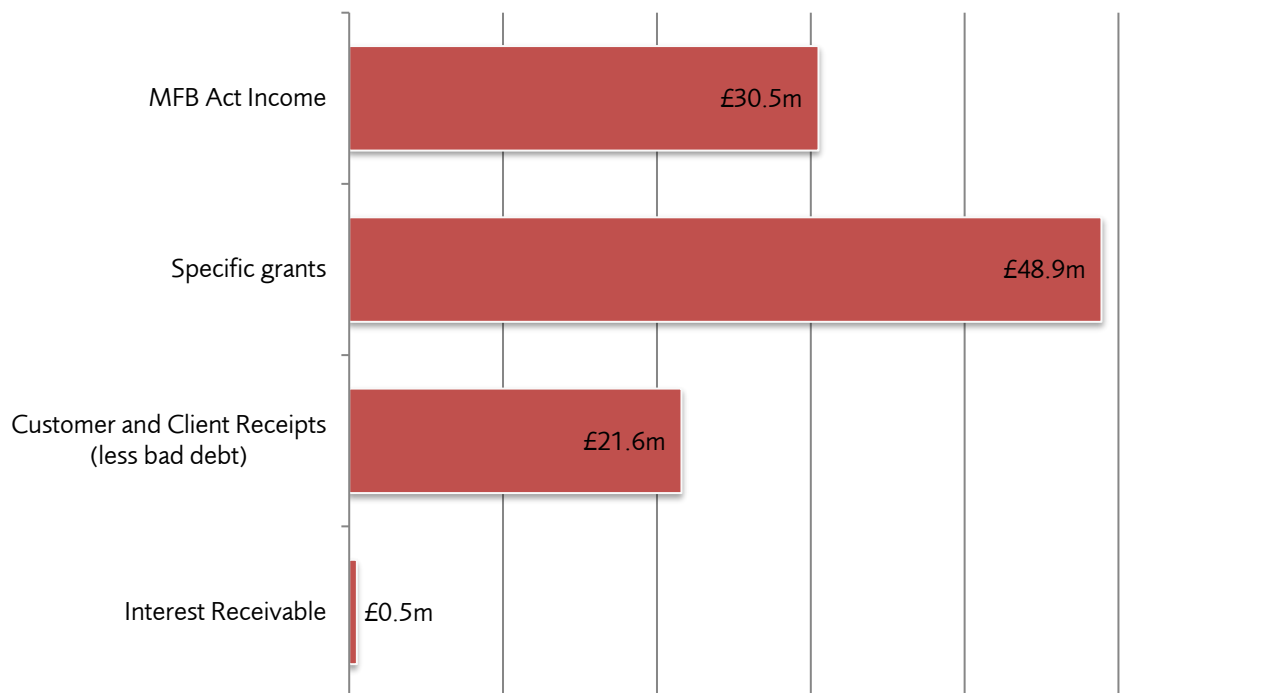


Director of Corporate Services' Narrative Report (continued)

INCOME

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

OTHER INCOME SOURCES



Director of Corporate Services' Narrative Report (continued)

REVENUE EXPENDITURE

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

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

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

2019/20				2020/21		
Budget £'000	Outturn £'000	Variance £'000	LFC Revenue	Budget £'000	Outturn £'000	Variance £'000
270,131	269,957	(176)	Operational staff	278,364	281,657	3,293
59,911	57,594	(2,317)	Other staff	64,099	60,862	(3,237)
24,028	25,209	1,181	Employee related	24,526	24,016	(510)
20,769	20,878	109	Pensions	21,321	21,162	(159)
39,641	39,885	244	Premises	39,550	39,710	160
16,947	16,645	(302)	Transport	16,972	16,724	(248)
29,538	29,248	(290)	Supplies and services	28,661	32,598	3,937
2,055	1,871	(184)	Third party payments	1,800	1,957	157
9,775	8,959	(816)	Capital financing costs	8,050	8,553	503
123	0	(123)	Central contingency against inflation	178	0	(178)
472,920	470,246	(2,674)	Total revenue expenditure	483,521	487,239	3,718
(40,575)	(44,736)	(4,161)	Other income	(42,116)	(52,476)	(10,359)
432,345	425,510	(6,835)	Net revenue expenditure	441,405	434,764	(6,641)
(2,476)	(2,476)	0	Use of reserves	1,425	1,425	0.0
429,869	423,034	(6,835)	Financing Requirement	442,829	436,188	(6,641)
Financed by:						
(37,564)	(35,864)	1,700	Specific grants	(41,329)	(47,507)	(6,178)
(392,305)	(392,305)	-	GLA funding	(401,500)	(401,500)	0
-	(5,135)	(5,135)	Net Financial Position	0	(12,819)	(12,819)

Director of Corporate Services' Narrative Report (continued)

CAPITAL EXPENDITURE

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

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

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

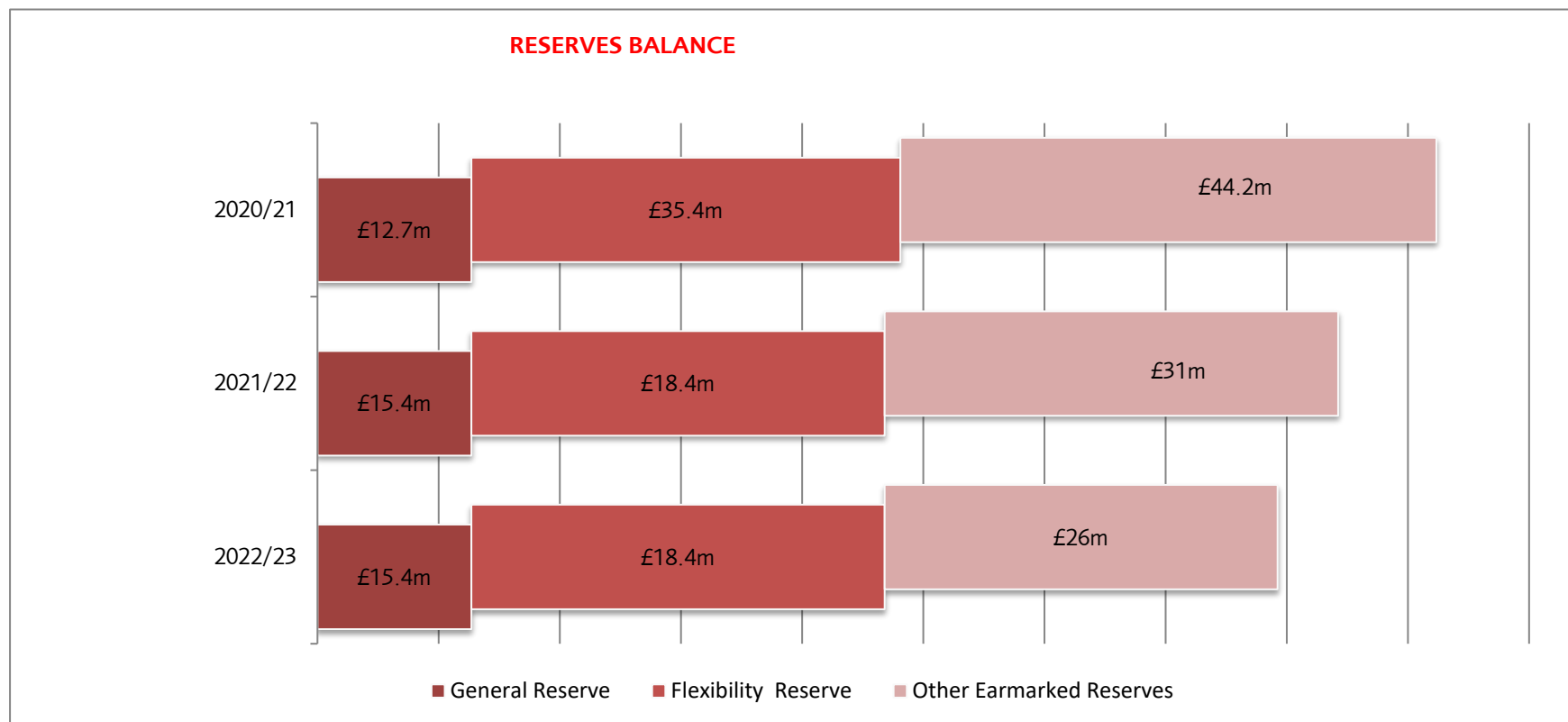
Anticipated capital receipts have been delayed until 2021/22 which has meant interim arrangement has to be put in place until this has been realised.

Director of Corporate Services' Narrative Report (continued)

RESERVES

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

The general reserve is maintained at a minimum of 3.5% of net revenue expenditure of £12.7m, the general reserve will be supplemented by a transfer from the budget flexibility reserve to maintain this. Earmarked reserves also include £35.4m in the budget flexibility reserve as at 31 March 2021, to support the budget in future years. The general reserve would then be expected to at £15.4m in each of the following financial years from 2021/22 to 2022/23. These figures are as per the approved published Budget Report for 2021/22.



Director of Corporate Services' Narrative Report (continued)

PLANNED EXPENDITURE FOR FUTURE YEARS

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

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

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

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

FINANCIAL CHALLENGE

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

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

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

Director of Corporate Services' Narrative Report (continued)

RISK MANAGEMENT

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

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

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

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

CORPORATE RISKS

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

Director of Corporate Services' Narrative Report (continued)

UPCOMING CHALLENGES

TARGET OPERATING MODEL

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

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

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

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

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

Director of Corporate Services' Narrative Report (continued)

ACCOUNTING STATEMENTS

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

The accounting statements following comprise:

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

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

The Core Accounting statements:

- **THE MOVEMENT IN RESERVES STATEMENT**

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

- **THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

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

- **THE BALANCE SHEET**

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

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

The second category of reserves is for those that cannot 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'.

Director of Corporate Services' Narrative Report (continued)

• 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 transaction with 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 2020/21, total spending on the capital programme for tangible and intangible assets was £19.2m. Spend included the rebuilding and modernising of fire stations and other buildings (£5.8m), upgrading ICT equipment (£0.1m) and the purchase of fleet vehicles and equipment (£13.3m). Capital expenditure on assets (£19.2m) is to be financed in accordance with the Prudential Code, funded by a capital contribution of (£1.9m), capital receipts (£1.9m) and borrowing (£15.4m)

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

Director of Corporate Services' Narrative Report (continued)

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

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

INCOME AND EXPENDITURE FOR THE YEAR

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

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 28), depreciation, impairment and revaluation charges), the figure for net service

expenditure for 2020/21, was £500m against a budgeted net expenditure sum of £487m. The outturn position after application of reserves and grants was £13m less than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance decreased by £3.103 m from £15.811m as at 1 April 2020 to £12.708 m as at 31 March 2021 and the LFC's earmarked reserves increased by £17.360m from £62.280m as at 1 April 2020 to £79.639m as at 31 March 2021.

The £12.9m underspend in year was a combination of under and overspends as set out in the table on page 13 which provides a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the LFC's funding requirements through GLA grant.

ASSET VALUATIONS

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

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

PENSION FUND

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

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

Director of Corporate Services' Narrative Report (continued)

The movement in the pension liability between years, an increase of £640m relates mainly to the long-term liability for the firefighter schemes, as assessed by the LFC's actuary. The decrease relates to a re-measurement of the schemes net defined liability considering 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.



Jo Moore
Interim Director of Corporate Services and Chief Financial Officer

30 September 2021

Statement of Responsibilities for the Statement of Accounts

THE LONDON FIRE COMMISSIONER RESPONSIBILITIES

The London Fire Commissioner (LFC) is required:

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

DIRECTOR OF CORPORATE SERVICES RESPONSIBILITIES

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

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

THE DIRECTOR OF CORPORATE SERVICES HAS ALSO:

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

CERTIFICATION OF THE DIRECTOR OF CORPORATE SERVICES

I hereby certify that the Statement of Accounts on pages 32 to 132 gives a 'true and fair view' of the financial position of the LFC at the reporting date and of its expenditure and income for the year ended 31 March 2021.



Jo Moore
Interim Director of Corporate Services

Dated 30 September 2021

Audit Opinion and Certificate

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 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- Statement of Accounting Policies
- Accounting Standards Issued but Not Yet Adopted
- the related notes 1 to 34.
- 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 2020/21.

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 2021 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 2020/21.

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 London Fire Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial

Audit Opinion and Certificate (continued)

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

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the London Fire Commissioner's ability to continue as a going concern for a period up to 31st March 2023.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the London Fire Commissioner's ability to continue as a going concern.

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 Services is responsible for the other information contained within the Statement of Accounts.

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.

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 course of 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 themselves. 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.

Audit Opinion and Certificate (continued)

We have nothing to report in this regard.

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 London Fire Commissioner;
- 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;
- 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.

In respect of the following we have matters to report by exception.

Exception report

Report on the London Fire Commissioner's proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

We report to you if we are not satisfied that the London Fire Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the London Fire Commissioners's proper arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weakness in the London Fire Commissioner's arrangements for the year ended 31 March 2021.

Significant weakness in arrangements

Audit Opinion and Certificate (continued)

Our judgement on the nature of the weakness identified:

The findings of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) during 2020 provide evidence of a significant weakness in proper arrangements for the improving economy, efficiency and effectiveness value for money reporting criterion.

The inspection focused on the London Fire Commissioner's progress to implement the recommendations from the Grenfell Tower Inquiry's Phase 1 report. The report noted that, whilst progress had been made over the last year, there is still a significant amount of work to fully address all recommendations and that the organisation has not made enough progress to resolve the cause of concern identified during the 2019 inspection. This includes recommendations in respect of Incident Command training and competence assessment.

Our work confirmed that the London Fire Commissioner had not yet fully addressed the areas of concern identified by HMICFRS. Whilst actions have been taken during 2020/21, those actions were not fully implemented and operational during 2020/21.

The evidence on which our view is based:

HMICFRS Inspection of the London Fire Commissioner's progress to implement the recommendations from the Grenfell Tower Inquiry's Phase 1 report; and

Reports to London Fire Commissioner's Board setting out and monitoring progress in the Transformation Delivery Plan during 2020/21.

The impact on the London Fire Commissioner:

Whilst training and competence assessment recommendations remain outstanding there is a risk that incident commanders do not perform at the appropriate level to enable the organisation to deliver fire safety services to London.

The action required by the London Fire Commissioner to address the weakness:

The London Fire Commissioner is required to work with HMICFRS and training providers to deliver the improvement programme required. This includes completion of all Incident Commander training and implementation of the designed performance and talent framework to enable the organisation to demonstrate that the inspection findings have been addressed and remove the cause for concern identified by the regulator.

This issue is evidence of a weakness in proper arrangements in how the London Fire Commissioner uses information about its performance to improve the way it manages and delivers its services.

We will report the outcome of our work on the London Fire Commissioner's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

Audit Opinion and Certificate (continued)

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 22, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the London Fire Commissioner'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 London Fire Commissioner either intends to cease operations, or has no realistic alternative but to do so.

The London Fire Commissioner 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations,

Audit Opinion and Certificate (continued)

or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the London Fire Commissioner and determined that the most significant are:

- Local Government Act 2003The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.
- Greater London Authority Act (1999 & 2007)
- Metropolitan Fire Brigade Act (1965 and 1958)
- Fire Services Act 1947

In addition, the London Fire Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the London Fire Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and the monitoring officer, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the London Fire Commissioner's board minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of London Fire Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), and management override of controls to be our fraud risks.

Audit Opinion and Certificate (continued)

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the London Fire Commissioner's manual year end income journals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We evaluated significant transactions and estimates for evidence of management bias.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the London Fire Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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 London Fire Commissioner has made 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 London Fire Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Audit Opinion and Certificate (continued)

Delay in certification of completion of the audit

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

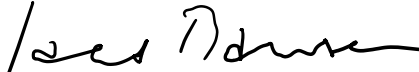
In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the London Fire Commissioner's value for money arrangements for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on the London Fire Commissioner's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts 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 members of 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 and the London Fire Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Audit Opinion and Certificate (continued)



Ernst & Young LLP

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London

30 September 2021

Statement of Accounting Policies

ACCOUNTING POLICIES

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

GENERAL PRINCIPLES

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

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on 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.

Statement of Accounting Policies (continued)

- 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 figures 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

Statement of Accounting Policies (continued)

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

Accounting Standards Issued but Not Yet Adopted

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

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

CORE ACCOUNTING STATEMENTS

Comprehensive Income and Expenditure Statement

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

2019/20 RESTATED			2020/21				
Gross Expenditure	Gross Income	Net Expenditure	Comprehensive Income and Expenditure Statement	Gross Expenditure	Gross Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
454,578	(96,888)	357,690	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	451,286	(95,697)	355,589	
		357,690	Cost of services			355,589	
1,712	(1,062)	650	Other operating expenditure	3,657	(1,232)	2,425	
9,131			Interest payable and similar charges	9,070			10
	(1,239)		Interest and investment income		(534)		10
162,070			Firefighter pensions net interest on the net defined benefit liability	141,520			28
5,847			Support staff pension net interest on the net defined benefit liability	4,835			28
177,048	(1,239)	175,809	Financing and Investment Income and Expenditure	155,425	(534)	154,891	
	(392,305)		GLA Grant		(401,500)		22
	(3,732)		PFI Grant		(3,732)		22
	(1)		Capital Grant		(1,240)		22
0	(396,037)	(396,037)	Taxation and Non-Specific Grant Income		(406,472)	(406,472)	
		138,112	(Surplus) or Deficit on Provision of Services			106,433	18
		(8,712)	(Surplus)/ Deficit on revaluation of non-current assets			(5,682)	4
		(535)	Impairment losses on non-current assets charged to revaluation reserve				4
		(459,830)	Re-measurement of the net defined benefit liability			533,207	4
		(469,077)	Other Comprehensive Income and Expenditure			527,525	
		(330,965)	Total Comprehensive Income and Expenditure			633,958	

Movement in Reserves Statement

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

Movement in Reserves Statement	General Fund	Earmarked Reserves	Revenue Grants Applied	Capital Grants Applied	Capital Receipts Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 01/04/20	(15,811)	(62,280)		(830)	(679)	(79,600)	6,173,823	6,094,223	
(Surplus) or deficit on provision of services (accounting basis)	106,433					106,433		106,433	
Other Comprehensive Income & Expenditure							526,430	526,430	4
Total Comprehensive Income and Expenditure	106,433					106,208	526,430	632,638	
Adjustments between accounting basis & funding basis under regulations	(120,689)			625	679	(119,161)	119,161		6
Net Increase/Decrease before Transfers to Earmarked Reserves	(14,256)			625	679	(12,952)	645,591	632,638	
Transfers (to)/from Earmarked Reserves	17,360	(17,360)	-						7
Increase/(Decrease) in Year	3,104	(17,360)		625	679	(12,952)	645,591	632,638	
Balance as at 31/03/21	(12,708)	(79,639)		(205)		(92,552)	6,819,413	6,726,861	

Movement in Reserves Statement (continued)

The following table provides comparative figures for 2019/20:

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

Balance Sheet

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

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

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

Balance Sheet (Continued)

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



Jo Moore
Interim Director of Corporate Services

Dated 30 September 2021

31 March 2020		Balance Sheet	31 March 2021		Note
£'000	£'000		£'000	£'000	
		Property, Plant & Equipment			
137,984		Land	145,029		
269,496		Buildings	265,710		
47,135		Vehicles, Plant and Equipment	55,638		
21,015		Non Operational Assets – Surplus	22,475		
16,436		Non Operational Assets – Other	11,608		
1,432		Heritage Assets	1,432		
	493,498			501,892	9
2,876	2,876	Intangible Assets	1,013	1,013	9
77	77	Long Term Debtors	53	53	
	496,451	Long Term Assets		502,957	
0		Assets Held For Sale	450		9
692		Inventories	654		
34,835		Short Term Debtors	54,761		12
69,733		Cash and Cash Equivalents	44,333		13
	105,260	Current Assets		100,197	
(5,062)		Short Term Borrowing	(3,043)		10
(47,285)		Short Term Creditors	(49,792)		14
(1,642)		Provisions	(2,094)		15
(1,337)		Short Term Liabilities	(1,375)		26
	(55,326)	Current Liabilities		(56,305)	
(3,609)		Provisions	(3,088)		15
(56,212)		Long Term Borrowing	(53,169)		11
(6,580,787)		Other Long Term Liabilities	(7,218,775)		25
	(6,640,608)	Long Term Liabilities		(7,275,031)	
	(6,094,223)	Net Assets		(6,728,181)	
	(79,600)	Usable Reserves		(92,552)	16
	6,173,823	Unusable Reserves		6,820,733	17
	6,094,223	Total Reserves		6,728,181	

Cash Flow Statement

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

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

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

2019/20	Cash Flow Statement	2020/21	Notes
£'000		£'000	
138,112	Net (Surplus) or Deficit on the Provision of Services	106,433	
(138,473)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(106,527)	32
1,988	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	2,472	
1,628	Net cash flows from Operating Activities	2,378	
29,073	Investing Activities	16,685	34
9,268	Financing Activities	6,337	34
39,968	Net (Increase) or Decrease in Cash and Cash Equivalents	25,400	
109,701	Cash and cash equivalents at the beginning of the period	69,733	13
69,733	Cash and Cash Equivalents at the End of Period	44,333	

**NOTES TO CORE
ACCOUNTING STATEMENTS**

Note 1 Critical Judgements in Applying Accounting Policies

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

FORMER BRIGADE HQ 8 ALBERT EMBANKMENT

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

Secretary of State and LFC is considering the next step.

