



# Statement of Accounts 2021/2022

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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.

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 world class fire and rescue service for London, Londoners and visitors. A number of factors are important to us and they influence how the Brigade will meet the challenges of making London a safer place to live, work and visit.

#### HOW THAT WORKS IN PRACTICE

The LFB's main role as a fire and rescue service is to make London the safest global city. This means working to make sure London has the lowest number of fires, and fewer injuries and

deaths caused by fire. The LFB can do this by influencing safety in the 'built environment' – buildings, roads, transport systems and so on – and through education and regulation.

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

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

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

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

### 2. THE MAYOR OF LONDON

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

## Director of Corporate Services' Narrative Report (continued)

### 3. THE LONDON FIRE COMMISSIONER HOW THE LONDON FIRE BRIGADE IS GOVERNED

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

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

#### HOW DECISIONS ARE MADE

The process for decisions is:

- i. Reports for decision are taken to a Commissioner's Board
- ii. The Commissioner's Board will discuss and agree final recommendations
- iii. The London Fire Commissioner will then take final decisions based on recommendations from the Commissioner's Board
- iv. Once the formal decision is made by the London Fire Commissioner, the decision and the reports supporting it will be published on our decisions page

### EXCEPTIONS TO THE PROCESS

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

### HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

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

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

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

### OUR FOUR PILLARS

#### The best people and the best place to work

LFB people are the London Fire Brigade. We need to have the best possible people working

in the best possible organisation if we are going to deliver real transformation.

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

#### Seizing the future

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

#### Delivering excellence

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

## Director of Corporate Services' Narrative Report (continued)

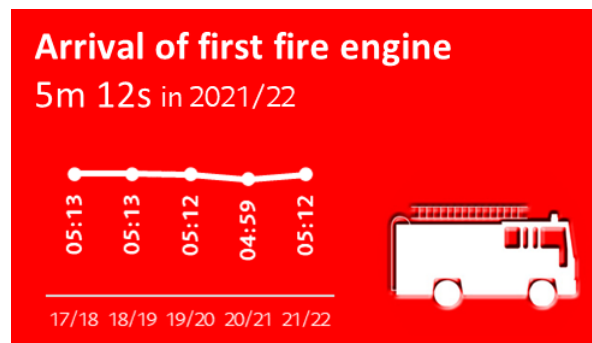
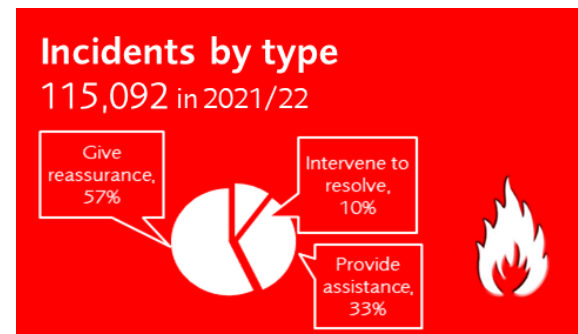
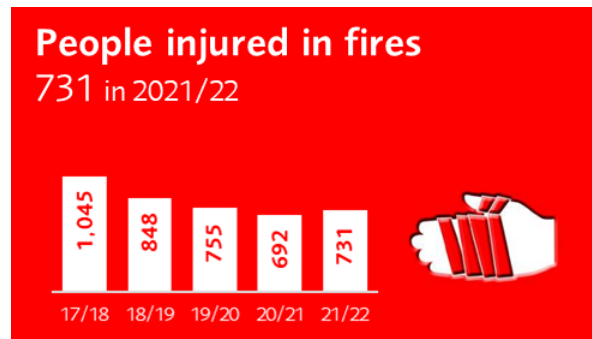
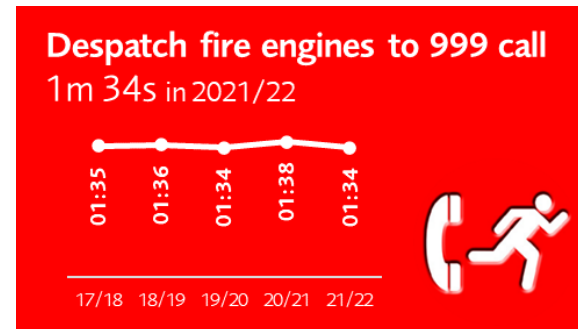
### Outward facing

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 2021/22

Performance as at year ending 31<sup>st</sup> March 2022 shows that most performance indicators are meeting their target. Highlights include:



#### Greater London

3rd largest European capital  
10m daytime population  
9m residents  
3.6m households