ASSETS HELD FOR SALE AT FAIR VALUE AND SURPLUS ASSETS

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current carrying value of non-current assets (excluding Assets held for sale) as at 31st March 2021 is £503.2m. A full valuation of all Fire Stations was carried out as at 31 March 2021.</p> <p>The following issues result in heightened estimation uncertainty:</p> <ul style="list-style-type: none"> • 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. 	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £6.9m and £13.7m respectively.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2021 is £7,155m.</p>	<p>The effects of the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 9.0% increase in the pension liability, in the region of £625m. However, the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected because of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included under Note 28.</p>

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

Item	Uncertainties	Effect if actual results differ from assumptions
Impairment Allowance for Doubtful Debts	As at 31 March 2021, the LFC had an outstanding balance of short-term debtors totalling £54.7m. Against this debtor's balance, there is an impairment allowance of £0.45m. It is not certain that this impairment allowance would be sufficient as the LFC cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review will need to be sustained to reflect the uncertainty of collection rates because of COVID-19. If collection rates were to deteriorate then the LFC would need to review its policies on the calculation of its bad debt provision. A 10% increase in debtors would lead to a £45k increase in impairment of bad debts.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict which path will be taken and whether asset values and the pension discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the LFC's assets or change the pension discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

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

Note 3 Material items of Income and Expenditure

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

Note 4 Other Comprehensive income and expenditure

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

2019/20		Surplus or deficit on revaluation of non-current assets & Actuarial (gains)/losses on pension assets/liabilities	2020/21	
£'000	£'000		£'000	£'000
(22,119)		Gain on the revaluation of Property assets	(14,313)	
12,872		Loss on the revaluation of Property assets	8,631	
	(9,247)	Surplus on revaluation of non current assets		(5,682)
(428,890)		Actuarial (gains)/losses on Firefighter pension liabilities	460,510	
(30,940)		Actuarial (gains)/losses on LGPS pension assets/liabilities	72,697	
	(459,830)	Actuarial (gains)/losses on pension assets/liabilities		533,207
	(469,077)	Total Other Comprehensive Income and Expenditure		527,525

Note 5 Events after the balance sheet date

ACCOUNTS AUTHORISED

The Statement of Accounts were authorised for issue by Jo Moore, Interim Director of Corporate Services on 30 September 2021.

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

Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial

statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5a Prior Period Adjustment – Pension (CIES)

A review of the accounts concluded that a restatement of the 2019/20 figures was required for the following reasons: -

- (i) Pension Top up Grant – A review of the accounts identified that Pension Top up grant was misclassified under Financing and Investment Income and Expenditure. This has been corrected in the 2020/21 and classified the pension top up grant under the Net cost of Service as per the code of practice.
- (ii) Injury Pensions cost & Ill Health Top Up Pensions - These expenditures are misclassified under the Support staff pension net interest on the net defined benefit liability and offset against the pension top up grant. These pensions expenditures are reclassified from the Financing and Investment Income and Expenditure to the Net Cost of the Services in the CIES.

As a result of the above changes, the gross income and gross expenditure balances within the net cost of services have increased. The above changes are classification issues and there will be no changes in the Balance sheet and other notes of the accounts. The (Surplus) or Deficit on Provision of Services and Comprehensive Income and Expenditure will remain same for the 2019/20 financial statements

Injury Pensions	19,826
Ill Health Top Up and Other Pension cost	1,463
Pension Top Up Grant	(21,289)

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/21 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	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	16,606	-	-	-	16,606	(16,606)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital		-	-	(679)	(679)	679
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(7,154)	-	-	-	(7,154)	7,154
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES		-	-	-		
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	106,508	-	-	-	106,508	(106,508)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(1,225)	-	-	-	(1,225)	1,225
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	(625)	-	(625)	625
Adjustment due to Accumulated Absences, reversal of prior year charge	(4,682)	-	-	-	(4,682)	4,682
Adjustment due to Accumulated Absences, current year charge	10,636	-	-	-	10,636	(10,636)
Total Adjustments	120,689		(625)	(679)	119,385	(119,385)

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

The following table provides comparative figures for 2019/20:

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

Note 7 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance as at 31/03/2019	Transfers Out	Transfers In	Balance as at 31/03/2020	Transfers Out	Transfers In	Balance as at 31/03/2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Firefighter Ill Health Pensions	-	-	-	-	-	-	-
Vehicle Fleet Reserve	2,865	(2,152)	790	1,503	(112)	970	2,585
London Resilience	1,015	(282)	38	771	-	-	771
Sustainability Reserve	235	(235)	235	235	-	-	235
Hydrants	462	(95)	-	367	-	95	462
Compensation	1,000	(713)	-	287	(1,000)	713	-
Hazardous Material Protection	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-
Property PFI	-	-	-	-	-	-	-
Pension Early Release	-	-	-	-	-	425	425
LSP 2017 Implementation	4,178	(555)	76	3,699	(983)	-	2,716
Emergency Services Mobile Communication Programme	1,928	(99)	345	2,174	(1,330)	-	844
Emergency Medical Response	294	-	-	294	-	-	294
EU Procurement Projects	210	(70)	-	140	(140)	-	-
Community Safety Fund	-	(11)	11	-	-	-	-
ICT Development Reserve	1,851	(208)	310	1,953	(31)	361	2,283
New Governance Arrangements	-	(148)	148	-	-	-	-
Recruitment/Outreach	370	(120)	-	250	-	-	250
Fire Safety & Youth Engagement	715	(24)	316	1,007	(672)	4,594	4,929
Additional Resilience Requirements	767	(337)	192	622	(98)	-	524
Budget Flexibility	23,111	(467)	7,287	29,931	(10,237)	15,495	35,189
Capital Receipt - GLA	11,745	-	-	11,745	-	-	11,745
HMICFRS Inspection Regime	21	(86)	65	-	-	-	-
LFC Control Centre	959	(230)	-	729	-	-	729
Organisational Reviews	505	(494)	316	327	(239)	-	88
National Operational Guidance Project	-	(45)	792	747	(102)	184	829
Transformation Reserve	-	-	5,500	5,500	(1,422)	2,200	6,278
In Year Savings Reserve	-	-	-	-	-	5,000	5,000
Grenfell Infrastructure Reserve	-	-	-	-	(95)	1,306	1,211
Covid	-	-	-	-	-	1,968	1,968
LFB Museum Project	-	-	-	-	(46)	330	284
Total	52,231	(6,371)	16,421	62,281	(16,283)	33,641	79,639

Note 8 Minimum Revenue Provision

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

Note 9 Property Plant and Equipment

ACCOUNTING POLICIES

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

RECOGNITION

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or

service potential associated with the item will flow to the LFC and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

MEASUREMENT

Assets are initially measured at cost, comprising:

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

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

The cost of an asset acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows

of the LFC). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the LFC.

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

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

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

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

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

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

IMPAIRMENT

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

DEPRECIATION

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

Depreciation is calculated on the following bases:

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

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

COMPONENT ACCOUNTING

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

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

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell which is deemed to be the estimated disposal proceeds for the site. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income

and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Only amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or

set aside to reduce the LFC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserves Statement.

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

Note 9 Property, Plant and Equipment (continued)

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

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

Movement in Balances 2020/21	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Heritage Assets £000	Assets held for sale £000	Total £000
Cost or Valuation							
As at 1 April 2020	410,384	119,890	24,819	13,755	1,432		570,280
Additions	5,724	7,707	73	5,568			19,072
Revaluation increases / (decreases) recognised in Revaluation Reserve	5,676		6				5,682
Revaluation increases / (decreases) recognised in the CIES	(5,789)		(5)				(5,794)
Derecognition – Disposals	(2,302)	(11,023)	(1,124)				(14,449)
Other movements in cost or valuation	975	7,584	(1,294)	(7,715)		450	
As at 31 March 2021	414,668	124,158	22,475	11,608	1,432	450	574,791
Accumulated Depreciation and Impairment							
As at 1 April 2020	(2,904)	(72,755)	(1,124)				(76,783)
Depreciation charge for 2020/21	(5,485)	(6,768)					(12,253)
Derecognition – disposals	21	11,003	1,124				12,148
Write out of accumulated depreciation	4,440						4,440
As at 31 March 2021	(3,928)	(68,520)					(72,448)
Net Book Value:							
As at 31 March 2020	407,480	47,135	23,695	13,755	1,432		493,497
As at 31 March 2021	410,740	55,638	22,475	11,608	1,432	450	502,342

Note 9 Property, Plant and Equipment (continued)

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

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

Note 9 Property, Plant and Equipment (continued)

BASIS OF VALUATIONS

OPERATIONAL PORTFOLIO

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

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

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

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

provided are satisfactory for the purposes of the financial statements.

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

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

THE FORMER LFEPA HEADQUARTERS

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

Agreement. However, this development has been refused by the Secretary of State.

Previously the site has been valued as one asset but due to the above the site has been 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 are an operational asset and as such has been valued as a specialised asset. Whilst the rear site is a non operational asset and has been classified as a surplus asset which has been revalued at fair value (market value) in line with IFRS 13.

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

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

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

ASSETS HELD FOR SALE

Assets held for sale are valued at the lower of EUV/DRC and fair value. The methods and assumptions applied to these valuations are the same as noted above for our operational portfolio (EUV/DRC) and surplus assets (fair value). The fair value is represented by the market value of the asset, which is defined as 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 2021, in accordance with the current edition of the RICS Valuation – Global Standards 2017 (The Red Book), included the UK National Supplement, effective from 14th January 2019.

VALUER'S REPORT

In their report, Dron & Wright confirmed that, for the whole of the LFC operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used. Non-specialised operational properties have been valued by reference to sales comparisons and market variables. Special assumptions have been made to disregard the leases which are linked to commercial contracts between LFC and third

parties, in the case of the PFI properties (with Blue3) and Ruislip Workshops (with Babcock). Properties which are held for sale have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may be different to the prices which would have been obtainable in the open market for LFC's interests in the properties, if they had been declared surplus to LFC's operational requirements, at the valuation date.

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

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

Note 9 Property, Plant and Equipment (continued)

The London Fire Brigade therefore concludes that the measurement of its PPE assets is materially accurate as at 31 March 2021 but that the situation will be closely monitored and any changes in value that take place over the coming months will be reflected in the 2021/22 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 is not involved 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 used to the LFC. The useful lives assigned to the major software suites used by LFC are:

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

Note 9 Property, Plant and Equipment (continued)

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

Movement in Balances 2020/21	Operational			Under Development (non-operational)		
	Software licences £'000	In-house Software £'000	Total £'000	Software licences £'000	In-house Software £'000	Total £'000
Balances at 1st April						
Gross carrying amounts	14,355	12,772	27,127	71	-	71
Accumulated amortisation	(14,028)	(10,294)	(24,322)	-	-	-
Net carrying amount at 1st April	327	2,478	2,805	71	-	71
Reclassification	-	-	-	-	-	-
Additions	86	-	86	-	-	-
Amortisation for the period	(286)	(1,663)	(1,949)	-	-	-
Net carrying amount at 31 March	127	815	942	71	-	71
Comprising:						
Gross carrying amounts	14,441	12,772	27,213	71	-	71
Accumulated amortisation	(14,314)	(11,957)	(26,272)	-	-	-
	127	815	942	71	-	71

Note 9 Property, Plant and Equipment (continued)

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

Movement in Balances 2019/20	Operational			Under Development (non-operational)		
	Software licences £'000	In-house Software £'000	Total £'000	Software licences £'000	In-house Software £'000	Total £'000
Balances at 1st April						
Gross carrying amounts	14,355	12,209	26,564	71	-	71
Accumulated amortisation	(13,658)	(8,730)	(22,388)	-	-	-
Net carrying amount at 1st April	697	3,479	4,176	71		71
Reclassification	-	94	94	-	-	-
Additions	-	469	469	-	-	-
Amortisation for the period	(370)	(1,564)	(1,934)	-	-	-
Net carrying amount at 31 March	327	2,478	2,805	71	-	71
Comprising:			-			
Gross carrying amounts	14,355	12,772	27,127	71	-	71
Accumulated amortisation	(14,028)	(10,294)	(24,322)	-	-	-
	327	2,478	2,805	71	-	71

Heritage Assets

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

Note 10 Financial Instruments

ACCOUNTING POLICY

FINANCIAL LIABILITIES

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

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

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

settlement of borrowing resulting from any premiums or discounts.

FINANCIAL ASSETS

Financial assets are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both

realised and unrealised) are accounted for asset is disposed of.

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

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

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

Note 10 Financial Instruments (continued)

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

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

31 March 2020		Financial liabilities and Assets at amortised cost	31 March 2021	
£'000	£'000		Loans & Receivables	£'000
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued Interest	-	-
-	-	Total investments	-	-
77	6,520	Debtors	53	7,873
-	69,733	Cash Equivalents	-	44,333
77	76,253	TOTAL	53	52,206

Note 10 Financial Instruments (continued)

FINANCIAL INSTRUMENTS GAINS/LOSSES

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

2019/20 £'000	Financial Instruments Income & Expenditure	2020/21 £'000
9,130	Interest expense	9,070
(1,239)	Interest income	(534)
7,891	Net gain/(loss) for the year	8,536

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

Note 10 Financial Instruments (continued)

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 today's terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the LFC's treasury advisor Link Asset Services and PWLB from the market on 31 March 2021, using bid prices where applicable.

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

The fair value of PWLB debt is based on PWLB valuation and the local authority debt is based on Link Asset Services valuation level 2, who are an independent treasury management service

provider to UK public service organisations. Link Asset Services valuation uses the new borrowing rates in their valuation assessment.

31 March 2020		Liabilities & Assets	31 March 2021	
Carrying amount	Fair value		Carrying amount	Fair value
£'000	£'000		£'000	£'000
60,725	88,704	Public Work Loan Board Debt (PWLB)	55,725	77,549
64,048	64,048	PFI & Other Finance Leases	61,336	61,336
9,659	9,659	Trade and other creditors	6,668	6,668
134,432	162,411	Total Liabilities	123,729	145,553
3,439	3,439	Trade and other debtors	4,839	7,873
77	77	Long term debtors	53	53
69,733	69,733	Cash & Cash Equivalents	44,333	44,333
73,249	73,249	Total Assets	49,225	52,259

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

Note 10 Financial Instruments (continued)

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

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

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

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

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

OVERALL PROCEDURES FOR MANAGING RISK

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The LFC's overall borrowing

- Its maximum and minimum exposures to fixed and variable rates
- Its maximum and minimum exposures to the maturity structure of its debt
- Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance
- These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on the treasury management performance are submitted to the Corporate Services Directorate Board for scrutiny, and then to the LFC.

Note 10 Financial Instruments (continued)

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

The key issues within the strategy were:

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

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

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

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

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

Note 10 Financial Instruments (continued)

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 recoverability applies to all of the LFC's deposits, but there was no evidence as at the 31 March 2021 that this was likely to crystallise.

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

The closing investment position on the GIS, as of 31 March 2021, was £41.3m with a Weighted

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

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

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

Note 10 Financial Instruments (continued)

REFINANCING AND MATURITY RISK

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

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

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the LFC's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

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

Note 10 Financial Instruments (continued)

MARKET RISK

INTEREST RATE RISK

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

- (i) Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- (ii) Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- (iii) Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- (iv) Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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

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

Note 11 Long Term Borrowing

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

Note 12 Debtors

SHORT TERM DEBTORS

These are as the illustrated in the table:

31 March 2020	Debtors	31 March 2021
£'000		£'000
22,714	Central government bodies - Home Office	32,851
2,861	Central government bodies - HMRC	4,426
94	Central Government bodies - Other	3,200
656	Other Local Authorities	601
8,955	Other entities and individuals	14,128
(445)	Less: Impairment Allowance for Doubtful Debts	(445)
34,835	Total	54,761

IMPAIRMENT ALLOWANCE

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

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

Aged debt analysis	Greater than 2 Years	1-2 years	120-365 days	90-120 days	60-90 days	30-60 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000	
Sundry debt (ex MFB)	47	109	80	108	15	554	914
Third party claims	5				1	4	10
Metropolitan Fire Brigade (MFB) Act			7,047				7,047
Total	53	109	7,127	108	16	558	7,971

Note 13 Cash and Cash equivalents

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

31 March 2020	Cash and Cash Equivalents	31 March 2021
£'000		£'000
11	Cash held by the Authority	11
(1,796)	Bank current accounts	(493)
71,518	Short term deposits held on demand	44,815
-	Short term deposits with maturity of 3 months or less	-
69,733	Total Cash and Cash Equivalents	44,333

Note 14 Creditors

31 March 2020	Creditors	31 March 2021
£'000		£'000
8,759	Central government bodies – HMRC	10,265
528	Central government bodies – Other	550
386	Other local authorities	184
11,771	Other entities and individuals	8,504
4,683	Accumulated Absences	10,636
21,158	Receipts in advance	19,653
47,285	Total Creditors	49,792

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.