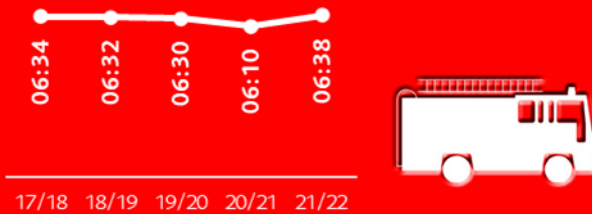
### Fire safety audits

9,139 in 2021/22



### Arrival of second fire engine

6m 38s in 2021/22



### Home fire safety visits

35,140 in 2021/22



### London Fire Brigade

Largest UK fire & rescue service

102 fire stations, 1 river station

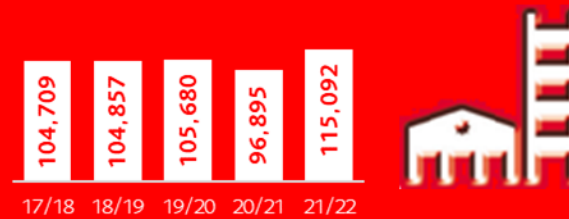
142 fire engines

5,598 staff



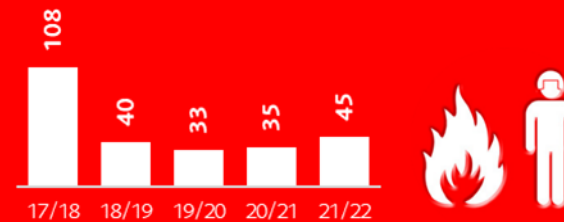
### All incidents attended

115,092 in 2021/22



### People who died in fires

45 in 2021/22

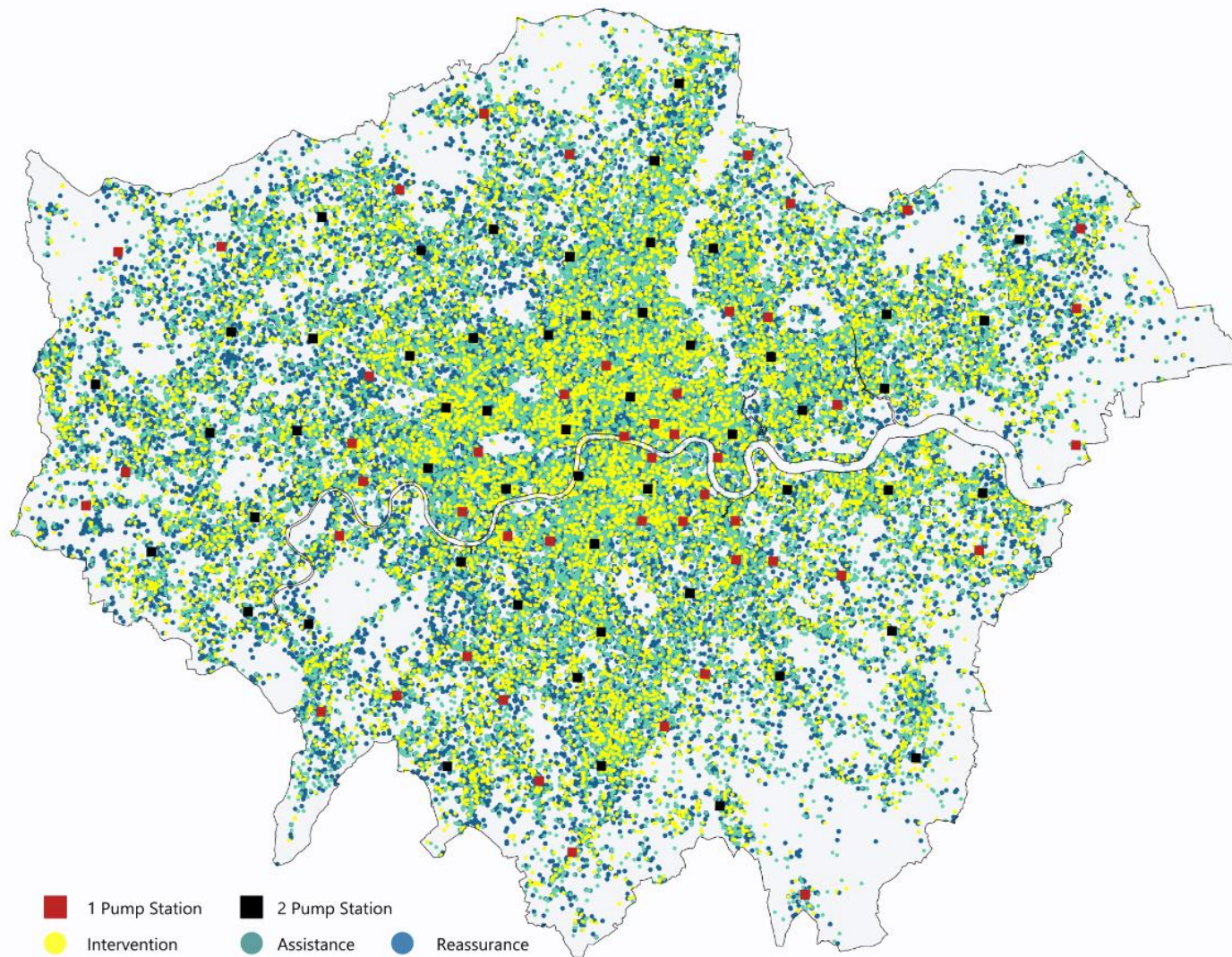




Director of Corporate Services' Narrative Report (continued)

THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2021/22

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 LSP 2017 will shortly be replaced by a Community Risk Management Plan (CRMP) which is currently being drafted and consulted upon.

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

Of the original 65 actions in the plan, 50 have now been completed, two were completed during quarter four.

The original plan has been impacted by the effects of the COVID-19 pandemic. This has been reflected in the amended completion dates in the current version of the TDP.