Note 15 Provisions (continued)

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

Long Term Provisions 2020/21 £000s	Legal	Employees	Pensions	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
Opening Balance	338	-	-	1,003	1,612	510	146	3,609
Increase in provision during the year	(43)	-	-	-	525	-	-	482
Utilised during the year	-	-	-	(1,003)	-	-	-	(1,003)
Closing Balance	295	-	-	-	2,137	510	146	3,088

Note 15 Provisions (continued)

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	-	-	1,153
Utilised during the year	(474)	-	-	-	(145)	-	-	(619)
Closing Balance	338	-	-	1,003	1,612	510	146	3,609

Note 16 Usable Reserves

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

Note 17 Unusable Reserves

ACCOUNTING POLICY

The LFC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against

the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

31 March 2020	Unusable Reserves	31 March 2021
<i>£'000</i>		<i>£'000</i>
(180,457)	Revaluation Reserve	(183,692)
(165,889)	Capital Adjustment Account	(161,407)
6,515,486	Pensions Reserve	7,155,196
4,683	Accumulated Absences Account	10,636
6,173,823	Total Unusable Reserves	6,820,733

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.

2019/20		Revaluation Reserve	2020/21	
£'000	£'000		£'000	£'000
	(175,364)	Balance as at 1 April		(180,457)
(22,119)		Upward revaluation of assets	(14,319)	
13,407		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,637	
	(8,712)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(5,682)
2,085		Difference between fair value depreciation and historical cost depreciation	1,194	
-		Accumulated gains on assets sold or scrapped	1,253	
	2,085	Amount written off to the Capital Adjustment Account		2,447
(180,457)		Total Unusable Reserves		(183,692)

Note 17 Unusable Reserves (continued)

CAPITAL ADJUSTMENT ACCOUNT

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

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

2019/20		Capital Adjustment Account	2020/21	
£'000	£'000		£'000	£'000
	(149,075)	Balance at 1 April		(165,889)
22,321		Charges for depreciation and impairment of non current and intangible assets	15,557	
1,712		Amounts of non current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,049	
	24,033			16,606
(30,430)		Use of Capital Receipts to finance new capital expenditure	(3,776)	
-	-	Capital Expenditure Charged Against The General Fund	-	-
(2,619)		Adjusting amounts written out to the Revaluation Reserve	(1,194)	
-		Capital grant and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	-	
(631)		Application of grants to capital financing from the Capital Grants unapplied Account		
(7,167)		Statutory provision for the financing of capital investments charged against the General Fund	(7,154)	
	(40,847)			(12,124)
	(165,889)	Balance at 31 March		(161,407)

Note 17 Unusable Reserves (continued)

PENSIONS RESERVE

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

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

2019/20 £'000	Pensions Reserve	2020/21 £'000
6,851,167	Balance at 1 April	6,515,486
(459,830)	Actuarial (gains) or losses on pensions assets and liabilities	533,207
314,741	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	294,410
(190,592)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(187,907)
6,515,486	Balance at 31 March	7,155,196

Note 17 Unusable Reserves (continued)

ACCUMULATED ABSENCES ACCOUNT

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

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

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

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

2019/20		Accumulated Absences Account	2020/21	
£'000	£'000		£'000	£'000
	3,867	Balance as at 1 April		4,683
(3,867)		Settlement or cancellation of accrual made at the end of the preceding year	(4,683)	
4,683		Amounts accrued at the end of the current year	10,636	
	816	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		5,954
4,683		Balance as at 31 March		10,636

Note 18 Expenditure and Income Analysed By Nature

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

- No charges are made in relation to depreciation, revaluation and impairment losses, or amortisation. These are charged to services in the Comprehensive Income and Expenditure Statement. The reports do however include external financing costs, which includes debt charges such as interest costs and Minimum Revenue Provision to reflect the cost of repaying debt.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year as defined by the LFC's actuaries.
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

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

2019/20	Expenditure and Income Analysed by Nature	2020/21
£'000		£'000
498,602	Employee Benefits Expenditure	497,975
36,928	Premises	39,823
16,645	Transport	16,724
29,248	Supplies and Services	32,395
1,871	Third Party Payments	1,957
4,749	Interest Payments	4,706
22,324	Depreciation and Impairment	15,556
610,367	Total expenditure	609,136
(43,497)	Fees, charges and other service income	(51,938)
(1,239)	Interest and investment income	(534)
651	Gain on disposal of non-current assets	15
(35,865)	Government grants and contributions	(48,747)
(392,305)	GLA Funding	(401,500)
(472,255)	Total income	(502,703)
138,112	Surplus or Deficit on the Provision of Services	106,433

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.

Note 18 Expenditure and Income Analysed By Nature (continued)

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.

Expenditure and Funding Analysis	2020/21		
	Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES Statement
	£'000	£'000	£'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	483,433	(127,843)	355,590
Cost of services	483,433	(127,843)	355,590
Other income and expenditure	(256,311)	7,154	(249,157)
(Surplus) or Deficit on Provision of Services	227,122	(120,689)	106,433
Opening General Fund Balance			731,867
(Surplus) or Deficit on Provision of Services			227,122
Closing General Fund Balance			958,989

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

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2020/21		
	Adjustment for capital purposes	Net change for the pension's adjustment	Adjustments between funding and accounting basis
	£'000	£'000	£'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	166,566	(294,409)	(127,843)
Cost of services	166,566	(294,409)	(127,843)
Other income and expenditure from the Expenditure and Funding Analysis	(180,753)	187,907	7,154
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(14,187)	(106,502)	(120,689)

Note 18 Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2018/19:

Expenditure and Funding Analysis	2019/20		
	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

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20		
	Adjustment for capital purposes	Net change for the pension's 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 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

Note 20 Officer Remuneration

SENIOR OFFICERS

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

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

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

Note 20 Officer Remuneration (continued)

Senior Officers

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

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

Note 20 Officer Remuneration (continued)

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

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

Note 20 Officer Remuneration (continued)

Senior Officers

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

Note 20 Officer Remuneration (continued)

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

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

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

The figures shown in the table represent the scale fees set by Public Sector Audit Appointments (PSAA) of £51,961 for both 2019/20 and 2020/21 plus an additional fee proposed by our auditors, EY, for increased regulatory focus and change of scope. This additional element is £47,200 in both years. In addition, EY have proposed further fees of £64,723 following additional work in the 2019/20. Additional fees above the set scale fee are subject to approval per PSAA, at the date of authorisation of these accounts, these fees have not been approved.

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

Note 22 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

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

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

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

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

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

Note 22 Grants (continued)

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

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

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

2019/20 £'000	Credited to Taxation and Non-Specific Grant Income	Source of Funding	2020/21 £'000
392,305	GLA Grant	Greater London Authority	401,500
1	Contributions to Capital	The Metropolitan Masonic Charity	1,240
3,732	PFI Grant	Home Office	3,732
396,038	Total		406,472
	Credited to services		
21,732	Fire Pensions Grant	Home Office	21,732
3,059	Fire Control Grant	Home Office	-
3,457	New Dimensions & USAR Grant	Home Office	3,457
-	Fire Covid 19 Grant	Home Office	1,760
217	New Risks grant	Home Office	197
500	NFCC Building Safety Programme	Home Office	-
-	Fire Safety Grant	Home Office	177
-	Fire Contingency Grant	Home Office	6,157
-	Merton Regional Control	Home Office	2,206
84	Local Resilience Fund	Home Office	160
786	CPO Grants	Home Office	
32	Mass Fatalities Regional Capacity	Home Office	32
76	Local Resilience Forum	Ministry of Housing Communities and Local Government (MHCLG)	-
-	Building Risk Review	Home Office	5,518
12	Sustainable Development Grant (Hytime)	Department for Transport (Innovate UK / TEC Strategy Board)	-
2,177	Apprentice Grant*	HM Revenue and Customs	-
-	Fire Revenue Fire Link Grant	Home Office	1,073
-	Infrastructure Fund	Innovate UK (formerly Technology Strategy Board)	1,306
32,132	Revenue Grant Income		43,775
-	Revenue Contributions Received		-
32,132	Total		43,775

Note 23 Related Party Transactions

MAYOR OF LONDON AND THE GREATER LONDON AUTHORITY (GLA)

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

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

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

CENTRAL GOVERNMENT

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

MEMBERS/OFFICERS

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

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

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

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

Note 24 Capital Expenditure and Capital Financing

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

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

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

2019/20 £'000	Capital Expenditure and Financing	2020/21 £'000
157,195	Opening Capital Financing Requirement	150,028
17,391	Tangible Operational Assets	13,431
13,201	Tangible Non Operational Assets	5,640
469	Intangible Assets	86
	Sources of finance	
(31,061)	Government grants and other contributions	(3,776)
	Sums set aside from Revenue to Fund Capital Expenditure	
(7,167)	Minimum Revenue Provision	(7,154)
	Other Movements	
150,028	Closing Capital Financing Requirement	158,255
	Explanation of movements in year	
-	Other long term liability PFI and finance lease	-
-	Borrowing from PWLB & Local Authorities in year	-
(7,167)	Increase/(decrease) in underlying need to borrow	(8,227)
	Other movements	
(7,167)	Increase/(decrease) in Capital Financing Requirement	(8,227)

Note 25 Other Long Term Liabilities

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

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

Note 26 Service Concession Arrangements, Finance and Operating Leases

LEASES

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

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

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

THE LFC AS A LESSEE FINANCE LEASES

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

Lease payments are apportioned between:

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

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

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

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PROPERTY PFI SCHEME

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

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

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

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

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

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

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

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

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

Comparative Figures for 2019/20:

PFI Property Future Liabilities	Within 1 Year	Within 2 to 5 Years	Within 6 to 10 Years	Within 11 to 15 Years	Within 16 to 20 Years	Within 21 to 25 Years
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
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

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

FINANCE LEASES

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

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

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

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

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

OPERATING LEASES

THE LFC AS A LESSEE

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

OPERATING LEASES AND LIABILITIES

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

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

THE LFC AS A LESSOR

Where the LFC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease,

even if this does not match the pattern of payments (i.e. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and are charged as an expense over the lease term on the same basis as rental income.

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

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

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

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

Note 27 Termination Benefits

ACCOUNTING POLICY

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

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

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

Exit package cost band	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.
£'000								
0 - 20	-	-	0	1	0	1	0	20
20 - 40	-	-	1	0	1	0	39	0
40 - 60	-	-	1	2	1	2	47	101
60 - 80	-	-	1	0	1	0	71	0
80 - 100	-	-	0	0	0	0	0	0
100 - 150	-	-	0	0	0	0	0	0
Over 150	-	-	0	0	0	0	0	0
Total	-	-	3	3	3	3	157	121

Note 28 Pensions

Defined Benefit Pension Schemes

POST EMPLOYMENT BENEFITS – ACCOUNTING POLICY

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

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

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

These are unfunded schemes, which are administered by the LFC in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of

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

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

This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LLP. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the LPFA with advice

from the fund's Actuary, based on triennial actuarial valuations, the last review, impacting on 2019/20, being at 31 March 2013. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS 19 purposes was dated April 2019.

Post employment benefits have been included in the LFC's accounts to comply with accounting standard IAS19 - Employee Benefits. The International Accounting Standards Board (IASB) issued a new version of IAS19 in June 2011. This revised standard applies to financial years starting on or after 1 January 2013.

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2020/21.

Note 28 Pensions (continued)

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 pension's liability is analysed into seven components, being:

- Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the LFC, based on an average of the expected long term return – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Gains/losses on settlements and curtailments – the result of actions to relieve the LFC of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

Expenditure Statement as part of Non Distributed Costs

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to Pensions Reserve
- Contributions paid to the Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 28 Pensions (continued)

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

MCCLLOUD/SARGEANT JUDGEMENT

Allowance has been made for the potential impact of the McCloud / Sergeant 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 tables are the combined figures for the 1992, 2006 and 2015 schemes.

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

Note 28 Pensions (continued)

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

Local Pensions Partnership

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

* Includes injury pensioners

LGPS Average Age	FPS Average Age	Membership of Schemes	LGPS Average Age	FPS Average Age
2019/20	2019/20		2020/21	2020/21
48	41	Actives	48	41
49	43	Deferred Pensioners	49	44
71	63	Pensioners	71	66
75	-	Unfunded Pensioners	75	-
-	69	Injury Pensioners	-	71

Note 28 Pensions (continued)

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

Note 28 Pensions (continued)

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

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

Note 28 Pensions (continued)

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

Funded Liabilities Local Government Pension Scheme 2019/20 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2019/20 £'000		Funded Liabilities Local Government Pension Scheme 2020/21 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2020/21 £'000
585,791	6,625,040	Opening Balance at 1 April	549,449	6,312,780
13,328	135,520	Current Service cost	15,933	131,670
14,116	162,070	Interest costs	11,914	141,520
2,906	21,340	Contributions from scheme participants	3,145	23,580
		Re-measurement (gains) and losses:		
5,964	(208,220)	• Actuarial gains/losses arising from changes in demographic assumptions	(5,880)	
(53,032)	(188,320)	• Actuarial gains/losses arising from changes in financial assumptions	135,682	652,900
(1,314)	(32,350)	• Experience loss/(gain) on defined benefit obligation	(6,897)	(191,990)
(948)		Unfunded pension payments	(948)	
-	(2,000)	Past service cost	-	
(16,029)	(200,300)	Benefits paid	(14,707)	(201,030)
(1,333)		Liabilities extinguished on settlements		
549,449	6,312,780	Closing balance at 31 March	687,691	6,869,430

Note 28 Pensions (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

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

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

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

VALUATION METHOD

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

assumptions about mortality rates, salary levels, etc.

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

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

Note 28 Pensions (continued)

FINANCIAL ASSUMPTIONS

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

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

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

ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In 2020/21 the LFC made an additional employer contribution payment of £3,534k to the LGPS fund to reduce the LGPS pension deficit. That payment in 2019/20 was £5,398k. Together these payments have resulted in ongoing savings from 2020/21 against the LFC's past service deficit payments.

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

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

Note 28 Pensions (continued)

LOCAL GOVERNMENT PENSION SCHEME

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

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

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

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

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

- Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk: In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

Note 28 Pensions (continued)

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

LGPS – ACTUARIAL ASSUMPTIONS

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

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

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

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

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

Note 28 Pensions (continued)

FIREFIGHTER PENSION SCHEMES ASSUMPTIONS

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

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

DISCOUNT RATE

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

The duration of the scheme is around 20 years; this estimate is unchanged from last year and is greater than that of any meaningful AA corporate bond data. We believe that there is insufficient corporate bond data of a sufficiently long duration to directly extrapolate the discount rate from these. A nominal discount rate has been calculated by using gilts plus an additional spread to reflect the difference between the yields on gilts and bonds. Based on this methodology, the nominal discount rate at 31 March 2021 is assumed to be 2.0% a year.

PENSION INCREASES

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

EARNINGS INCREASES ASSUMPTIONS

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

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

Note 28 Pensions (continued)

RATE OF REVALUATION FOR CARE PENSIONS

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

ALLOWANCE FOR INJURY PENSIONS

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

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

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

Note 28 Pensions (continued)

MORTALITY ASSUMPTIONS

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

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be

interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 28 Pensions (continued)

SENSITIVITY ANALYSIS

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

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

Note 28 Pensions (continued)

FIREFIGHTERS' PENSION SCHEMES

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

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

Comparative figures at year ended 31/03/2020:

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

Note 29 Contingent Liabilities and Assets

CONTINGENT LIABILITIES

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

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

GLA GRANT

In 2018/19, LFC received a one off grant (Business Rates) from the GLA for £11.745m in respect of the sale of the former Southwark fire station and training centre. The grant was provided to LFC with the provision that should the sale of the former Headquarters at 8 Albert Embankment complete, the grant would be repaid to the GLA. At this time, planning approval for the redevelopment of 8 Albert

Embankment has not been secured and it is not possible to state if or when the grant will be due to be repaid. LFC has created an earmarked reserve for this item.

FIREFIGHTERS' PENSION SCHEME

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

CONTINGENT ASSETS

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

Contingent assets are not recognised within the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service

potential. As at 31 March 2021 the LFC had no contingent assets.

Note 30 Self Insurance

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

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

Note 31 Going Concern

London Fire Commissioner

2020/21 Going Concern Note

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2023, management have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The LFC's most recent balances are as follows:

Date	General Fund	Earmarked reserves
31/03/21	£12.7m	£79.6m

Our forecast balance on reserves was set out in the Budget 2021/22 and included forecast total reserves at 31 March 2022 of £64.8m and at 31 March 2023 of £59.8m. This LFC expects to maintain balance on the General reserve to maintain the minimum level as set by the LFC's CFO of 3.5 per cent of net revenue expenditure after a planned transfer from Earmarked Reserves.

The cashflow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing, other than to support the capital programme, which is consistent to our plans and normal practice.

The forecast above is based on indicative funding included in the Mayor's Budget 2021/22, updated by funding set out in his Final Budget 2021/22. The LFC Budget 2021/22 included the achievement of £2.8m savings and a £5.9m recruitment freeze to present a balanced budget. The recruitment freeze is then a key saving into 2022/23 with this expected to achieve a saving of £14.7m with the full year impact. The Mayor's Budget Guidance 2022/23 has now been published and, whilst this highlights the level of uncertainty impacting on budget planning, includes further improvement in the indicative funding for the LFC. The LFC is now progressing through its budget process for 2022/23 and will make a budget submission to the Mayor in November 2023. .

On this basis, the LFC has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern

period maintaining the provision of its services without significant amendment or reductions. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

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

2019/20		2020/21
£'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	£'000
(19,177)	Depreciation of Non Current Assets	(12,253)
(1,211)	Impairment, Impairment Reversal and Revaluation of Non Current Assets	(1,354)
(1,937)	Assets de-recognised during year	(2,301)
(1,934)	Amortisation of Intangible assets	(1,949)
(1,244)	(Increase)/Decrease in impairment for provision of bad debts	
133	Increase/(Decrease) in inventories	(39)
1,815	Increase/(Decrease) in debtors	19,902
3,167	(Increase)/Decrease in creditors	(2,506)
6,074	(Increase)/Decrease in provisions	69
(124,149)	Pension Fund costs adjustment	(106,102)
(10)	Other Non cash items	6
(138,473)	Net cash (inflow)/outflow from operating activities	(106,527)

Note 33 Cash Flow Statement – Operating Activities

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

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

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

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

**FIREFIGHTERS' PENSION FUND
ACCOUNT AND NOTES**

Firefighters' Pension Fund Account Notes

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

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

Firefighters' Pension Fund Account Notes

1. THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

Under new funding arrangements the schemes remain unfunded but will not be on a pay-as-you-go basis as far as the LFC is concerned. Apart from the costs of injury awards the LFC no longer meets pension outgoings directly,

instead it will pay an employer's pension contribution based on a percentage of pay into the Pension Fund.

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

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

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

ACCOUNTING POLICIES

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

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

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 firefighter's pension regulations the employer's contribution rates as a percentage of pensionable pay is increased following the 2019 valuation to 37.3% for the 1992 scheme, 27.4% for the 2006 scheme and 28.8% for the 2015 scheme from 2020/21. Employee contributions, as a percentage of pensionable pay, depend on the level of earnings for the different schemes as shown in the tables.

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

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

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

ANNUAL GOVERNANCE STATEMENT

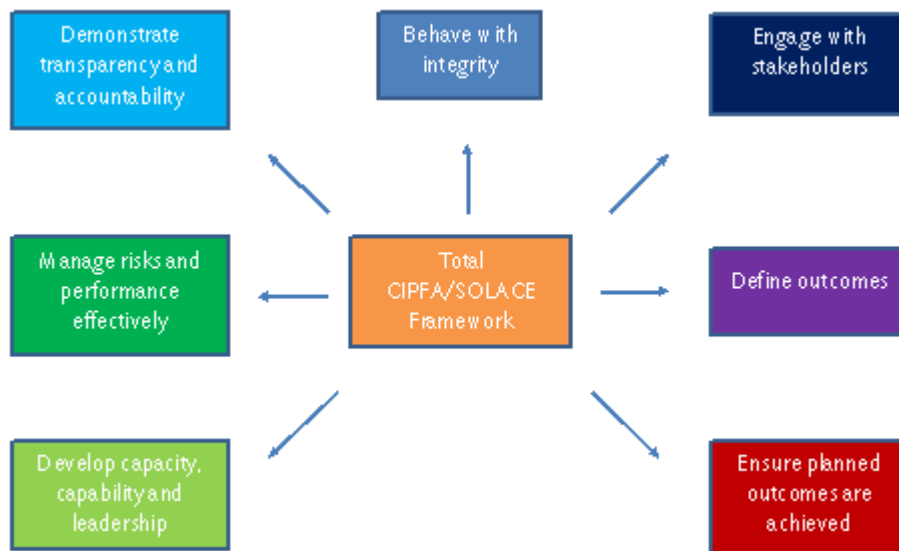
London Fire Commissioner

ANNUAL GOVERNANCE STATEMENT 2020/21

Introduction

1. Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement.
2. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a [London Fire Commissioner Governance Direction 2018](#) in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for Fire and Resilience's consent and those on which the Deputy Mayor for Fire and Resilience needs to be consulted. It also requires the LFC to follow the Greater London Authority (GLA) practice on staff political restrictions, based on those in the Local Government and Housing Act 1989. In addition, the functions of the LFC shall be exercised by the office holder to fulfil the commitments given by LFEPA as a signatory to the GLA Group Corporate Governance Framework Agreement.
3. This Annual Governance Statement for 2020/21 reflects the governance arrangements in place under the LFC.
4. The LFC's governance framework is based on the CIPFA/SoLACE *Delivering Good Governance in Local Government Framework 2016* which requires the LFC to be responsible for ensuring that:
 - business is conducted in accordance with all relevant laws and regulations
 - public money is safeguarded and properly accounted for
 - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
5. The CIPFA 2016 review promotes writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style; striking a balance between providing the right amount of information to satisfy transparency while not being too onerous for users to understand. This statement has been produced with those considerations in mind.
6. The "core principles" underpinning the CIPFA/SoLACE Framework are set out below:

London Fire Commissioner - Annual Governance Statement 2020/21(continued)



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
<p>Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law</p>	<ul style="list-style-type: none"> • Behaving with integrity through leadership is provided by the LFC, the Commissioner's Board (CB), Directorate Boards (DB), Portfolio Board, the Top Management Group and senior officers • Behavioural framework outlining the behaviours expected of all employees in the organisation at all levels, following the leading self, leading the function and leading the service model. The Behavioural framework focusses on compassion, togetherness, accountability and the Togetherness Strategy and action plan formulated in 2021 focusses in part on leadership skills and behaviours. This is supported by a scheme of governance which is reviewed annually (last reviewed March 2021), anti-fraud measures, and whistleblowing procedures which are reviewed as and when required, and not less than every three years • Director of Corporate Services is the Head of Paid Service and is responsible for all LFC staff • Director of Corporate Services is the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration • Decision making framework and scrutiny and review arrangements (see para 8 below) • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

CIPFA Principle	How the LFC meets the principle
<p>Principle 2 – Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Public consultation on London Safety Plan, which is the Brigade's integrated risk management plan detailing how the Brigade will address risk in the community • Multi-agency working arrangements on the incident ground and through day to day business with partners to improve community safety, including Ambulance Driver Assist during the COVID-19 pandemic • Community safety youth programmes including Education Team, Fire Cadets,) and Juvenile Fire setters Intervention Scheme (JFIS) and community engagement programmes working with local/emergency service partners – These have all been impacted during 2020/21 by the pandemic • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with NFCC, London Resilience Group and the Government, including co-ordination in relation to the pandemic • Utilising online digital communication channels such as Twitter, Facebook and YouTube to promote engagement with the service
<p>Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> • LFC's Transformation Delivery Plan setting out the LFC's purpose, vision and strategy for the Brigade • Current IRMP (London Safety Plan) - extended for one year in 2020 - with specific commitments and performance indicators for key service areas. • LFC's Sustainable Development Strategy and Togetherness Strategy which are specific strategies focussing on inclusion, social impacts, sustainability and the environment • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety • Equality impact analyses and sustainable development impact assessment procedures

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

CIPFA Principle	How the LFC meets the principle
<p>Principle 4 – Determining the intervention necessary to achieve intended outcomes</p>	<ul style="list-style-type: none"> • Operational Improvement Process Oversight Panel, Operations Professionalism Board and Brigade Portfolio Board • Quarterly corporate performance report tracks the performance of all the Brigade's activities in terms of key performance indicators and commitments against the London Safety Plan. The report also highlights remedial actions being taken where slippage does occur. • Monitoring of performance against the Transformation Delivery Plan, HMICFRS and Grenfell Tower Fire action plans which combined set a clear vision, strategy, and action plan for the Brigade's priorities • The LFC, via the Commissioner's Board, the Deputy Mayor, and the London Assembly (via the Fire Resilience and Emergency Planning Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • Transformation Delivery Plan setting a clear vision, strategy, and action plan for the Brigade's priorities • Monitoring of performance through the Togetherness Board, against the Togetherness Action Plan which drives activity outlined in the Togetherness Strategy.

CIPFA Principle	How the LFC meets the principle
<p>Principle 5 – Developing capacity, including the capability of leadership and individuals within the Brigade</p>	<ul style="list-style-type: none"> • Investment in training, Learning Management System and Big Learning (an online learning portal) • Training partnership with Babcock Training Limited • Talent and performance framework to effectively manage the performance of our people helping us to achieve our targets, goals and priorities by developing our employees and fully utilising their knowledge, skills, as part of our department plans and Transformational Delivery Plan • Reflective learning from operational incidents or exercises (operational staff) • Maintenance of skills through development and maintenance of operational professional (DaMOP) • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way including national arrangements such as National Interagency Liaison Officers (NILOs).

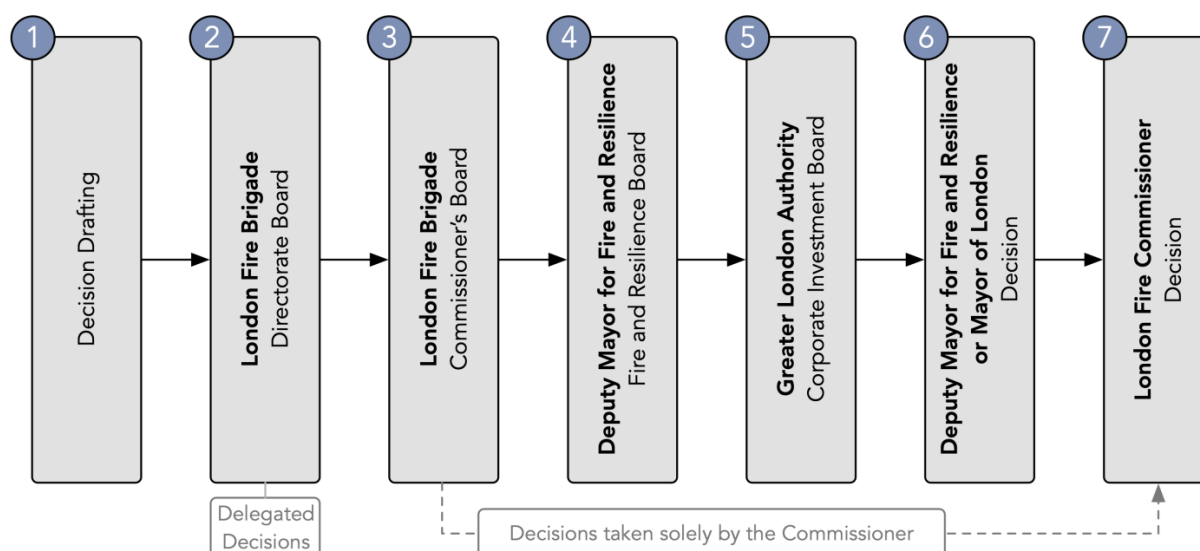
London Fire Commissioner - Annual Governance Statement 2020/21(continued)

CIPFA Principle	How the LFC meets the principle
<p>Principle 6 – Managing risks and performance through strong internal control and financial management</p>	<ul style="list-style-type: none"> • Corporate risk register identifies strategic risks • Review of strategic risks as part of the quarterly performance reporting cycle • Strategic risk register refresh work undertaken during November 2020 through to March 2021 • Budgetary control systems and monthly budget reporting to Commissioner's Board and approval by LFC • Scheme of delegation • Monitoring financial spend and outcomes/profiling of departments • Scrutiny by newly established Audit Committee
<p>Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Information Risk Officer (SIRO) and Data Protection Officer roles • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls • Held to account by Deputy Mayor • Fire, Resilience and Emergency Planning Committee review and scrutiny of LFC decisions and can challenge policy • External audit of Brigade's systems of internal control • Assurance via appointment of independent Operational Assurance Advisor

Decision-making framework and scrutiny

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

London Fire Commissioner - Annual Governance Statement 2020/21(continued)



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

Review of effectiveness

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

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

Issues identified	Performance in 2020/21
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	No significant issues or breaches of officer conduct have occurred.

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

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

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

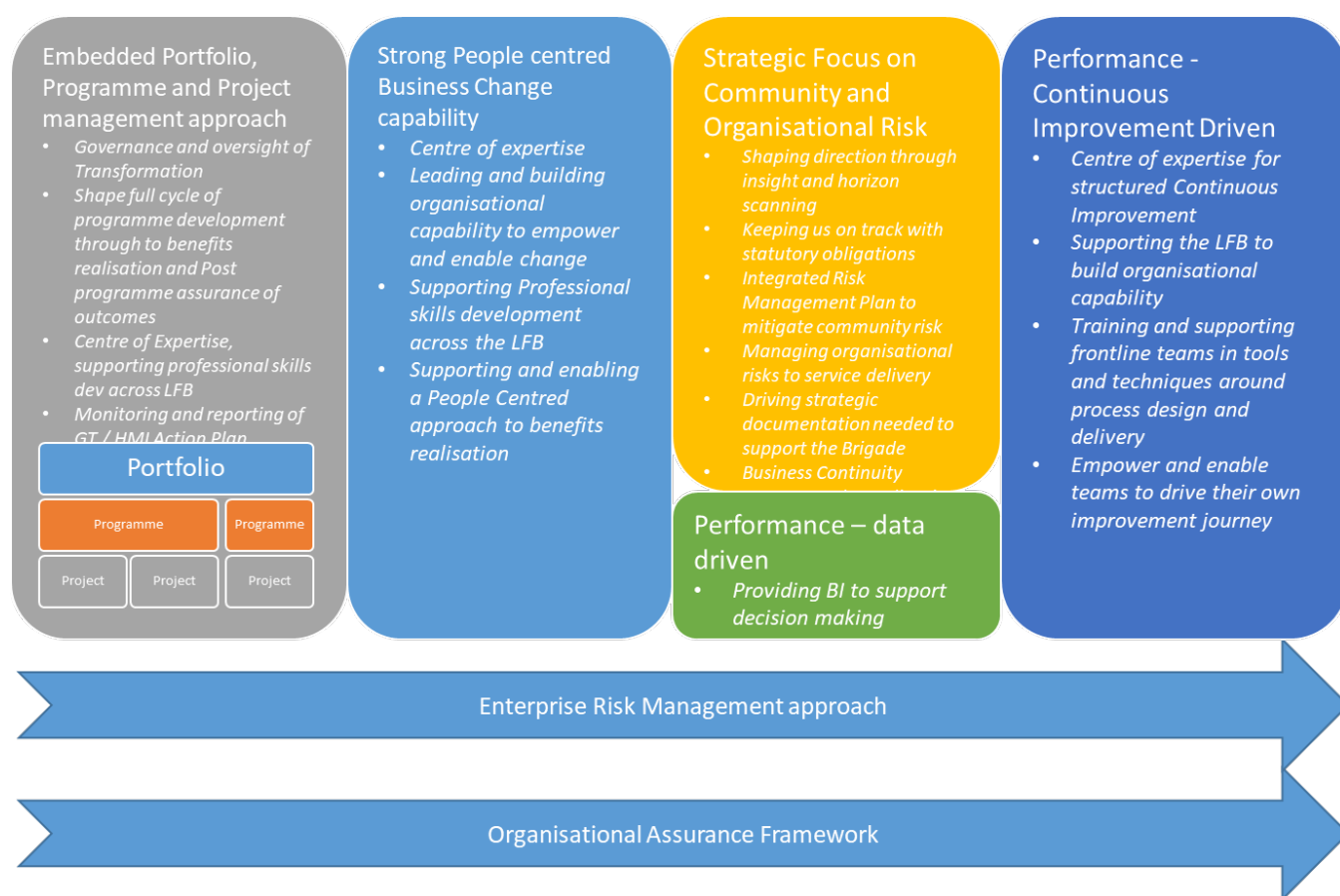
the items above, all level 1 incident commanders are on track to have been trained by December 2021.

13. Deeply embedded cultures take time to change; although monitoring and evaluation suggests cultural change is occurring there remains some ingrained issues. While the Brigade has launched progressive initiatives including the Togetherness Strategy, Wellbeing Strategy and a performance and talent framework, an internal investigation into the Brigade's culture following the death of a trainee firefighter has resulted in the outcome that there should be a Brigade wide review of LFB culture across staff groups. The work to deliver this and subsequent actions will take place during the next financial year. As a result, these key areas of improvement will also be carried forward.
14. The previous statement also highlighted two recommendations from a governance review, namely the creation of a Transformation Board to oversee the transition of the Brigade so that it meets the LFC's vision for the service and the appointment of an audit committee to provide external scrutiny. Both of these functions came into being during 2020/21.
15. A further governance review will take place during 2021/22 to focus on the re-design of board functions, structures and memberships. This is intended to provide better focus on strategic priorities, outcomes and assurance.

The Brigade's Transformation Blueprint

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

Transformation blueprint



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

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

Key areas of improvement for 2021/22	Planned action
<p><i>Carried forward from 2020/21:</i></p> <p><i>Risk critical:</i> Incident command, leadership training, reconnecting with London's communities.</p> <p><i>Longer term:</i> Cultural change, becoming an agile and learning organisation, driving innovation in the fire and rescue service</p>	<p>Effective and timely delivery of the Transformation Delivery Plan (TDP), including delivery of the HMICFRS and Grenfell Tower Inquiry action plans.</p> <p>New - Delivering the culture wide review and acting on subsequent improvement actions.</p>

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

Key areas of improvement for 2021/22	Planned action
<p><i>New for 2021/22:</i></p> <p>Progress and delivery against the transformation blueprint</p>	<p>Expected delivery of:</p> <ul style="list-style-type: none"> - Portfolio approach - Risk strategy and register refresh - Community Risk Management Plan - Assurance framework
Governance review	<p>Development of Audit Committee workplan</p> <p>Improved Board functionality, structure and memberships</p>

The continuing impact of CoVID-19 during 2020/21

19. The coronavirus disease (COVID-19) which emerged towards the end of the previous financial year has continued to have an impact on Brigade operations and the community throughout 2020/21.
20. Throughout the disruption the Brigade has managed to operate at a steady state with all critical activities (i.e. those activities necessary for the delivery of key Brigade services) have continued to be managed as per our Business Continuity arrangements. Our capacity to respond to incidents and maintain our response time has been mostly unaffected and degradation strategies have been put in place to manage any impact on our staffing numbers.
21. In-line with our Strategic Response arrangements (SRA) the Commissioner's Continuity Group (CCG) has convened on a regular basis throughout 2020/21 to provide strategic management of the incident and ensure that the LFB remains prepared for any potential impacts of COVID-19 spread in London. Liaison with the National Fire Chiefs' Council has also continued to ensure sharing of best practice and information across the country and to ensure that the Brigade is aligned with the national position. This approach has allowed us to maintain continuity of service through the various government tiers and national lockdowns.
22. We have adopted an approach limiting some activities in-line with Governments 'social distancing' strategy. However, we have continued to provide our full emergency fire and rescue service response, maintaining operational assurance at simultaneous / waking watch provision, Fire Safety Inspecting Officer activity with additional pre appointment screening, alleged fire risk inspections again with additional pre appointment screening, operational risk

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

database visits, premises risk assessment including high rise information gathering, and petroleum visits / hydrant inspections.

Partnership working

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

Forward look and recovery

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

Financial and governance implications of coronavirus on the Brigade

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

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

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

Equalities considerations

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

Equality in the community

Normally, LFB carries out around 80,000 Home Fire Safety Visits (HFSVs) annually and in addition to reducing fire risk, crews also ensure that referrals are made to specialist services such as safeguarding and to the Metropolitan Police (MPS) and/or London Ambulance Service (LAS) depending on the issue. COVID-19 has significantly impacted the number of face-to-face HFSVs that can be conducted, with visits reduced to those of a risk-critical nature, and performance for 2020/21 shows that 17,321 visits have been completed.

London Fire Commissioner - Annual Governance Statement 2020/21(continued)

Nevertheless, the development of a 'virtual' HFSV package will help to mitigate this going forward and provide new opportunities for engagement with our communities. Additionally, LFB have started a new pilot, working in 9 boroughs to take a deliberative approach in engaging seldom heard communities to shape local community engagement across London. This work will enable the Brigade to better understand and deliver services ensuring they are accessible and shaped by the diverse community we serve.