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 7 out of 12 indicators reporting as green, including fire fatalities, and against Aim 2 – Response and Resilience, with 5 out of 6 indicators reporting as green. Although Aim 3 – People and Resources continues to be affected by long term sickness levels our firefighter recruitment targets are now being met. The Brigade's strategic risk register currently has 10 risks which are rated red. Seven key projects are progressing to schedule, however four are amber and two are reporting as red.

The Coronavirus pandemic has had an uneven impact on our frontline service delivery which is reflected in some of our performance indicators. Throughout the last 21 months we have complied with social distancing rules

and guidance on the need to contribute to reducing transmission rates within London's communities and to mitigate the impact on our local and wider NHS. However, this has negatively impacted our community safety work, resulting in all of our community safety indicators now reporting as red.

Performance as at the year ending quarter four 2021/22 shows that most of the indicators were meeting their target (17 out of 33).

### PUBLICITY AND CAMPAIGN NEWS

#### Safety awareness

The Brigade issued advice to communities about heating homes and the use of heaters in response to a fire in New York in January, rising energy prices during winter, and the imminent rise in the energy price cap in April. We warned people about the risk of fires due to portable heaters and the risk of running electrical appliances overnight when people are sleeping.

We also communicated the support that the Brigade is providing, alongside other fire and rescue services, to Ukraine. In March we promoted our donation of firefighting equipment and the firefighters who are transporting equipment as part of a convoy to Poland.

Other key safety campaigns included:

- Promoting the action taken against private health and care provider BUPA, which resulted in a £1.04m fine, after a resident died in a fire while smoking in a care home.
- Publishing new figures which showed that alcohol related fires increased towards the end of 2021.
- Promoting the service that our fire investigation dogs provide through our campaign to have Simba recognised as part of his

## Director of Corporate Services' Narrative Report (continued)

nomination for the Crufts Hero Dog award. This resulted in coverage on BBC London and on digital media including Mail Online.

- Raising fire safety awareness on World Hearing Day through the use of an online scavenger hunt video, hosted by a firefighter who communicated in British Sign Language.
- Increasing the focus on the number of incidents we attended involving e-bikes and e-scooters and promoting our safety messaging.

### Incidents

There was significant media interest in our preparation for and response to Storm Eunice in mid-February, in which the Brigade declared a major incident in response to the volume of 999 calls being taken. The media team worked with the digital team to share our advice to communities, which was amplified by agencies through partnership working through the London Resilience Communications Group.

There was also a high profile fire in a block of flats and offices in Whitechapel, above an entrance to Aldgate East tube station, which resulted in widespread coverage on all major news channels and the media team provided regular updates to the media and supported broadcast interviews with ITV News and the Bauer media group.

### Campaigns

Supporting our Togetherness Strategy, the communications team supported a number of recognised events. In February, we supported LGBT+ History Month with case studies of gay and lesbian firefighters which received higher than average levels of engagement on social media. In March, we celebrated International Women's Day with case studies of female firefighters in support of this year's #BreakTheBias theme, which was supported on social media and featured in online news publications. Furthermore, we started a digital

recruitment campaign to target under-represented groups and encourage people to find out more about a career in the fire and rescue service.

### Proactively leading discussion to improve building safety

The Brigade continued to work proactively to improve safety in the built environment. Part of our ongoing advocacy work has been seeking improvements to the Building Safety Bill. A key part of this work was targeted at ensuring that companies cannot avoid liability for poor quality construction by opening subsidiary companies or special purpose vehicles to be responsible for new development or refurbishment. Our work on this included engaging with other organisations, such as the Local Government Association, who provided support by highlighting our concerns to Government. This has since resulted in amendments to the Building Safety Bill aimed at addressing this issue and ensuring that those responsible for poor construction can still be held accountable even where a separate company has been set up.

More broadly, we continued to work with Government through meetings with the Fire Minister, the Home Office and the Department for Levelling Up, Housing and Communities on a range of other key issues relating to the built environment to try and improve the safety of Londoners and people across the country.

### Knowledge and information sharing

We have been developing position statements on key issues relating to fire safety in the built environment. These will help to improve communications with communities, stakeholders and the wider sector by clearly signposting and explaining the Brigade's position on important areas relating to safety. The aim is publish these during the summer in 2022.

## Director of Corporate Services' Narrative Report (continued)

### Working with partners and stakeholders

The Brigade welcomed numerous partners and stakeholders to fire stations to demonstrate the wide variety of work undertaken by the organisation to keep Londoners safe. In March, this included hosting the London Assembly's Fire, Resilience and Emergency Planning Committee at Paddington Fire Station to demonstrate the changes that the Brigade has implemented since the Grenfell Tower fire to improve our response to fires in high-rise buildings. This included a demonstration of new equipment that has been introduced to improve our response, such as our 32 metre turntable ladders, drones, the new FSG App and fire escape hoods that are used to support evacuation of people from buildings by providing protection from toxic smoke.

### Financial impact of COVID

The pandemic has placed additional cost pressures on the Brigade which have been pre-dominantly met through the use of one-off COVID grant income and/or raising of additional income in instances such as supporting the London Ambulance Service (LAS) to offset the additional expenditure. There have also been significant impacts on operational staffing levels, specifically for quarter three at the height of the Omicron variant in December and the requirements to self-isolate. This has resulted in further levels of pre-arranged overtime in order to keep appliances available. The potential longer term impacts of COVID will continue to be highlighted through the budget setting process and Brigade's Medium Term Financial Strategy (MTFS).