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

Equality for our staff

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

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

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

Equality in recruitment

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

Conclusion

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



Andy Roe

London Fire Commissioner

Dated: 30 September 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

**Draft Audit Results
Report**

10th September 2021

Year ended 31 March 2021

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the logo.

Building a better
working world



Private and Confidential

10th September 2021

Dear Commissioner,

2021 Draft Audit Results Report

We are pleased to attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Commissioner Board. We will update you at the meeting scheduled for 21 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on London Fire's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Commissioner, Deputy Commissioners, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Commissioners Board meeting on 21 September 2021.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (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 dated 14th May 2021, 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 in materiality** - In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £11m. We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure total gross expenditure, we have updated our overall materiality assessment to £10.56m (Audit Planning Report – £11m). This results in updated performance materiality, at 75% of overall materiality, of £7.9m, and an updated threshold for reporting misstatements of £0.5m.
- ▶ **Pensions** - PwC's review on consulting actuaries highlighted that the CPI assumption used by Government Actuaries Department (GAD) was optimistic. As a result we have engaged our EY Pensions Specialist Team to perform a review of the assumptions specifically for the London Fire Firefighter Pension Scheme. Our work in this area and our findings is discussed in more detail in Section 02 of our report.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

We have substantially completed our audit of the London Fire Commissioner's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our audit planning report.

The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Conclusions on specialist review of assets within property, plant and equipment
- ▶ Receipt of the IAS19 assurance letter from the Pension Fund auditors
- ▶ Pension specialist re-calculation of LGPS IAS 19 liability
- ▶ Going concern review of disclosure and management's assessment
- ▶ Value for Money assessment of arrangements in place

Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the London Fire Commissioner has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the London Fire Commissioner a commentary against specified reporting criteria (see below) on the arrangements the London Fire Commissioner has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the London Fire Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the London Fire Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the London Fire Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

In our Audit Planning Report and subsequent Audit Plan Addendum, we reported that we had completed our value for money (VFM) risk assessment and we had identified a risk of significant weakness in respect of the Improving economy, efficiency and effectiveness criteria. We communicated our planned procedures which included reviewing progress made against the recommendations in the Phase 1 Grenfell Report and HMICFRS inspection report during 2020/21.

At the date of this report we have yet to complete our planned procedures due to outstanding responses to a number of queries in relation to inspection findings. Based on the work performed to date we are minded to qualify our VFM conclusion and the wording of the opinion in Section 03 is drafted to reflect this. Section 05 reflects the work completed to date and we will provide an update on this work at the meeting of the Commissioner's Board on the 21st September.

Executive Summary

Audit differences

Uncorrected differences

At the date of issuing this report, there are no uncorrected misstatements in the draft financial statements that require reporting to you.

Corrected differences

Management have corrected a number of misstatements within the accounts.

Misstatements impacting the prior year and current year:

- Fire Pensions Grant Classification (£21.7m) - this grant was incorrectly credited to support staff pension net interest on the net defined benefit liability within Financing and Investment Income and Expenditure when it should have been credited to net cost of services. The misstatement also impacts on the prior year (£21.3m) for which the CIES has been restated.
- Pension Costs Classification (£22.0m) - lump sums, ill health and miscellaneous pensions costs had been incorrectly debited to support staff pension net interest on the net defined benefit liability within Financing and Investment Income and Expenditure when it should have been debited to net cost of services. The misstatement also impacts on the prior year (£21.3m) for which the CIES has been restated.

Note that the two differences above, in both the current and prior year, are classification misstatements only impacting on gross income and expenditure and have no impact on the bottom line net cost of services.

Misstatements impacting the current year:

- Property, Plant & Equipment Valuation (£0.9m) - There was an error in the reduction applied for leasehold interest for 5 fire stations resulting in a reduction of £0.9m to the revaluation reserve and a corresponding credit to the CIES.
- Property, Plant & Equipment Valuation (£1.1m) - As a result of incorrect accounting for disposed assets whereby the building element was disposed of in the Fixed Asset Register but the land element was missed. This results in a reduction to PPE of £1.1m with a corresponding credit entry of £0.7m to the revaluation reserve and £0.4m in the CIES.
- Reclassification between Receivables and Payables (£2.2m) - error identified in the balance sheet classification resulting in an increase to debtors of £2.2m with a corresponding credit to payables.

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjusted by management.



Executive Summary

Other reporting issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, we do expect, based on prior year guidance, that the London Fire Commissioner would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report. We have no other matters to report.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 08 for our update on independence.

Executive Summary

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the London Fire Commissioner. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- *We have completed our work in this area and have no matters to report.*

Management Override: Risk of fraud in revenue recognition - Other non-grant Income

- *We have completed our work in this area and have no matters to report.*

Significant Risk: Risk of error in property valuations

- *At the date of issuing this report we have substantially completed our work in this area and our findings have been included in Section 02 of this report. We are awaiting conclusions from our specialist review of assets before we can conclude on this area.*

Inherent Risk: Pension Liability

- *At the date of issuing this report, we have completed our work in respect of the Firefighters Pensions Scheme and have no findings to report. Our work on the Local Government Pension Scheme is still ongoing. We will update the London Fire Commissioner on our findings once the work is finalised.*

Inherent Risk: Going Concern

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Commissioner on our findings once the work is finalised.*

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the London Fire Commissioner or Management.



02

Areas of Audit Focus



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 LFC's normal course of Business.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue recognition - *Other non-grant 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 and Other Income.

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.

What judgements are we focused on?

As noted in our audit plan, we focused on non-grant income, as an income stream that could be susceptible to manipulation.

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
- Sample tested other non grant income at a lower testing threshold and ensuring that underlying evidence supports the recognition of income within the financial year;
- Sample tested 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.

What are our conclusions?

We obtained all the related invoices and bank statements for our sample and there were no differences noted in our testing.

Based on the related combined risk assessments and the results of the procedures in this areas we believe that the completed procedures are appropriate for the relevant financial statement assertions and their respective risk assessments. Having completed the planned procedures, we have not identified any errors.



Areas of Audit Focus

Significant risk

Valuation of property, plant and equipment (PPE)

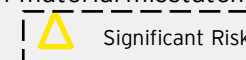
What is the risk?

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 2019/20 improvements were made to the methodology used to value these assets resulting in a number of material adjustments to the financial statements including prior period adjustments.

Considering the level of error identified in 2019/20 we assess there to be a significant risk of material misstatement over property valuation in 2020/21.



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 LFC'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 a sample of 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 concerning PPE valuations.



Areas of Audit Focus

Significant risk

What are our conclusions?

At the date of this report we are finalising our conclusions on our specialist's review of 3 assets. However the following findings have been identified from the work performed so far.

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 1 DRC fire station. Specialist review focussed on the underlying assumptions underpinning the valuation which includes: obsolescence, Modern Equivalent Asset assessment and build costs. For the asset reviewed, our specialist determines a range of acceptability for the asset value. The asset was found to be within range and the valuation supportable.

At the date of this report, 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 that this should be informed by an inspection.

Valuer Objectivity:

The Authority's external valuer, Dron & Wright, has acted as the valuer for a period of 11 years, with the LFC'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 2020-21 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. We note that this objectivity letter 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 LFC'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.

Audit Differences:

As part of our valuations work we have also identified two audit differences which are detailed in Section 04.



Other areas of Audit Focus



Area of Audit Focus - Other areas of audit focus

What is the risk/area of focus?

Pension Liability Valuation

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 higher inherent risk.

What we did

We responded to this risk by:

- 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. In 2020/21 PwC highlight that the CPI inflation assumption proposed by The Government Actuaries Department (GAD) has not been derived using a robust methodology and that the methodology used does not appear to be consistent with the accounting standard. As a result we have performed additional procedures involving our EY pensions specialists to consider the CPI assumption for London Fire's Firefighter Pension Scheme. The conclusions from this work is that the CPI inflation assumption is overly optimistic and the methodology used to derive the assumption is not robust and it is inconsistent with the accounting standard. However, there is sufficient flexibility in the discount rate to offset this optimism. We have been able to independently reconcile our roll forward with the figures produced by the actuary as at the disclosure date to a difference of less than 2% of the figure for the liabilities. Having implemented the above checks, it is our view that the figures for the scheme's liability for the disclosures at the disclosure date appear acceptable and no misstatements have been identified.
- Reviewing and testing the accounting entries and disclosures made in relation to IAS19.

At the date of this report we have not completed our work in relation to the Local Government Pension Scheme. Under the revised ISA540 on estimates we are required to evidence that the actuary's model for calculating the estimate is correct and data has been entered correctly. Considering the nature of this requirement, we have engaged our EY Pensions Specialists to recalculate the liability based on the assumptions and data in the IAS 19 report to confirm accuracy. This work is on-going.

For the Local Government Pension Scheme we also liaise 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. At the date of this report, this assurance has not been received.



Other areas of Audit Focus



Area of Audit Focus - Other areas of audit focus

What is the risk/area of focus?

Going Concern Compliance with ISA 570

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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.

What we did

At the date of this report we have obtained management's updated going concern disclosure but we are awaiting a cashflow forecast and full management assessment.

On receipt of this information we shall:

- ▶ Review managements going concern assessment;
- ▶ Challenge management's assessment of going concern using sensitivity analysis;
- ▶ Review cash flow forecasts and post year-end bank statements for evidence to support management's going concern assessment; and
- ▶ Ensure sufficient disclosure within the financial statements.



03 Audit Report



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

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 2021 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
- the related notes 1 to 34.
- and 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 2020/21.

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 2021 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 2020/21.

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 London Fire Commissioner 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

In auditing the financial statements, we have concluded that the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the London Fire Commissioner's ability to continue as a going concern.



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

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 contained within the Statement of Accounts.

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.

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 course of 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 themselves. 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.

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 London Fire Commissioner;
- 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;
- 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.

In respect of the following we have matters to report by exception.

Exception reports

Report on the London Fire Commissioner's proper arrangements for securing economy, efficiency and effectiveness in the use of resources.



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

Our opinion on the financial statements

We report to you, if we are not satisfied that the London Fire Commissioner has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's proper arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weakness in the Authority's arrangements for the year ended 31 March 2021.

Significant weakness in arrangements

The findings of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) during 2020 provide evidence of a significant weakness in proper arrangements for the Improving economy, efficiency and effectiveness value for money reporting criteria.

The inspection focussed on the London Fire Brigade's progress to implement the recommendations from the Grenfell Tower Inquiry's Phase 1 report. The report noted that, whilst progress had been made over the last year, there is still a significant amount of work to fully address all recommendations and, the brigade has not made enough progress to resolve the cause of concern identified during the 2019 inspection. This includes significant recommendations in respect of Incident command training and competence assessment.

The London Fire Commissioner is required to work with regulators and key stakeholders to deliver the improvement programme required to demonstrate that the inspection findings have been addressed and remove the cause for concern identified by the regulator.

We will report the outcome of our work on the London Fire Commissioner's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Resources' Responsibilities set out on pages 25-26, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which the 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the London Fire Commissioner'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 body either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

Our opinion on the financial statements

The London Fire Commissioner 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We obtained an understanding of the legal and regulatory frameworks that are applicable to the London Fire Commissioner and determined that the most significant are:

- Local Government Act 1972,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the London Fire Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how the London Fire Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and the monitoring officer, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this throughout reading of the London Fire Commissioner's board minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

Our opinion on the financial statements

- We assessed the susceptibility of London Fire Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the authority's manual year end income journals, challenging assumptions and corroborating the income to appropriate evidence.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the London Fire Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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.



Audit Report

Draft audit report

This report is a draft version only and wording is subject to change.

Our opinion on the financial statements

Delay in certification of completion of the audit

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

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the Authority's value for money arrangements for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts 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 members of 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 and the London Fire Commissioner's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)



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 greater than £0.5m which have been corrected by management that were identified during the course of our audit.

Misstatements impacting the prior year and current year:

- Fire Pensions Grant Classification (£21.7m) - this grant was incorrectly credited to support staff pension net interest on the net defined benefit liability within Financing and Investment Income and Expenditure when it should have been credited to net cost of services. The misstatement also impacts on the prior year (£21.3m) for which the CIES has been restated.
- Pension Costs Classification (£22.0m) - lump sums, ill health and miscellaneous pensions costs had been incorrectly debited to support staff pension net interest on the net defined benefit liability within Financing and Investment Income and Expenditure when it should have been debited to net cost of services. The misstatement also impacts on the prior year (£21.3m) for which the CIES has been restated.

Note that the two differences above, in both the current and prior year, are classification misstatements only impacting on gross income and expenditure and have no impact on the bottom line net cost of services.

Misstatements impacting the current year:

- Property, Plant & Equipment Valuation (£0.9m) - There was an error in the reduction applied for leasehold interest for 5 fire stations resulting in a reduction of £0.9m to the revaluation reserve and a corresponding credit to the CIES.
- Property, Plant & Equipment Valuation (£1.1m) - As a result of incorrect accounting for disposed assets whereby the building element was disposed of in the Fixed Asset Register but the land element was missed. This results in a reduction to PPE of £1.1m with a corresponding credit entry of £0.7m to the revaluation reserve and £0.4m in the CIES.
- Reclassification between Receivables and Payables (£2.2m) - error identified in the balance sheet classification resulting in an increase to debtors of £2.2m with a corresponding credit to payables.

There were no uncorrected misstatements.



05

Value for Money



Value for money

The London Fire Commissioner’s responsibilities for value for money (VFM)

The London Fire Commissioner is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

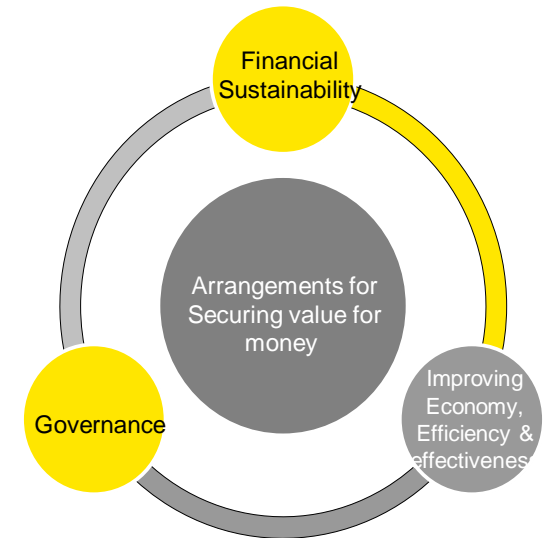
As part of the material published with its financial statements, the London Fire Commissioner is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the London Fire Commissioner tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

In our audit plan addendum dated 25th August 2021 we reported to the Commissioner the outcome of our assessment of the risk of significant weaknesses in the London Fire Commissioner’s VFM arrangements .

We identified a risk in relation to findings from external regulators. In 2020/21. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) completed an inspection of the brigade. The inspection focussed on the London Fire Brigade’s progress to implement the recommendations from the Grenfell Tower Inquiry’s Phase 1 report. The report noted that, whilst progress had been made over the last year, there is still a significant amount of work to fully address all recommendations and, the brigade has not made enough progress to resolve the cause of concern identified during the 2019 inspection. This includes significant recommendations in respect of Incident command training and competence assessment.

We have revisited our risk assessment and have not identified any additional risks.



Status of our VFM work

In our Audit Planning Report and subsequent Audit Plan Addendum, we reported that we had completed our value for money (VFM) risk assessment and we had identified a risk of significant weakness in respect of the Improving economy, efficiency and effectiveness criteria. We communicated our planned procedures which included reviewing progress made against the recommendations in the Phase 1 Grenfell Report and HMICFRS inspection report during 2020/21.

At the date of this report we have yet to complete our planned procedures due to outstanding responses to a number of queries in relation to inspection findings. Based on the work performed to date we are minded to qualify our VFM conclusion and the wording of the opinion in Section 03 is drafted to reflect this.



Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?

Findings from External Regulators

In 2020/21, the London Fire Commissioner has continued to make progress against the Transformation Delivery Plan which was put in place to address findings from external regulators, and the London Fire Commissioner continues to report to the Mayor and the Home Office on all improvement activity associated with the recommendations raised in the Inquiry's Phase 1 Report and by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

In Autumn 2020 HMICFRS completed a follow up inspection of these recommendations and concluded that overall, the Brigade had not made enough progress to resolve the cause of concern identified during the 2019 inspection. In particular the report commented on insufficient progress in training development and provision for level 1 and 2 incident commanders.

What arrangements did this impact?

Improving Economy, Efficiency & Effectiveness -
How the body evaluates the services it provides to assess performance and identify areas for improvement

What did we do?

Our approach focussed on:

- Reviewing progress made against the recommendations in the Phase 1 Grenfell Report and HMICFRS inspection report during 2020/21
- Forming an assessment of the scope, nature and timing of the remaining recommendations that have not been implemented as at 31 March 2021, and their overall impact on our VFM commentary and conclusion.

Findings

At the date of this report we have yet to complete all our planned procedures in respect of VFM. However the findings of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) during 2020 provide evidence of a significant weakness in proper arrangements for the Improving economy, efficiency and effectiveness value for money reporting criteria.

The inspection focussed on the London Fire Brigade's progress to implement the recommendations from the Grenfell Tower Inquiry's Phase 1 report. The report noted that, whilst progress had been made over the last year, there is still a significant amount of work to fully address all recommendations and, the brigade has not made enough progress to resolve the cause of concern identified during the 2019 inspection. This includes significant recommendations in respect of Incident command training and competence assessment.

The London Fire Commissioner is required to work with regulators and key stakeholders to deliver the improvement programme required to demonstrate that the inspection findings have been addressed and remove the cause for concern identified by the regulator.



06 Other reporting issues

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 Narrative Report 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 Narrative Report 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

Alongside 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.

We are currently concluding our work in this area and will report any matters arising to the London Fire Commissioner.

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.

Other reporting 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; and
- Consideration of laws and regulations; and

We have reported in respect of going concern earlier in this report in Section 02. We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the London Fire Commissioner 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 London Fire 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.



08

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 14th May 2021.

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 2020 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](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	51,961	51,961	51,961
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	47,200		47,200
Revised Proposed Scale Fee	99,161	34,293	99,161
Additional work:			
Changes in scope and as a result of Covid19	-	-	10,990
Qualified VFM conclusion	TBC	-	1,755
Internal consultation of audit report		-	3,323
Errors identified during the audit	TBC	-	48,655
Increased requirements as a result of new VFM code	TBC	-	-
Specialist Engagement in respect of pensions	TBC	-	-
Total fees	TBC	34,293	163,884

All fees exclude VAT

The final fee for 2019/20 has been discussed with management but is still subject to approval by PSAA.

Note 1 - For 2019/20 and onwards we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.






09

Appendices

Appendix A

Summary of communications




Date 	Nature 	Summary 
16 th June 2021	Meeting	The partner in charge of the engagement, along the engagement manager attended the meeting of the Commissioners Board and presented the audit planning report.
25 th August 2021	Report	The partner in charge of the engagement issued the audit plan addendum.
21 st September 2021	Meeting	The partner in charge of the engagement, along the engagement manager will attend the meeting of the Commissioners Board and present the audit results report.

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 B




Required communications with the London Fire Commissioner

We have detailed the communications that we must provide to the London Fire Commissioner.

		 Our Reporting to you
Required communications	 What is reported?	 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - May 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ 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 - September 2021
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ 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 - September 2021




Appendix B

Required communications with the London Fire Commissioner

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report - September 2021
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the London Fire Commissioner to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report - September 2021
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity'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 entity 	Audit results report - September 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Planning report - May 2021</p> <p>Audit results report - September 2021</p>

Appendix B

Required communications with the London Fire Commissioner

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - September 2021	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the London Fire Commissioner into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the London Fire Commissioner may be aware of 	Audit results report - September 2021	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - September 2021	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - September 2021	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - September 2021	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - September 2021	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning report - May 2021 Audit results report - September 2021	

Appendix C

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 
PPE	Specialist conclusions on 3 assets selected for review and assessment of impact on population.	EY
IAS 19	Receipt of the IAS19 assurance letter from the Pension Fund auditors and pension specialist re-calculation of LGPS IAS 19 liability.	EY and management
Going concern review and disclosures	Review of the draft Going Concern disclosure. Management to provide full assessment and cashflow forecast for review.	EY and management
Value for Money assessment of arrangements in place	Management to provide responses to questions raised. EY to consider these responses in assessment of VFM arrangements.	EY and management
Agreement of the final set of financial statements;	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management
Management representation letter	Receipt of signed management representation letter	Management and the Commissioner
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report including minute review and unrecorded liabilities testing.	EY and management
Final review procedures	Final review by Manager, Engagement Partner and quality reviewer	EY

We cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 04

Management representation letter

Management Rep Letter

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 2021. 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 financial position of the London Fire Commissioner of *31st March 2021* 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 2020/21.

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 2020/21
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 2020/21, 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 2020/21, 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.

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 2020* 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

The CIES has been restated following correction grant and pension costs classification.

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 2020/21*
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 2020/21.
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,

Sue Budden - Director of Corporate Services


Andy Roe - London Fire Commissioner

Appendix E

Implementation of IFRS 16 Leases

In previous reports to the London Fire Commissioner we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the London Fire Commissioner until 1 April 2022. However, officers should be acting now to assess the London Fire Commissioner leasing positions and secure the required information to ensure the London Fire Commissioner will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The authority needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the authority is lessee; and potentially for sub-leases, where the authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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A person wearing a yellow shirt is seated at a white table. They are looking at several sheets of paper, with their hands pointing to specific sections. A smartphone is visible on the table to the left. The background is slightly blurred, showing other parts of the table and possibly other people.

London Fire Commissioner

Audit Plan Addendum

Year ended 31 March 2021

25th August 2021



LONDON FIRE BRIGADE

Report title

Final Outturn Report for 2020/21

Report to

Commissioner's Board

Date

21 September 2021

Report by

Assistant Director, Finance

Report number

[LFC-0000]

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

If redacting, give reason:

Executive Summary

This report presents the London Fire Commissioner's (LFC) financial outturn for the 2020/21 financial year, sets out the position on the financial reserves and provides an update to the approved capital programme.

The outturn at the end of March is for an underspend of £7,828k, after the impact of the £5m in year funding reduction from the Mayor.

This demonstrates the significant progress to identify in year expenditure reductions to address the overspending position during the year and reduce the impact on reserve. This includes the successful application to the Home Office to meet Covid-19 costs.

Recommended decisions

That the London Fire Commissioner:

1. Notes the revenue and capital financial outturn position as set out in the report.
2. Agrees the transfer into earmarked reserve of a total of £1,846k set out from paragraph 41 of this report, including £1,000k into the compensation earmarked reserve to allow this reserve to be maintained at its previous level to meet any additional spend on costs in future year.
3. Agrees the carry forward of the net capital budget slippage of £1,869k to 2021/22, as detailed from paragraph 46 below.
4. Agrees the proposed movements in reserves as set out at Table 3.

Background

1. This report presents the outturn position for 2020/21, setting out the position on the financial reserves and provides an update to the approved capital programme. The draft Statement of Accounts was approved by the Chief Finance Officer (Director of Corporate Services) on 2 July 2021, and passed for external audit, with final audited accounts now approved by the London Fire Commissioner (LFC) and published by 30 September 2021. The outturn position has been

reviewed on completion of the audit, and this revised report published alongside the Statement of Accounts.

2. The 2020/21 financial year has been exceptional for the LFC due to a range of issues, including the Covid-19 pandemic, the Brigade's ongoing transformation agenda and the successful bid into central government for grant funding. These have resulted in a dynamic financial position which has been difficult to forecast, with cost pressures changing during the year and significant additional funding identified in the last quarter alone.
3. The impact of Covid-19 was the main factor in the Brigade's forecast overspend of £10.1m as at the end of Q1. This forecast reflected a rapidly increasing spend against the Covid-19 pandemic, in terms of equipment, services and overtime costs. As a result of this and the notification from the Mayor that the LFC would need to identify in year savings, cost control measures were identified and put in place where possible. The financial issues were also clearly communicated to all staff which helped introduce an organisational focus on cost avoidance/reduction. These actions were taken to address the potential £20m overspending position, after reflecting the initial in-year funding reductions of £10m.
4. The ongoing impact of Covid-19 became difficult to forecast accurately as the situation developed and lockdowns were put in place and then lifted. Each lockdown has impacted the Brigade's planned spending including the most recent national lockdown that started at the beginning of the fourth quarter.
5. The LFC has also generated very significant levels of additional income from the position set out in its 2021/22 budget report, which could not be foreseen when that budget was set. These include additional Fire Safety grants of £5.7m following prolonged lobbying, grants for Covid-19 expenditure and cost recovery from the London Ambulance Service. The significant majority of this was only identified, or in the case of the Fire Safety grants guidance only received on how this could be used, in the last quarter of the 2020/21 financial year.
6. In summary the good progress made in addressing the overspending position through the year resulted in the forecast reducing from £10.1m at Q1 to £3.5m at Q3. The overall position was further improved by the reduction in the in year savings requirement set by the Mayor from £10m to £5m. The confirmation late in the financial year that significant additional funding would be received from central government has now resulted in an overall underspend position for the year.

Tables and Appendices to this report

7. 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 provides an analysis of outstanding debt relating to charges for Shut in Lift attendances;
 - Appendix 5 meets the requirement to disclose all budget virements within the quarter under the LFC Scheme of Governance.

Revenue

8. The outturn position for 2020/21 on the revenue budget is an underspend of £7,828k (1.8%) after the impact of the £5m in year funding reduction from the Mayor due to the impact of Covid-19.

9. The outturn position at the end of March excluding the in year funding reduction would be for an underspend of £12,828k, a decrease of £15,889k from the forecast position reported at the end of December 2020 (LFC -0478). The position at outturn results from the significant progress made to identify in year expenditure reductions, as well as in securing additional funding in year, to address the forecast overspending position, and so reducing the impact on reserves allowing balances to maintained at increased levels.
10. The revenue outturn includes the following additional underspends since last reported to LFC as at the end of December 2020 (LFC-0478):
- £3,924k additional grant income following the successful application to the Home Office on Covid-19 costs. This additional grant income significantly exceeded expectations, and was well in excess of the £252k received following the first round Covid-19 application.
 - £2,015k additional income for cost recovery of Ambulance Driver Assistance (ADA) to the London Ambulance Service as part of our Covid-19 response, in the last quarter of the year. This income offsets costs incurred by operational staff on overtime and allowances, although the increase on ADA costs is offset by reductions in other overtime as part of a Brigade initiative to address underlying requirements for overtime, as well as the impact of timing differences between overtime being worked and claims being submitted and paid.
 - £3,092k (1% of budget) reduction from the forecast overspend on the budget for operational staff due to operational staff vacancies. The Operational staff budget included a budgeted vacancy margin of £1.6m based on expected average vacancies of 30, at end of March 2021, the average vacancy level was 56.
 - A further movement of £1,327k on FRS staff budgets increasing the underspend to £3,397k. This reflects the impact of enhanced recruitment controls in 2020/21, as well as ongoing challenges in recruiting during the pandemic.
 - £1,453k on a number of budget lines with an overall reduction in spend due to the Covid-19 pandemic including spend on ICT including Communications and Hardware and Software (£313k), on professional services mainly on ICT related spend (£655k), on smoke alarms because of limited home visits (£230k), on general office expenses (£173k) and on catering (£82k).
 - Total Premises budget £1,310k mainly on building maintenance £822k due to a reduction in overall spend on Mechanical, Electrical and Plumbing planned works due to the impact of the Covid-19 pandemic, and KPI performance deductions throughout the year (£280k).
 - £715k on professional development on firefighter apprenticeships due to a change to the payment schedule from the Brigade's apprenticeship levy account to the contract provider, reducing the cost of the contract, as well as reduced spend on the End Point Assessments (EPAs).
 - £550k savings achieved in year through changes to staff structures from department initiated changes which can impact on the numbers of staff, also the grading of posts.

- £413k on compensation budgets with the position on claims developing through the year, including cases in which the Counsel costs will now fall in 2021/22. It is proposed to transfer £1,000k into the compensation earmarked reserve to allow the reserve to be maintained at its existing level to meet any additional compensation costs in future years.

11. The key variances are explained in more detail from paragraph 15 below.

2021/22 Budget process

12. As part of the 2021/22 budget process, a review of previous years underspends was carried out to identify underspending areas in 2020/21 that could be taken as a saving in 2021/22.

Table 1. Summary Financial Position

	Full Year Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 3	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s
Operational staff	278,364	281,657	3,293	6,315	(3,022)
Other staff	64,099	60,862	(3,237)	(2,096)	(1,141)
Employee related	24,526	24,016	(510)	275	(785)
Pensions	21,321	21,162	(159)	(155)	(4)
Premises	39,550	39,710	160	1,470	(1,310)
Transport	16,972	16,724	(248)	19	(267)
Supplies and services	28,661	32,598	3,937	5,430	(1,493)
Third party payments	1,800	1,957	157	134	23
Capital financing costs	8,050	8,553	503	503	(0)
Central contingency against inflation	178	0	(178)	372	(551)
Total revenue expenditure	483,521	487,239	3,718	12,267	(8,549)
Other income	(42,116)	(52,484)	(10,368)	(7,509)	(2,859)
Net revenue expenditure	441,405	434,755	(6,650)	4,758	(11,408)
Use of General Reserves	(18,778)	(18,778)	0	0	0
Use of earmarked reserves	20,203	20,203	0	35	(35)
Financing Requirement	442,829	436,179	(6,650)	4,793	(11,442)
Financed by:					
Specific grants	(41,329)	(47,507)	(6,178)	(1,731)	(4,447)
GLA funding	(401,500)	(401,500)	0	0	0
Net Financial Position	0	(12,828)	(12,828)	3,061	(15,889)

Capital

13. The capital outturn for 2020/21 is £19,156k. This is a reduction of £1,815k from the position reported as at the end of Q3 of £20,971k (LFC-0478). This is mainly due to budget re-phasing to 2021/22 of £3,076k, offset by budgets brought forward from 2021/22 of £1,207k.

14. The key variances are explained in more detail from paragraph 46 and in Appendix 3.

Reasons for the Revenue Position

Staff

15. The budget for operational staff is overspent at £2,775k, a decrease of £3,092k (1% of the operational staff budget) in the overspend on the budget for operational staff since last reported at the end of December. The Operational staff budget included a budgeted average vacancy margin of 30 at the start of the year, and at the end of March 2021 the average vacancy level was 56.
16. The overspend of £2,775k is primarily due to additional costs on operational pre arranged overtime. After accounting for additional LAS income received in the last quarter this would reduce the underlying overspend on staff costs by £2,015k, which reflects the successful Brigade initiative to address underlying requirements for overtime, as well as the impact of timing differences between overtime being worked and claims being submitted and paid.
17. FRS staff budgets underspent by £3,397k (5.8% of the FRS budget). This reflects the further impact of enhanced recruitment controls in 2020/21 and continuing challenges in recruiting during the pandemic. There have been particular challenges in recruiting and retaining Fire Safety Inspecting Officers with staff costs here underspending by £2,326k. At the end of March, there were 202 vacancies and 73 agency staff. This is however slightly offset by an overspend on Control staff budgets with an additional £160k on overtime.

Insurance Related

18. As previously reported at the end of September (LFC- 0426), insurance related budgets were under pressure due to a substantial increase in renewal premiums as a result of the claims experience on Grenfell. This was addressed by a procurement process to identify alternative options for fleet and liability covers, which allowed the increase that would have been required by the renewal premiums of £2,000k to be reduced to £520k.

Employee Related

19. There is an underspend of £1,552k on Professional Development budgets, an increase of £715k since last reported at the end of December. This is following reduced costs on firefighter apprenticeships due to a change to the payment schedule from the Brigade's apprenticeship levy account to the contract provider, reducing the cost of the contract, as well as reduced spend on the End Point Assessments (EPAs).
20. As previously reported the balance of the underspend, of £1,376k, relates to the delay in the implementation of the independent review of training due to Covid-19, as well as the decision to keep design and production with the training provider, Babcock, because of their capability to invest funds and undertake design and development trials. Retaining this service with Babcock was necessary as it became evident that virtual technology training solutions will be required going forward. This underspending is offset by additional Covid-19 related spend for cancelled training courses and other training related costs (£744k).
21. The overspend on compensation budgets of £440k relating to personal injury claims, includes funding of £1,000k from the compensation reserve, in place to smooth the impact of compensation claims in any one year. £1,000k has been transferred 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.
22. The budgets for medical and welfare expenses underspent by £255k, an increase of £59k since last reported at the end of December, due to lower childcare claims and fewer medical appeals.

Firefighter Pensions

23. The Firefighter pensions budget includes expenditure on injury pensions, ill health top ups and sanction charges. There is an outturn underspend of £250k on injury pensions with a reduction in overall injury pensioner numbers as well as following medical reviews, offset by a £92k increase in pension sanction charges due to higher numbers of operational staff leavers commuting their pension lump sum above the HMRC limits.

Premises

24. There is an outturn overspend of £160k on Premises budgets, a decrease of £1,310k since last reported at the end of December mainly on building maintenance due to a reduction in overall spend on Mechanical, Electrical and Plumbing planned works as a result of the Covid-19 pandemic, and KPI performance deductions throughout the year (£280k).
25. The previously reported forecast overspend was primarily driven by increased spending on Cleaning and Domestic Supplies (£2,217k), relating to additional cleaning at LFB Properties as part of the Covid-19 response, including £1,196k on the extension of this through the second wave of the pandemic.

Transport

26. As previously reported, there is an outturn overspend on the vehicle and equipment contract of £326k due to the costs of parallel running new aerials with more complex training required than originally envisaged along with the challenges presented by Covid-19, as well as lower levels of abatements on the contract than prior years due to Babcock's improving performance. There is an inflationary increase of £334k incorporated in the 2021/22 budget. There is also an outturn overspend on vehicle passthroughs of £40k due to increase in spend on accidents due to damage caused by a recent accident.
27. Transport budgets have overspent on Travel (£433k) mainly due to Covid-19 related spend for Ultra Low Emission Zone (ULEZ) and congestion charge expenses, mileage costs for volunteers supporting the London Ambulance Service (LAS) (matched by cost recovery) and travel to Covid-19 tests.
28. The above overspends are offset by £968k underspending on running costs due a reduction in home visits due to the Covid-19 pandemic (636k) and BP free fuel for emergency services.

Supplies and Services

29. There is an outturn overspend of £3,937k on Supplies and Services budgets, a decrease of £1,493k since last reported at the end of December. This includes reductions on Professional Services (£655k) mainly on ICT related spend, on ICT Communications and Hardware and Software (£405k), on smoke alarms due to limited home visits (£230k), on general office expenses (£173k) and on catering (£82k). These expenditure areas have continued to be impacted by the pandemic.
30. As previously reported, the rest of the overspends are mainly on:

Operational Equipment (£1,588k), for direct orders of additional Personal Protective Equipment (PPE), including additional Face Masks and HML costs due to Covid-19;

Professional Services (£1,693k), mainly on the Grenfell Tower Investigation legal costs, offset by £361k for the HR and Payroll System which is delayed due to Covid-19, and is planned to be transferred to an earmarked reserve at year end;

Staff Reimbursements (£275k), on expenses for Ambulance Driver Assist (ADA) and Pandemic Multi Agency Response Teams (PMART) volunteers.

Income

31. The outturn over recovery of income is £10,368k an increase of £2,859k since last reported at the end of December due to £2,015k additional income for cost recovery on operational overtime and allowances for ADA as part of our Covid-19 response, to reflect the further agreement in place from January to continue support with the LAS, and £755k additional fire safety protection grant income applied to relevant costs this year.
32. As previously reported, the remainder of the over recovery relates to income from insurers in respect of Grenfell Tower Investigation (£2,425k) which offsets spend on professional services and hardware and software costs relating to Grenfell and additional income for cost recovery on operational overtime and allowances for ADA as part of our Covid-19 response.
33. Appendix 4 includes an update on the position on the key outstanding charges, relating to Shut in Lift debt.

Specific grant

34. There is an over recovery on specific grants of £6,178k an increase of £4,447k since last reported mainly due to additional grant income following the successful application to the Home Office to meet Covid-19 costs. This additional funding followed a second round of claims to the Home Office, and saw costs recovery provided well in excess of the level from the first round of £252k. The additional grant not only met in full the residual balance on the cost of the Brigade's response to Covid-19, of £3.5m, but also provided additional funding at £2m for any further Covid-19 response costs.
35. As previously reported £1,760k relates to grant income from the GLA to partly offset costs of the response to Covid-19 pandemic.
36. The Brigade also received additional funding in 2020/21 for Fire Safety/Protection at £5.7m, which can be applied to relevant costs in the current and future financial years. £0.8m has been applied this year to meet spend and the balance of £4.9m transferred into an earmarked reserve to meet additional spend on costs in future years.

Covid-19

37. The total cost of LFC's response to the Covid-19 pandemic was £12,521k for 2020/21 and is offset by funding from the GLA of £1,760k and £160k for the London Resilience Group, additional income for cost recovery from the LAS of £6,835k on operational overtime, allowances and travel for ADA support, £252k in a grant from the Home Office following the Brigades claim against the first round of COVID grants and a further grant from the Home Office to meet the remaining £3,514k in cost.
38. The Home Office final grant award also provided an additional £1,968k in funding for any further Covid-19 response costs in 2021/22, which this report recommends is placed into a new earmarked reserve

Reserves

39. The table below sets out the position on the financial reserves, resulting from the financial position reported above.