### Grenfell Tower Fire

The London Fire Brigade's Grenfell Tower Investigation and Review Team completed its work on the 6th April 2022. A number of the workstreams have been completed and closed. The Programme Administration Team

have been absorbed into the Grenfell team in General Counsel's Department and will continue to support the Brigade in its response to Operation Northleigh and the Grenfell Tower public inquiry.

Lawyers acting for the bereaved survivors and relatives have issued around 950 claims against the London Fire Commissioner (LFC) and other core participants in the Grenfell Tower Inquiry. A further 107 claims from firefighters and control room officers, and 36 claims from Metropolitan Police Officers against the same Defendants have also been made. The LFC, together with most other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, alternative dispute resolution (ADR) process to try and resolve matters without the need for litigation. The first stage of the mediation is due to take place over a two week period, beginning 16 January 2023.

### Marauding Terrorist Attack (MTA) Collective Agreement

In the event of a marauding terrorist attack (MTA) every second counts and London Fire Brigade want to ensure firefighters can respond and provide immediate assistance as soon as they arrive at the scene. The Commissioner signed a Joint Collective Agreement with the Fire Brigades Union in relation to marauding terrorist attacks (MTA) on the 6<sup>th</sup> April 2022 which allows the Brigade to move forward with this project.

Over the last few months, the Brigade has been developing proposals and ordering via procurement frameworks in place to make sure firefighters are trained and equipped with the correct PPE for an MTA. The training roll out started in April 2022 in the Borough of Westminster and the training will continue over the next two years. The operational delivery of capability will begin once the priority 1 boroughs have completed their theory and practical training.

## Director of Corporate Services' Narrative Report (continued)

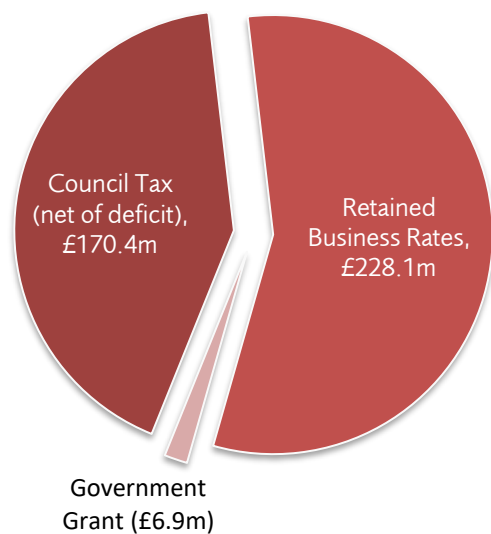
### FINANCIAL PERFORMANCE

#### 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, retained business rates and government grants which provided funding of £405.4m in 2021/22 (£401.5m in 2020/21). The GLA also required the LFC to use £1.4m of reserves as part of its core funding in 2021/22 from savings identified in 2020/21, to meet the council tax collection fund deficit.

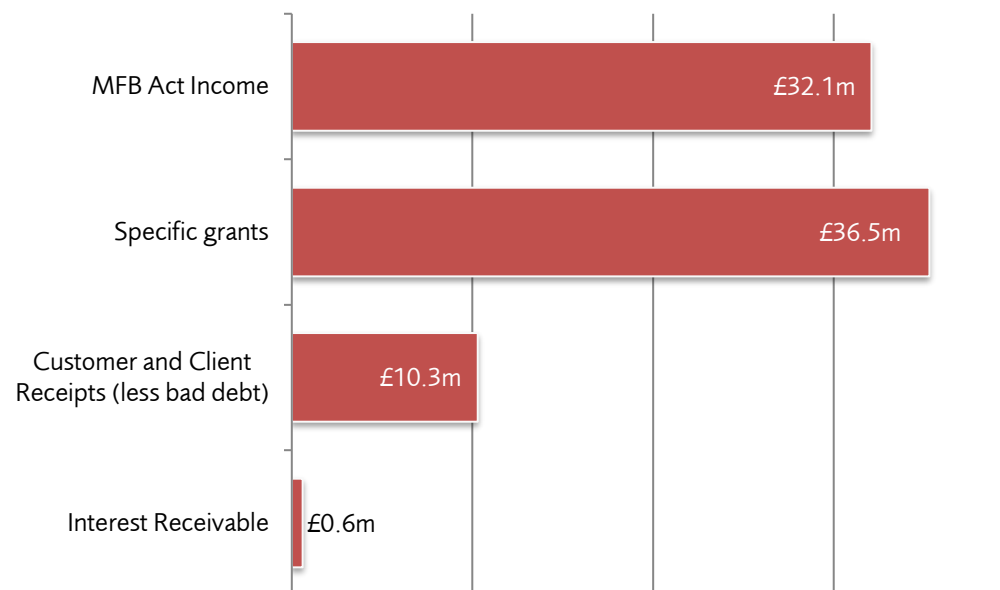
For a Band D council taxpayer, the LFB's element of their council tax bill was £56.87 in 2021/22, or £1.09 a week (£55.28 in 2020/21, or £1.06 a week).