40. A total of £7,116k additional grant income has been transferred into earmarked reserve to meet costs in future year including Fire Safety Protection Uplift grant income (£4,593k), Covid-19 grant income (£1,968k), pensions grant income (£425k) and sponsorship income for the Museum (£129k).
41. £1,846k has been transferred from the general reserve to earmarked reserves including £1,000k into the compensation reserve to allow this to be maintained at the existing level to meet any additional costs in future years, £237k for Emergency Services Mobile Communication Programme (ESMCP), £88k to fund the Museum Project and £10k for unspent funds for Fire Boat Project required to meet costs in 2021/22. As previously reported, the underspend on Other Property Services of £150k, and £361k on professional service for the HR and Payroll System delayed due to Covid-19 will also be transferred into earmarked reserve.
42. The balance on the general reserve, following the provisional outturn position of £12,828k is at the minimum reserve position of 3.5% of the net revenue expenditure. This is after moving the balance of £11,432k from the general reserve to supplement the budget flexibility reserve. This can then be considered as part of the budget process for 2022/23.

Table 2. Position on Reserves

£000s	Opening Balance at 01/04/20	Approved Movements in 2020/21	Use of Reserves	Closing Balance at 31/03/21	Propose Use of Reserves
Additional Resilience Requirements	568		(44)	524	
Capital Expenditure Reserve	11,745			11,745	
Central Programme Office	645		184	829	
In Year Savings Reserve	0	5,000		5,000	
Compensation	676		1,000	1,000	
Emergency Services Mobile Communication Programme	2,172	(1,000)	(91)	1,081	
Pensions Earmarked Reserve	0	425		425	
Covid	0	1,968	(0)	1,968	
Emergency Medical Response	294			294	
Fire Safety and Youth Engagement	1,007	4,593	(662)	4,939	
Transformation Reserve	0	7,700	(1,422)	6,278	(1,889)
Grenfell Infrastructure Reserve	0	1,306	(95)	1,210	
Hydrants	462			462	
ICT Development Reserve	1,953	361	(31)	2,283	
LFC Control Centre	729			729	
LFB Museum Project	201	129	42	372	
London Resilience	771			771	
London Safety Plan Initiatives	3,162		(446)	2,716	
Organisational Reviews	327		(89)	239	
Recruitment/ Outreach	250			250	
Sustainability	235			235	
Vehicle & Equipment Reserve	2,697		(112)	2,585	
Budget Flexibility	29,930	(9,946)	11,432	31,417	
General	21,399	(18,778)	12,828	15,449	
Total	79,224	(8,242)	22,494	92,801	(1,889)

43. The use of reserves includes £1,422k to fund delivery of the Transformation Delivery Plan, with this draw being less than the £3,500k originally planned but with the balance remaining in the reserve for use in future years. Other use of reserves included £1,000k from the Compensation

reserve to fund personal injury claims and contribution towards costs and damages, a draw of £446k for London Safety Plan initiatives and £672k to fund Fire Safety and Youth Engagement.

44. The movement on the reserves was included as part of the 2020/21 Budget Report, and the movements set out at Table 3 below are compared to the original forecast. This shows the anticipated balance on reserves at 31st March 2021 presented in the 2020/21 Final Budget, and the revised balance included in this report. The balance in reserves has increased from £79,224k to £92,801k, an increase of £13,577k mainly as a result of additional grant income transferred into earmarked reserves.

Table 3. Movement in Reserves

£000s	Balance March 2020	Balance March 2021	Movement	Comments
Additional Resilience Requirements	568	524	(44)	£44k draw to meet spend on replacement project equipment.
Capital Expenditure Reserve	11,745	11,745	0	
Central Programme Office (CPO)	645	829	184	Unspent balance from CPO funds moved back to reserve
In Year Savings Reserve	0	5,000	5,000	£5m in year funding reduction.
Compensation	676	1,000	324	Compensation reserve to fund personal injury claims and contribution towards costs and damages,
Emergency Services Mobile Communication Programme	2,172	1,081	(1,091)	Include approved draw £1,000k to supplement 2020/21 budget and £328k to meet staff spend and £237k supplemented.
Pensions Earmarked Reserve	0	425	425	Pension income grant earmarked for future use.
Covid	0	1,968	1,968	Covid income grant earmarked for future use.
Emergency Medical Response	294	294	0	
Fire Safety and Youth Engagement	1,007	4,939	3,931	Include £4,954k Fire Safety Protection grant earmarked for future use.
Transformation Reserve	0	6,278	6,278	£1,422k of the Transformation Reserve of £7,700k has been spent in 2020/21.
Grenfell Infrastructure Reserve	0	1,210	1,210	£95k of Grenfell Infrastructure has been utilised in 2020/21
Hydrants	462	462	0	
ICT Development Reserve	1,953	2,283	330	£31k to meet staff spend in 2020/21 and £361k on professional service for the HR and Payroll System delayed due to Covid-19 has been supplemented.
LFC Control Centre	729	729	0	
LFB Museum Project	201	372	171	Spend on professional service. £88k supplemented to fund the Museum Project
London Resilience	771	771	0	
London Safety Plan Initiatives	3,162	2,716	(446)	Costs to meet London Safety Plan initiatives mainly on staffing.
Organisational Reviews	327	239	(89)	Costs to meet organisational reviews mainly on staffing. £150k underspend supplemented.
Recruitment/ Outreach	250	250	0	
Sustainability	235	235	0	
Vehicle & Equipment Reserve	2,697	2,585	(112)	Spend on zero emission project (ZEPA) to meet staff and other costs.
Budget Flexibility	29,930	31,417	1,486	Net impact of transfer from the general reserve.
General	21,399	15,449	(5,950)	
Total	79,224	92,801	13,577	

Capital Programme

46. The capital outturn for 2020/21 is £19,156k, which is a reduction of £1,815k compared to the position reported at Quarter 3, £20,971k (LFC-0478). The main changes in the programme are outlined below.

• Budget slippage to 2021/22	(£3,076k)
• Budgets brought forward from 2021/22	£1,207k
• Other movements	£54k
Total	(£1,815k)

47. The budget slippage of £3,076k to 2021/22 includes ICT support for Flexible Working for Staff at Union Street HQ (£648k); and Property projects on Roofing Replacement (£497k), Chelsea and Clapham Fire Station Accommodation Improvements (£391k), Minor Improvements Programme at Stations (£281k), Window Replacement (£218k) and Appliance Bay Doors (£61k). Within Fleet projects, £592k of budget has slipped on the Fire Boat project and £215k in Fleet equipment.

48. The budgets brought forward from 2021/22 of £1,207k primarily relates to the early purchase and delivery of six Fire Rescue Units within Fleet (£752k).

49. The other movements include disposal costs of £138k which will be offset against capital receipts when the sale of assets has been completed, overspends of £51k relating to the Wireless Access Points project (£37k) along with on the West Hampstead Cottages refurbishment (£14k), and unspent capital budget mainly relating to a lower than anticipated cost for the Operational Support Centre (£121k).

50. 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

51. Capital Receipts which have been applied in 2020/21 total £3,776k including the sale of St Columba Mast (£850k) and Fleet Vehicles and Equipment (£382k), with £1,304k carried forward from 2019/20.

Table 4. Capital Budget Changes by Department

	Q3 Forecast £000s	Outturn 2020/21 £000s	Variance £000s	Over / Unspent Budget £000s	Slippage to/ from later years £000s	New Budget £000s
ICT	1,621	996	(625)	23	(648)	0
Property	7,206	5,931	(1,275)	(107)	(1,168)	0
Communications	119	176	57	0	57	0
Fleet	12,025	11,915	(110)	0	(110)	0
Operational Policy	0	0	0	0	0	0
Disposal costs	0	138	138	0	0	138
Capital Programme	20,971	19,156	(1,815)	(84)	(1,869)	138

Debtors

52. 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 £198k outstanding at the end of March 2021, with 18% of this under 30 days old. Overdue invoices are reviewed, and action taken as necessary to address outstanding balances. 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.

Finance comments

53. This report is presented by the Assistant Director, Finance and there are no further comments.

Workforce comments

54. No staff-side consultations have been undertaken on this report.

Legal comments

55. 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.

56. 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.

57. 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

58. There are no direct sustainable implications.

Equalities implications

59. 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.

60. 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.

61. 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.

62. 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.
63. 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.
64. 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.
65. 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.
66. 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 equality impact assessment was undertaken on the 2020/21 budget proposals.

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.	Outstanding Lift debtors	Not protectively marked
5.	Scheme of Governance	Not protectively marked

Consultation

Name/role	Method consulted
Heads of Department	Departmental finance returns

Summary Financial Position

Appendix 1

	Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 3	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s
Operational staff	278,364	281,657	3,293	6,315	(3,022)
Other staff	64,099	60,862	(3,237)	(2,096)	(1,141)
Employee related	24,526	24,016	(510)	275	(785)
Pensions	21,321	21,162	(159)	(155)	(4)
Premises	39,550	39,710	160	1,470	(1,310)
Transport	16,972	16,724	(248)	19	(267)
Supplies and services	28,661	32,598	3,937	5,430	(1,493)
Third party payments	1,800	1,957	157	134	23
Capital financing costs	8,050	8,553	503	503	(0)
Central contingency against inflation	178	0	(178)	372	(551)
Total revenue expenditure	483,521	487,239	3,718	12,267	(8,549)
Other income	(42,116)	(52,484)	(10,368)	(7,509)	(2,859)
Net revenue expenditure	441,405	434,755	(6,650)	4,758	(11,408)
Use of General Reserves	(18,778)	(18,778)	0	0	0
Use of earmarked reserves	20,203	20,203	0	35	(35)
Financing Requirement	442,829	436,179	(6,650)	4,793	(11,442)
Financed by:					
Specific grants	(41,329)	(47,507)	(6,178)	(1,731)	(4,447)
GLA funding	(401,500)	(401,500)	0	0	0
Net Financial Position	0	(12,828)	(12,828)	3,061	(15,889)

Detailed Financial Position

Appendix 2

	Revised Budget	Outturn	Outturn Variance		Forecast Outturn Variance at Qtr.3	Movement between previous and outturn variance
	£	£	£	%	£	£
Operational Staff	276,198,963	278,973,768	2,774,805	1.0%	5,867,190	(3,092,385)
Trainee Firefighters	2,165,402	2,683,545	518,143	23.9%	447,560	70,583
Total Operational Staff	278,364,365	281,657,314	3,292,948	1.2%	6,314,750	(3,021,802)
FRS Staff	58,532,008	55,134,887	(3,397,121)	(5.8%)	(2,069,675)	(1,327,446)
Control Staff	5,567,340	5,727,418	160,078	2.9%	(26,218)	186,296
Total Other Staff	64,099,348	60,862,305	(3,237,042)	(5.1%)	(2,095,892)	(1,141,150)
Other Pension Payments	850,000	1,021,428	171,428	20.2%	0	171,428
Severance	0	298,483	298,483	0.0%	0	298,483
Professional Development	19,662,507	18,111,191	(1,551,316)	(7.9%)	(836,429)	(714,888)
Recruitment	146,399	30,007	(116,391)	(79.5%)	(53,234)	(63,157)
Employee Related Insurance	304,020	806,364	502,344	165.2%	507,049	(4,705)
Compensation	1,555,814	1,996,074	440,260	28.3%	852,931	(412,671)
Medical and Welfare Expenses	2,007,081	1,752,494	(254,587)	(12.7%)	(195,381)	(59,206)
Total Employee Related	24,525,820	24,016,041	(509,779)	(2.1%)	274,936	(784,715)
Firefighter Pension Scheme	21,320,692	21,162,159	(158,533)	(0.7%)	(155,000)	(3,533)
Building Maintenance	9,403,556	8,541,742	(861,814)	(9.2%)	(40,000)	(821,814)
Grounds Maintenance	120,984	57,397	(63,587)	(52.6%)	0	(63,587)
Premises Security	670,271	457,990	(212,281)	(31.7%)	785	(213,066)
Energy Costs	2,463,430	2,320,614	(142,816)	(5.8%)	(376,000)	233,184
Rents	8,456,587	8,277,791	(178,795)	(2.1%)	4,662	(183,457)
Property PFI Contract	5,680,104	5,708,563	28,459	0.5%	0	28,459
Property Rates	7,638,967	7,269,265	(369,701)	(4.8%)	(242,333)	(127,368)
Water & Sewerage Rates	279,117	264,706	(14,410)	(5.2%)	0	(14,410)
Fixtures & Fittings	87,969	68,644	(19,325)	(22.0%)	(1)	(19,324)
Cleaning and Domestic Supplies	2,123,597	4,467,353	2,343,756	110.4%	2,272,166	71,590

Detailed Financial Position

Appendix 2

	Revised Budget	Outturn	Outturn Variance		Forecast Outturn Variance at Qtr.3	Movement between previous and outturn variance
	£	£	£	%	£	£
Premises Insurance	331,016	298,370	(32,646)	(9.9%)	(7,292)	(25,354)
Other Property Services	2,294,207	1,977,208	(316,999)	(13.8%)	(141,992)	(175,007)
Total Premises	39,549,804	39,709,643	159,840	0.4%	1,469,995	(1,310,155)
Running Costs	2,551,555	1,583,846	(967,709)	(37.9%)	(728,771)	(238,938)
Vehicle and Equipment Contract	11,707,180	12,033,822	326,642	2.8%	254,322	72,320
Vehicle Passthroughs	592,984	632,933	39,949	6.7%	121,452	(81,503)
Maintenance and Repairs	0	0	0	0.0%	0	0
Contract Hire & Operating Leases	1,266,014	1,186,176	(79,838)	(6.3%)	(30,855)	(48,983)
Travel	853,844	1,286,954	433,110	50.7%	402,637	30,473
Total Transport	16,971,576	16,723,731	(247,845)	(1.5%)	18,786	(266,631)
Hydrants	420,004	857,362	437,358	104.1%	4,996	432,362
Operational Equipment	1,504,294	3,092,441	1,588,147	105.6%	1,548,548	39,600
Smoke Alarms	586,638	301,225	(285,413)	(48.7%)	(55,069)	(230,344)
Equipment Furniture and Materials	403,235	517,884	114,649	28.4%	153,442	(38,793)
Lost & NFWT Operational Equipment	122,448	74,245	(48,203)	(39.4%)	56,000	(104,203)
Catering	312,562	159,213	(153,349)	(49.1%)	(71,721)	(81,628)
Clothing & Laundry	3,437,897	3,310,497	(127,400)	(3.7%)	82,278	(209,678)
General Office Expenses	581,807	349,728	(232,079)	(39.9%)	(59,112)	(172,967)
Professional Services	9,255,873	10,948,490	1,692,618	18.3%	2,347,300	(654,682)
Postal Services	61,126	48,505	(12,621)	(20.6%)	6	(12,627)
Communications	4,327,118	4,336,288	9,170	0.2%	102,000	(92,830)
Hardware and Software	6,716,401	7,083,334	366,933	5.5%	679,673	(312,740)
Staff Reimbursements	241,809	516,679	274,869	113.7%	236,861	38,008
Grants and Subscriptions	279,617	244,226	(35,391)	(12.7%)	775	(36,166)
Other Insurance	257,000	675,094	418,094	162.7%	396,107	21,987
Advertising	107,541	63,713	(43,828)	(40.8%)	5,430	(49,258)
Other Supplies and Services	45,170	18,793	(26,377)	(58.4%)	2,299	(28,676)
Total Supplies and Services	28,660,539	32,597,716	3,937,177	13.7%	5,429,811	(1,492,634)

Detailed Financial Position

Appendix 2

	Revised Budget	Outturn	Outturn Variance		Forecast Outturn Variance at Qtr.3	Movement between previous and outturn variance
	£	£	£	%	£	£
Other Agencies	396,134	341,832	(54,302)	(13.7%)	11,301	(65,603)
Other Local Authorities	1,315,741	1,527,148	211,407	16.1%	82,328	129,079
Audit & Bank Charges	88,600	88,319	(281)	(0.3%)	40,322	(40,603)
Total Third Party Payments	1,800,475	1,957,299	156,824	8.7%	133,951	22,873
Debt Repayment	5,817,000	5,817,803	803	0.0%	1,000	(197)
External Interest	2,233,000	2,735,145	502,145	22.5%	502,430	(285)
Total Capital Financing Costs	8,050,000	8,552,948	502,948	6.2%	503,430	(482)
Budget for Non Staff Inflation	0	0	0	0.0%	0	0
Central Contingency	55,439	0	(55,439)	(100.0%)	(55,439)	(0)
Savings to Be Achieved	(278,991)	0	278,991	(100.0%)	614,438	(335,446)
Savings done by DA	401,918	0	(401,918)	(100.0%)	(186,775)	(215,143)
Contingency	178,366	0	(178,366)	(100.0%)	372,224	(550,590)
Total revenue expenditure	483,520,986	487,239,157	3,718,172	0.8%	12,266,991	(8,548,820)
MFB Act Income	(30,633,319)	(30,506,486)	126,833	(0.4%)	166,028	(39,195)
Customer and Client Receipts	(10,683,025)	(21,446,975)	(10,763,950)	100.8%	(7,873,221)	(2,890,730)
Interest Receivable	(800,000)	(531,101)	268,899	(33.6%)	198,000	70,899
Bad Debts	0	207	207	0.0%	0	207
Total Other Income	(42,116,344)	(52,484,356)	(10,368,012)	24.6%	(7,509,193)	(2,858,819)
Net revenue expenditure	441,404,642	434,754,802	(6,649,840)	(1.5%)	4,757,799	(11,407,639)
Use of General Reserves	(18,778,000)	(18,778,000)	0	0.0%	0	0
Use of Earmarked Reserves	20,202,633	20,202,633	0	0.0%	34,711	(34,711)
Financing Requirement	442,829,275	436,179,435	(6,649,840)	(1.5%)	4,792,510	(11,442,350)

Detailed Financial Position

Appendix 2

	Revised Budget	Outturn	Outturn Variance		Forecast Outturn Variance at Qtr.3	Movement between previous and outturn variance
	£	£	£	%	£	£
Financed by:						
Specific grants	(41,329,275)	(47,507,341)	(6,178,065)	14.9%	(1,731,198)	(4,446,867)
GLA Grant	(401,500,000)	(401,500,000)	0	0.0%	0	0
Net Financial Position	0	(12,827,906)	(12,827,906)	0.0%	3,061,311	(15,889,217)

2020/21 Capital Outturn

The capital outturn for 2020/21 is **£19,156k**, which is a **£1,815k** reduction from the position reported as at the end of Quarter 3 £20,971k (LFC-0478). The changes in the programme are detailed below.