#### FUNDING FROM THE GLA



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 £79.5m (£101.4m in 2020/21).

#### 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 £497.1m in 2021/22 (£501.4m in 2020/21). After including a net draw from reserves of £4.2m this provided for expenditure of £501.3m.

Total expenditure in 2021/22 was £497.5m, £3.9m less than budgeted and the breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£283.1m) and Other Staff (63.7m).

Expenditure increased from 2020/21 levels because of inflation, the brigades transformation objectives and capital financing costs. This was offset by a operational recruitment freeze which helped reduce the increase to staff costs.

| 2020/21         |                  |                   |                                       | 2021/22         |                        |                   |
|-----------------|------------------|-------------------|---------------------------------------|-----------------|------------------------|-------------------|
| Budget<br>£'000 | Outturn<br>£'000 | Variance<br>£'000 | LFC Revenue                           | Budget<br>£'000 | Draft Outturn<br>£'000 | Variance<br>£'000 |
| 278,364         | 281,657          | 3,293             | Operational staff                     | 270,883         | 283,096                | 12,213            |
| 64,099          | 60,862           | (3,237)           | Other staff                           | 66,613          | 63,690                 | (2,923)           |
| 24,526          | 24,016           | (510)             | Employee related                      | 23,976          | 26,131                 | 2,154             |
| 21,321          | 21,162           | (159)             | Pensions                              | 21,644          | 20,659                 | (985)             |
| 39,550          | 39,710           | 160               | Premises                              | 44,903          | 42,029                 | (2,874)           |
| 16,972          | 16,724           | (248)             | Transport                             | 17,550          | 17,253                 | (297)             |
| 28,661          | 32,598           | 3,937             | Supplies and services                 | 31,409          | 32,065                 | 656               |
| 1,800           | 1,957            | 157               | Third party payments                  | 1,364           | 2,068                  | 705               |
| 8,050           | 8,553            | 503               | Capital financing costs               | 8,953           | 9,810                  | 857               |
| 178             | 0                | (178)             | Central contingency against inflation | 1,880           | 713                    | (1,167)           |
| <b>483,521</b>  | <b>487,239</b>   | <b>3,718</b>      | <b>Total revenue expenditure</b>      | <b>489,175</b>  | <b>497,513</b>         | <b>8,338</b>      |
| (42,116)        | (52,476)         | (10,359)          | Other income                          | (43,041)        | (54,005)               | (10,963)          |
| <b>441,405</b>  | <b>434,764</b>   | <b>(6,641)</b>    | <b>Net revenue expenditure</b>        | <b>446,133</b>  | <b>443,508</b>         | <b>(2,625)</b>    |
| 1,425           | 1,425            | 0                 | Use of reserves                       | (4,245)         | (4,245)                | 0                 |
| <b>442,829</b>  | <b>436,188</b>   | <b>(6,641)</b>    | <b>Financing Requirement</b>          | <b>441,888</b>  | <b>439,263</b>         | <b>(2,625)</b>    |
|                 |                  |                   | <b>Financed by:</b>                   |                 |                        |                   |
| (41,329)        | (47,507)         | (6,178)           | Specific grants                       | (36,485)        | (37,732)               | (1,247)           |
| (401,500)       | (401,500)        | 0                 | GLA funding                           | (405,400)       | (405,400)              | (0)               |
| <b>0</b>        | <b>(12,819)</b>  | <b>(12,819)</b>   | <b>Net Financial Position</b>         | <b>3</b>        | <b>(3,869)</b>         | <b>(3,872)</b>    |



## Director of Corporate Services' Narrative Report (continued)

### CAPITAL EXPENDITURE

Total capital expenditure in the year was £17.1m, of which £16.4m was funded from capital receipts, with the remainder being funded by borrowing.

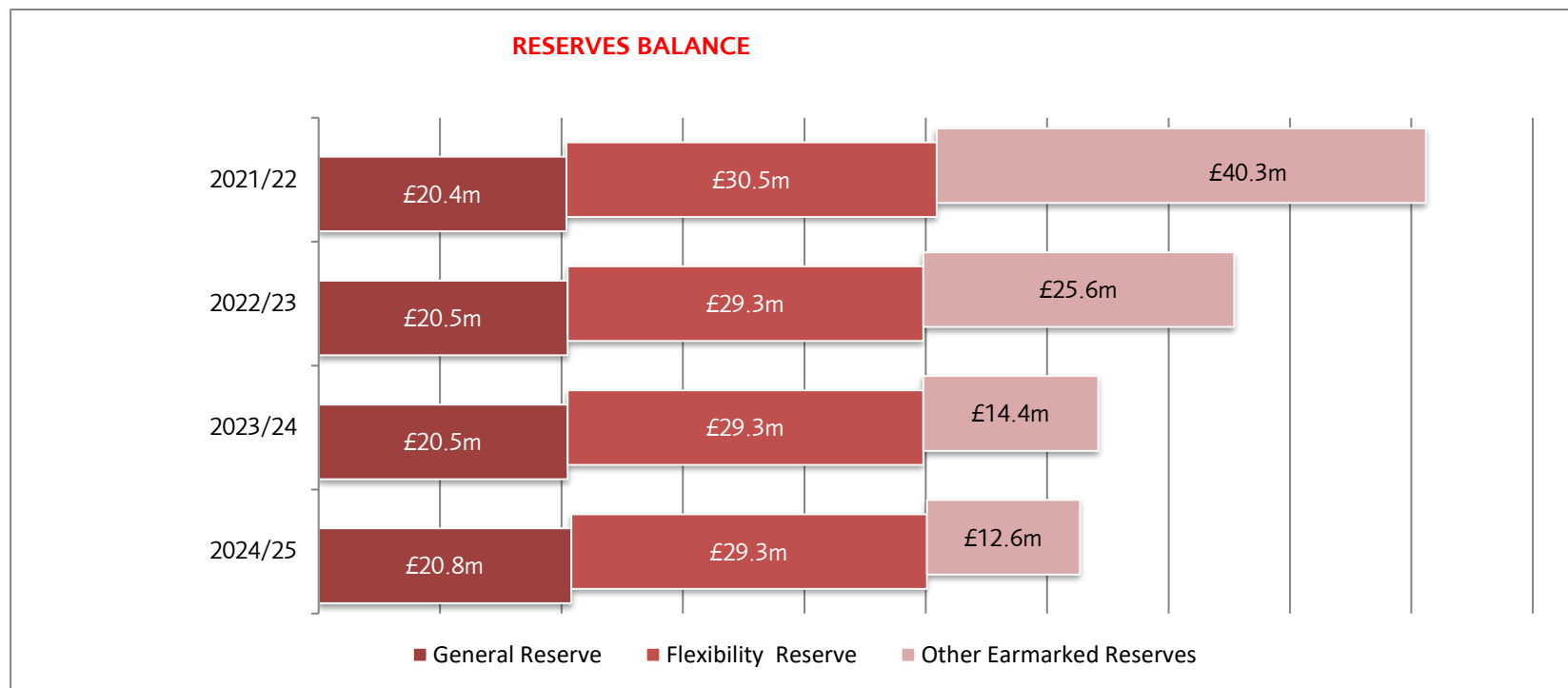
There were two main areas of spend, i.e. Property (47%) and Fleet & Equipment Projects (45%).

| <b>Outturn<br/>2020/21<br/>£'000</b> | <b>LFC Capital</b>                   | <b>Outturn<br/>2021/22<br/>£'000</b> |
|--------------------------------------|--------------------------------------|--------------------------------------|
| 996                                  | ICT Projects                         | 1,308                                |
| 5,931                                | Property Projects                    | 8,036                                |
| 11,915                               | Fleet and Equipment Projects         | 7,722                                |
| 176                                  | Communications                       | 0                                    |
| 138                                  | Disposal Costs                       | 0                                    |
| <b>19,156</b>                        | <b>Total capital expenditure</b>     | <b>17,066</b>                        |
|                                      |                                      |                                      |
|                                      | <b>Financed by:</b>                  |                                      |
| 1,911                                | Capital Receipts                     | 16,409                               |
| 1,865                                | Grants /Contributions                |                                      |
| 15,380                               | Use of existing reserves / Borrowing | 657                                  |
| <b>19,156</b>                        | <b>Total</b>                         | <b>17,066</b>                        |

## Director of Corporate Services' Narrative Report (continued)

### RESERVES

The LFC had total reserves of £91.25m as at 31 March 2021, comprising £20.4m in general reserves and £71.8m in earmarked reserves. The chart shows how earmarked reserves are expected to be consumed over the next three years.



The general reserve is maintained at a minimum of 3.5% of the net revenue expenditure of £15.6m, with the surplus above this being transferred to earmarked reserves to support the budget in future years as to be agreed as part of the financial outturn reporting. The general reserve would then be expected to remain at the minimum level of £15.6m in each of the following financial years. These figures are as per the approved published Budget Report for 2022/23.

## 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 three financial years, as shown in the below table.

|  | 2022/23      | 2023/24      | 2024/25      |
|--|--------------|--------------|--------------|
|  | £m           | £m           | £m           |
| Operational Staff                              | 284.8        | 305.9        | 311.2        |
| Other Staff                                    | 66.4         | 67.0         | 67.1         |
| Staff Related                                  | 25.7         | 26.9         | 27.3         |
| Firefighter Pension Scheme                     | 21.8         | 22.0         | 22.3         |
| Premises                                       | 42.4         | 43.8         | 43.9         |
| Transport                                      | 17.7         | 17.0         | 16.0         |
| Supplies and Services                          | 32.5         | 32.0         | 32.4         |
| Third Party                                    | 1.3          | 1.3          | 1.3          |
| Financing                                      | 12.2         | 15.8         | 19.3         |
| Income   | (44.5)       | (45.9)       | (47.3)       |
| Surplus (-) / Savings (+) still to be achieved | 0.0          | (11.0)       | (2.5)        |
| <b>Net Revenue Expenditure Total</b>           | <b>460.3</b> | <b>474.7</b> | <b>491.0</b> |
| <b>Funding</b>                                 |              |              |              |
| Reserves (excl. BFR)                           | (1.9)        | (2.5)        | (1.7)        |
| Budget Flexibility Reserve                     | 0.0          | 0.0          | 0.0          |
| <b>Total – Reserves</b>                        | <b>(1.9)</b> | <b>(2.5)</b> | <b>(1.7)</b> |
| Specific Grants                                | (36.5)       | (36.5)       | (36.5)       |
| <b>Budget – Mayoral Funding</b>                | <b>421.8</b> | <b>435.7</b> | <b>452.8</b> |