Budgets brought forward from 2021/22	£1,207k
Budget slippage to 2021/22	(£3,076k)
Disposal costs	£138k
Over committed Budget	£51k
Budget Savings	<u>(£135k)</u>
Total	(£1,815k)

Budget brought forward from 2021/22 – £1,207k

- Property – Heating works at various stations £90k
- Property – New Training Centre £120k
- Property – Lift refurbishment works £139k
- Fleet – Pumping Appliances CCTV £44k
- Fleet – Fire Rescue Units £752k
- Fleet – Vehicle Modifications £6k
- Communication - Museum fit out £57k

Slippage to 2021/22 – (£3,076k)

- ICT - Facilitating Flexible Working (£648k)
- Fleet – Aerial Appliances (£105k)
- Fleet – Fire boat replacement (£592k)
- Fleet – Equipment (£214k)
- Property – Minor Improvements at various stations (£281k)
- Property – Plumstead Refurbishment (£21k)
- Property – Windows works (£218k)
- Property – Roofing works at various stations (£497k)
- Property – Rewiring works at various stations (£5k)
- Property – Appliance Bay Doors (£61k)
- Property – Lambeth River Station (£29k)
- Property – Chelsea / Clapham Accommodation Improvement (£391k)
- Property – Biggin Hill Extension (£7k)
- Property – Carbon Strategy Estate Works (£8k)

Other Costs - £138k

- Professional fees incurred in the disposal of sites (£138k)

Over commitment - £51k

- ICT – Wireless Access Points £37k
- Property – West Hampstead Cottages Refurbishment £14k

Budget savings – (£135k)

- ICT – New Telephone System Equipment (£10k)
- ICT – Farynor Replacement (£4)
- Property - Operational Support Centre (£121k)

Capital Schemes Update

The key movements on the capital schemes in 2020/21 are considered below.

Budgets brought forward

The budgets brought forward from 2020/21 of £1,207k primarily relates to Fleet, with the key movement being on Fire Rescue Units (£752k). Other notable movements were Lift Refurbishment (£139k) and Heating (£90k) works in Property

- **Fire Rescue Units £752k** – At December 2020 it was anticipated that none of costs from the LFB Specialist Heavy Fleet Vehicles Replacement report (LFB-0284y-D) would occur in 2020/21 and hence the budget was slipped into future years, however six of the Fire Rescue Units were received before the end of the financial year and triggered Milestone #1 payments.
- **Heating £90k** – Additional costs were occurred towards the end of this financial year which had been anticipated in the following year, this included the final retention amount in relation to Acton which was completed ahead of schedule.
- **Lift Refurbishment works £139k** – Additional progress was made on the lift refurbishment, with further works completed during the financial year.

Budget slippage

The budget slippage of £3,076k to 2021/22 includes the Facilitating Flexible Working project within ICT (£648k). Notable movements within Property projects on Minor Improvements – Stations (£281k), Window works – Stations (£218k), Roofing works at various stations (£497k) and the Accommodation Improvements at Chelsea and Clapham fire stations (£391k). Within Fleet, slippage occurred within the Aerial Appliance replacements (£105k), the Fire Boat replacements (£592k) and on Fleet Equipment (£214k).

- **Facilitating Flexible Working £648k** – The Upgrade to Operating Systems, Virtual Desktop Technology and Replacement of Laptops were all slipped and will be used to fund the Facilitating Flexible Working project (LFC-0429y) which has now been included within the 2021/22 Capital Strategy. The project is to assist the LFC move to a new Flexible Working policy.
- **Minor Improvements – Stations (£281k)** – This slippage relates to a number of projects across fire stations, with the two key areas being the proposed replacement of motorised gates on various stations (£171k) and the provision of glazed washdown canopies at East Ham, Lewisham and Paddington Fire Stations (£112k), which will now be completed in 2021/22.
- **Roofing works at various stations (£497k)** – There are various minor slippages within this project, with the largest slippage at the East Ham / Erith Fire Station Project (£444k).

There was a delay with the validation of the Planning approval for Erith which led to the works not starting as anticipated.

- **Window works at various stations (£218k)** – Just like the roofing work project, there are various minor slippages within the replacement of windows. The largest two slippages are at Finchley Fire Station (£146k) and Surbiton Fire Station (£33k). There was a delay with the return of the draft tender specifications from consultants at Finchley which meant that only fees would be spent in this financial year. At Surbiton, planning permission was only granted in February and so an already lower forecasted outturn figure in Q3 was slipped further.
- **Accommodation Improvements at Chelsea and Clapham fire stations (£391k)** - During the year, a higher than expected tender return prices were received, which resulted in a value engineering exercise to bring the projected cost within budget. This meant that the start on site was delayed until the end of January 2021 with only the 1st and 2nd valuations being due for payment at the end of the financial year.
- **Aerial Appliance replacements (£105k)** – A slight delay has occurred at Stage 3 on two of the 64m Aerial Appliances which has led to a slippage here and with the relevant change requests.
- **Fire Boat replacements (£592k)** – Slippage occurred as a result of factory shutdowns in 2020 with less resources after reopening, however this has not affected the final delivery date.
- **Fleet Equipment (£214k)** – As above, delays due to Covid has meant that 42 of the 91 expected 13.5m ladders and 57 of the 9m two section ladders will not be received until 2021/22.

Capital Receipts

Capital receipts applied to the capital programme in 2020/21 totalled £3,776k and are summarised below.

Capital Receipts – (£3,776k)

- Contributions & Receipts carried forward from 2019/20 – (£1,304k)
- Sale of St Columba Mast – (£850k)
- Sales of Fleet Vehicles and Equipment - (£382k)
- Contributions – (£1,240k).

Capital Budget Movements

The tables below provide a summary of the movements since the Q3 financial position report (LFC-0478) and a summary of the impact on the capital budgets in future years.

2020/21 Capital Programme

Appendix 3

The table below sets out the detailed outturn position for capital projects and the movement from the Q3 position.

Department	2020/21 Q3	2020/21 Provisional Outturn	Movement Q3 to Outturn	Reason for Movement Q3 to Outturn
	£000	£000	£000	
ICT Capital Projects				
Upgrade Operating System	98	0	(98)	Slippage to 2021/22
Mobile Data Terminals Replacement	65	65	0	
ICT – Virtual Desktop Technology	250	0	(250)	Slippage to 2021/22
New telephone system equipment	10	0	(10)	Saving
Wireless Access Points	808	845	37	Overspend
Replacement of laptops	300	0	(300)	Slippage to 2021/22
Farynor Replacement	90	86	(4)	Saving
ICT Total	1,621	996	(625)	
Property Capital Projects				
Plumstead Fire Station Redevelopment	351	330	(21)	Slippage to 2021/22
Heating at various stations	536	626	90	Slippage from 2021/22
Window replacement at various stations	564	346	(218)	Slippage to 2021/22
Rewiring of property at various fire stations	45	40	(5)	Slippage to 2021/22
Roofing replacements	1088	591	(497)	Slippage to 2021/22
Minor Improvement Programme	1555	1274	(281)	Slippage to 2021/22
Appliance Bay Doors (Phase 3)	838	777	(61)	Slippage to 2021/22
Brigade wide Survey for Asbestos & Removal	30	31	1	Slippage from 2021/22
West Hampstead Cottages Refurb	344	358	14	Overspend
Croydon Training Centre	20	140	120	Slippage from 2021/22
Operational Support Centre	394	273	(121)	Saving
Lambeth river station	154	125	(29)	Slippage to 2021/22

2020/21 Capital Programme

Appendix 3

Lift Refurbishment Works	72	211	139	Slippage to 2021/22
Chelsea/Clapham FS – Accommodation improvement	857	467	(390)	Slippage to 2021/22
Biggin Hill FS Extension	50	43	(7)	Slippage to 2021/22
Carbon Strategy Estate Works	308	300	(8)	Slippage to 2021/22
Property Total	7,206	5,930	(1,276)	
Communications Capital Projects				
LFB Museum – Fit out	119	176	57	Slippage from 2022/23
Communications Total	119	176	57	
Fleet and Equipment Capital Projects				
Pumping Appliances	3214	3214	0	
CCTV on Pumping Appliances	70	113	43	Slippage from 2021/22
Aerial Appliances	5089	4984	(105)	Slippage to 2021/22
Specialist Heavy Vehicles Total	0	753	753	Slippage from 2021/22
Light Vehicles and Vans	806	806	0	
Vehicle Modifications	11	16	5	Slippage from 2021/22
Fire Boats	2207	1615	(592)	Slippage to 2021/22
Operational Equipment	628	415	(213)	Slippage to 2021/22
Fleet and Equipment Total	20,009	21,558	1,549	
Operational Policy Equipment Capital Projects				
Respiratory Protective Equipment - Barrie	0	0	0	
Standard duration breathing apparatus sets	0	0	0	
Fireground Radios	0	0	0	
Portable Hygiene Units	0	0	0	
Operational Policy Equipment Total	0	0	0	
Disposal Costs				
	0	138	138	

2020/21 Capital Programme

Appendix 3

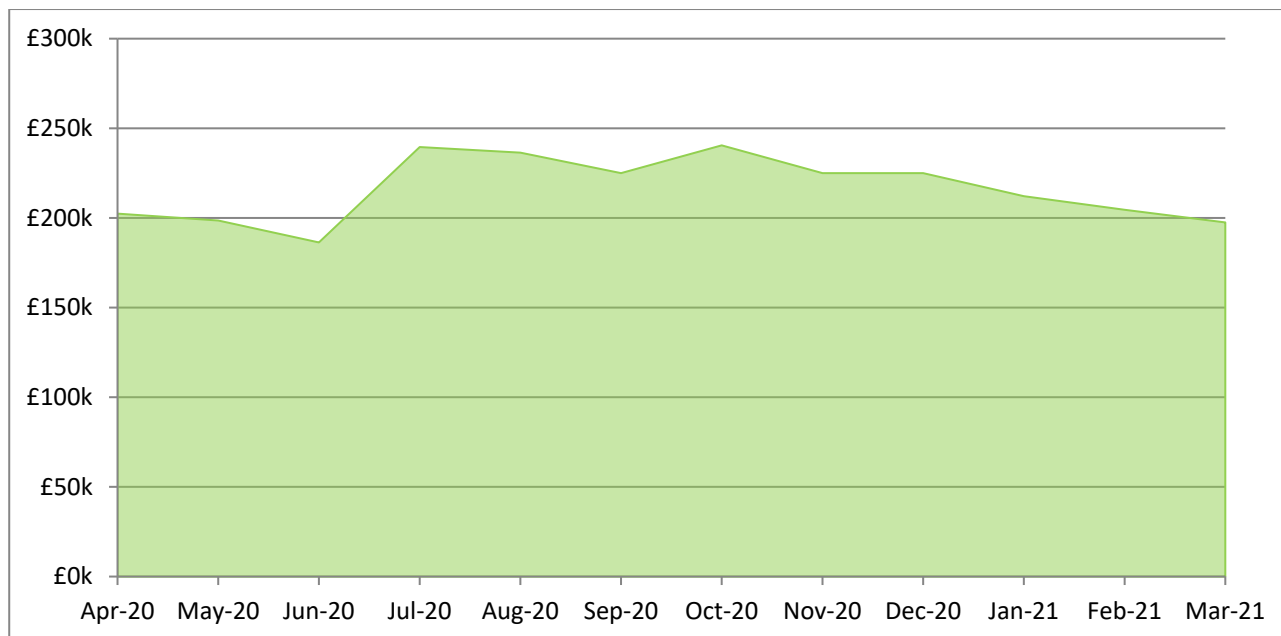
Overall Total	20,971	19,156	(1,815)	

The table below sets out the impact of the Capital Programme Outturn based on the draft Capital Strategy Budget (LFC-0505x) for 2021/22 and future years.

Capital Programme 2021/22 onwards - Outturn 2020/21	2021/22 Capital Strategy Budget £000	Outturn position changes 2020/21 £000	2021/22 Revised Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000
ICT Projects	4,369	464	4,833	4,836	5,950	6,926
Property Projects	23,701	5,924	29,625	17,738	10,365	11,699
Communication Project	40	0	40	1,063	1,104	0
Fleet Projects	22,327	395	22,722	3,152	18	3,412
Operational Policy Projects	8,200	0	8,200	0	0	0
CAPITAL EXPENDITURE TOTAL	58,637	6,783	65,420	26,799	17,437	22,037

The chart below shows the amount of outstanding Shut in Lift debts over the last 12 months, with £198k outstanding at the end of March 2021. 18% of this outstanding debt is under 30 days old.

Debts continue to be monitored to determine appropriate actions to manage outstanding balances, however it has been challenging to maintain this work during the pandemic.



The table below shows the top five (worst) outstanding debtors for LIFT income.

Customer Name	Amount Outstanding (£)	No of Invoices Outstanding
A2 DOMINION HOMES LIMITED	13,925	34
ROYAL BOROUGH OF GREENWICH	10,363	25
LONDON BOROUGH OF LAMBETH	8,304	20
PEABODY TRUST	8,287	20
GALLION HOUSING ASSOCIATION	6,104	15
Grand Total	46,984	114

Review of the top five debtors

A2 Dominion Homes Limited:

A2 Dominion have had the highest level of outstanding debt for several months now. Despite reminder letters sent out earlier for the outstanding invoices and further chasing via telephone calls, A2 are not giving a positive response with regards to payment of their outstanding debts. A final warning letter has now been issued and referral to the General Counsel for further action is now in the process.

Royal Borough of Greenwich:

Royal Borough Greenwich advised that the paperwork for obtaining the Purchase Order number was completed incorrectly and needs to be resubmitted. This has now been be actioned and progress on payment is expected.

London Borough of Lambeth:

Nine invoices have now been settled, and the remaining outstanding invoices have been chased by phone, emails and reminder letters.

Peabody Trust:

The majority of outstanding invoices from last year have been now settled. There have been new invoices issued this year which are now outstanding for payment. Emails and reminder letters have been sent and we await feedback.

Gallion Housing Association:

Gallion Housing advised that the Purchase Order numbers are waiting to be released and payment will be made in due course.

Budget VirementsFinancial 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."

Department from	Department to	Description	Date	Amount transferred
Technical & Commercial	Technical & Commercial	Temporary until 2021/22. Funding from Modifications for agency costs.	16/12/2020	£50,000
Transformation	Operational Policy	The transfer of Grand funding from reserves (Psychological, BA and Radio Trials.	17/03/2021	£95,143
Transformation	Communications	The transfer of funding from transformation reserve to fund community engagement	30/03/2021	£20,000
Transformation	Operational Resilience and Control	Live Fire Theory and Practical Training Day's - Control	29/04/2021	£43,334
Transformation	Operational Resilience and Control	Control CBT Package for FSG communications	29/04/2021	£16,000
Property	Property	Museum	30/04/2021	£50,000
Transformation	Operational Policy	The transfer of funding from transformation reserve (Drone Capability)	13/05/2021	£26,000



Private and Confidential

25th August 2021

London Fire Commissioner
169 Union Street
London
SE1 0LL

Dear Fire Commissioner

Audit Plan Addendum

We are pleased to attach our Audit Plan Addendum. The purpose of this report is to provide you with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 14th May 2021.

You should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Audit Plan dated 14th May 2021.

Yours faithfully

Janet Dawson
Partner

For and on behalf of Ernst & Young LLP



01

Value for Money Risks





Value for money

The Authority's responsibilities for value for money

The London Fire Commissioner is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

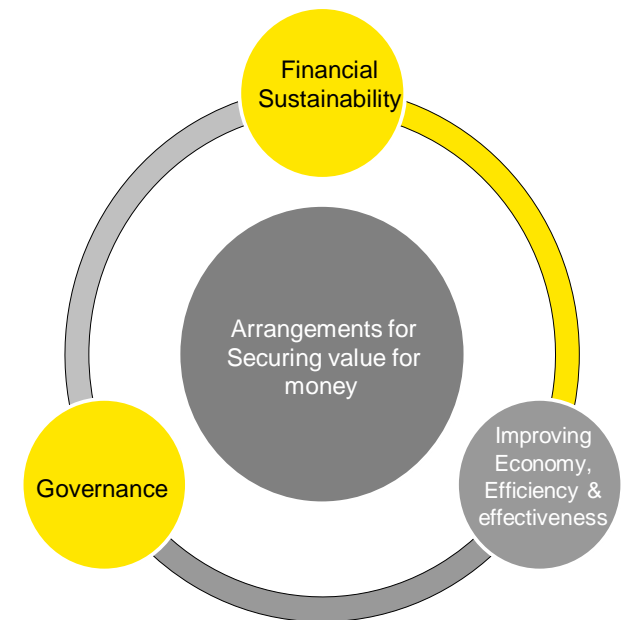
As part of the material published with its financial statements, the London Fire Commissioner is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the London Fire Commissioner tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the the London Fire Commissioner has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there are no longer overall evaluation criteria upon which we need to conclude. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the the London Fire Commissioner a commentary against specified reporting criteria (see below) on the arrangements the the London Fire Commissioner has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
How the the London Fire Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
How the the London Fire Commissioner ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
How the the London Fire Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the the London Fire Commissioner's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criteria.

In considering the the London Fire Commissioner's arrangements, we are required to consider:

- The London Fire Commissioner's governance statement
- Evidence that the London Fire Commissioner's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as HMICFRS) and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the the London Fire Commissioner to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the London Fire Commissioner's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the London Fire Commissioner;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the London Fire Commissioner's reported performance;
- Whether the issue has been identified by the London Fire Commissioner's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the the London Fire Commissioner has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the the London Fire Commissioner.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the the London Fire Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the the London Fire Commissioner's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of internal reports, meetings with key officers, and the evaluation of associated documentation through our regular engagement with management and the finance team.

As a result of this work we have identified one risk of significant weakness relating to implementation of actions to address regulatory findings. The details of this risk and the procedures we have planned to address it are set out on the next slide.

We plan to issue the VFM commentary required under the new Code by the end of September 2021 within our Auditor's Annual Report.



Value for Money

What is the risk of significant weakness?	What arrangements does the risk affect?	What will we do?
<p>Findings from External Regulators</p> <p>In 2019/20 we issued a qualified VFM conclusion as a result of findings from external regulators, as our work identified key outstanding recommendations around staff competence, training and emergency planning & response which were yet to be fully addressed as at 31st March 2020.</p> <p>In 2020/21, the London Fire Commissioner has continued to make progress against the Transformation Delivery Plan which was put in place to address findings from external regulators, and the London Fire Commissioner continues to report to the Mayor and the Home Office on all improvement activity associated with the recommendations raised in the Inquiry’s Phase 1 Report and by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).</p> <p>In Autumn 2020 HMICFRS completed a follow up inspection of these recommendations and concluded that overall, the Brigade had not made enough progress to resolve the cause of concern identified during the 2019 inspection. In particular the report commented on insufficient progress in training development and provision for level 1 and 2 incident commanders.</p> <p>We consider the above to be relevant to the improving economy, efficiency and effectiveness criteria and constitute a significant risk of material weakness for the year ended 31 March 2021.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> - Reviewing progress made against the recommendations in the Phase 1 Grenfell Report and HMICFRS inspection report during 2020/21 - Forming an assessment of the scope, nature and timing of the remaining recommendations that have not been implemented as at 31 March 2021, and their overall impact on our VFM commentary and conclusion.

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