| Project                       | 2022/23     | 2023/24     | 2024/25     |
|-------------------------------|-------------|-------------|-------------|
|                               | £m          | £m          | £m          |
| <b>Capital Schemes</b>        |             |             |             |
| Properties                    | 18.4        | 21.9        | 11.4        |
| Fleet Replacement Plan        | 8.4         | 4.6         | 2.9         |
| ICT Projects                  | 9.0         | 11.7        | 5.8         |
| Communications Project        | 1.2         | 1.1         | 0.0         |
| Operational Policy Equipment  | 8.1         | 0.0         | 0.0         |
|                               |             |             |             |
| <b>Total Expenditure</b>      | <b>45.0</b> | <b>39.3</b> | <b>20.1</b> |
|                               |             |             |             |
| <b>Funded by:</b>             |             |             |             |
| Capital Financing             |             |             |             |
| Reserve Funding               | 7.0         | (11.7)      | 0.0         |
| Capital Receipts              | 0.0         | 25.0        | 0.0         |
| Capital Grants                | 0.0         | 0.0         | 0.0         |
| External Borrowing            | 38.0        | 26.0        | 20.1        |
| <b>Total Funded Financing</b> | <b>45.0</b> | <b>39.3</b> | <b>20.1</b> |

The plans show a balanced revenue budget in 2022/23, a budget gap of £11.0m in 2023/24 and a budget gap of £2.5m in 2024/25. These figures are as per the approved published Budget Report for 2022/23 (LFC-0679).

## Director of Corporate Services' Narrative Report (continued)

### FINANCIAL CHALLENGE

The provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. As a result of the announcement of a spending review covering only one year, there remains considerable uncertainty in the medium term regarding funding levels, including any revision of the fire formula as part of the fair funding review.

The budget estimates for 2022/23 to 2024/25 include assumptions for inflation prepared in the 2021/22 financial year. Actual inflation rates now being observed are well above previous estimates and are likely to result in increase financial pressures over the planning period.

This position will be reviewed as part of budget setting for future years, which will be done alongside the development of a new Community Risk Management Plan and Targeted Operating Model for the Brigade.

### RISK MANAGEMENT

During 2020/21 as part of the Brigade's transformation, revised approach to risk identification and management was formulated which required a refresh of the Risk Management Strategy. The 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 ongoing development of the assurance framework and assessment about the effectiveness of the Brigade's key control activities.

The Brigade now has a 5x5 matrix approach to risk scoring in line with good practice. The matrix allows for greater granularity in risk assessment and enables the Brigade to compare its risks to other organisations to spot common threats as well as providing clarity on unique risks to the Brigade.

This strategy has re-introduced risk registers across the organisation at the departmental, directorate and corporate level. Risk identification and creation occurs largely at the departmental level. However, the rating of the risk informs where the risk is managed in the organisation as follows:

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

## Director of Corporate Services' Narrative Report (continued)

### 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-19, 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 increases the risk to our communities and firefighters. This is exacerbated by legacy issues from existing building stock which reduces the fire safety of buildings (e.g., compartmentation and external wall construction)  | 20    |
| P1   | Lack of support afforded to trainees during their apprenticeships leaves trainees isolated from the Brigade and at risk from harm  | 20    |
| P2   | Lack of training assurance means we do not know / have evidence to support whether or not our people are competent or safe to effectively undertake their day to day activities  | 20    |
| P3   | The culture of LFB does not provide a supportive and safe environment for our people to effectively deliver on the LFC's strategic priorities  | 20    |
| PS13 | Lack of effective workforce co-ordination and planning (including lead in times for specialist skills), exacerbated by upcoming changes to firefighter pensions, results in an establishment and skills gap across all operational groups that negatively impacts our service delivery   | 20    |
| PS16 | Lack of capacity in workforce planning (spanning multiple teams) and inability to match current market pay rates, reduces LFBs ability to retain existing staff and recruit new talent, causing significant delays in filling FRS vacancies leading to an insufficient number of appropriately skilled FRS staff across multiple departments         | 20    |
| OP7  | The Brigade is unable to respond effectively to fires caused by alternative fuels (e.g. lithium-ion batteries, hydrogen) exposing the safety of our staff and the public as well as damage to our reputation   | 20    |
| CM7  | The Brigade lacks capacity and capability in areas of internal communication (corporate and managerial), leading to a risk that not all staff are being effectively informed or engaged on key messages  | 20    |



## Director of Corporate Services' Narrative Report (continued)

### UPCOMING CHALLENGES

The CRMP is the Brigade's strategy for how it intends to achieve its purpose and vision over the next seven years. It describes the strategic changes the LFB will make over that time to meet the needs, wants and expectations of the communities it serves. It also describes how it will mitigate risk in London, as expressed in its Assessment of Risk.

Between May and June 2021, the Brigade developed its high-level Target Operating Model (TOM) which translated the LFC's purpose outlined in the TDP into a long-term strategy to deliver the Brigade's purpose and vision. This is service-led, meaning that it will put services and improved service delivery at the forefront of the Brigade's ambition; and community-focussed, with significant community input into its development. The Brigade has now developed a full TOM which has produced:

- A transformation framework which allows the LFC to make clear decisions on the prioritisation and sequencing of transformational activity.
- A consolidated transformation portfolio containing existing projects which are deemed to be transformational or in response to mandated change and new or adapted projects which enable the LFC to achieve his stated purpose.
- A service blueprint containing every service which LFB delivers to Londoners and the associated capabilities which enable the Brigade to deliver them effectively.
- A series of annual delivery plans which outline the programmes, projects and initiatives which must be delivered as part of the Brigade's transformation.

- The key considerations which will enable the Brigade to deliver its purpose.

The draft CRMP has been based on the outcome of this work and public consultation on the draft plan will take place from May to July 2022. The CRMP itself is expected to be approved and launched from 1 January 2023.

## Director of Corporate Services' Narrative Report (continued)

### ACCOUNTING STATEMENTS

The following LFC's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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 following accounting statements 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 the year end by either a 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 2021/22, total spending on the capital programme for tangible and intangible assets was £17.1m. Spend included the rebuilding and modernising of fire stations and other buildings (£8.0m), upgrading ICT equipment (£1.3m) and the purchase of fleet vehicles and equipment (£7.7m). Capital expenditure on assets (£17.1m) is to be financed in accordance with the Prudential Code, funded by capital receipts (£16.4m) and borrowing (£0.7m)

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2021/22 totalled £3m. As a result, as at 31 March 2022, the level of outstanding principal debt totalled £52.73m. The average interest payable on outstanding loans as at 31 March 2022 was 4.7% (4.73% at 1 April 2021).

## Director of Corporate Services' Narrative Report (continued)

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

### 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 (£405.4m) made up of the following elements: Retained Business Rates (£228.1m), Council Tax (£171.8m), Government Grant for income losses (£6.9m) offset by a £1.4m draw from reserves to meet the Collection Fund Deficit.

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 2021/22, was £497.5m against a budgeted net expenditure sum of £501.4m.

The outturn position after application of reserves and grants was £3.9m less than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance increased by £4.9m from £15,4m as at 1 April 2021 to £20,4 m as at 31 March 2022 and the LFC's earmarked reserves decreased by £6.6m from £77.4m as at 1 April 2021 to £70.8m as at 31 March 2022.

The £3.9m underspend in year was a combination of under and overspends as set out in the table on page 12 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

Since 31 March 2020 specialist assets have been valued using the Modern Equivalent Asset (MEA) depreciated replacement cost methodology in accordance with the CIPFA code.

Land valuations were also 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 2022, is £7.09bn (31 March 2021 £7.16bn). 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, a decrease of £68m 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.

*Mark McLaughlin CPFA  
Director of Corporate Services and Chief  
Financial Officer  
31 May 2022*



# 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).

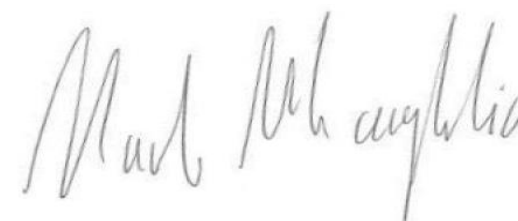
- In preparing this Statement of Accounts, the Director of Corporate Services has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

## **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 119 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 2022.



*Mark McLaughlin CPFA  
Director of Corporate Services*

*Dated 31 May 2022*

## **Audit Opinion and Certificate**

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# Statement of Accounting Policies

## ACCOUNTING POLICIES

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

## GENERAL PRINCIPLES

The Statement of Accounts summarises the LFC's transactions for the financial year and its position at the year-end of 31 March 2022. 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 2021/22 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.
- Accruals are recognised where the value exceeds £5,000 per transaction.

## Statement of Accounting Policies (continued)

### 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

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



## Statement of Accounting Policies (continued)

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 2024 following the impact of the COVID-19. Local authorities can adopt IFRS16 earlier than this if an authority considers that it is able to do so.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- There are 4 standards which have been reviewed as part of the annual IFRS improvement programme. These are:

## Statement of Accounting Policies (continued)

- IFRS 1 (First-time adoption) – the amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage these changes having a significant effect on local authority financial statements.

# **CORE ACCOUNTING STATEMENTS**



## Movement in Reserves Statement (MiRS)

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 | Capital Grants Applied | Capital Receipts Reserves | Total Usable Reserves | Unusable Reserves | Total Reserves   | Notes    |
|---|-----------------|--------------------|------------------------|---------------------------|-----------------------|-------------------|------------------|----------|
|   | £'000           | £'000              | £'000                  | £'000                     | £'000                 | £'000             | £'000            |          |
| <b>Balance as at 01/04/21</b>   | <b>(12,705)</b> | <b>(79,641)</b>    | <b>(205)</b>           | <b>-</b>                  | <b>(92,551)</b>       | <b>6,820,732</b>  | <b>6,728,181</b> |          |
| (Surplus) or deficit on provision of services (accounting basis)                  | 93,708          |                    |                        |                           | 93,708                |                   | 93,708           |          |
| Other Comprehensive Income & Expenditure  |                 |                    |                        |                           |                       | (194,593)         | (194,593)        | 4        |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>93,708</b>   |                    |                        |                           | <b>93,708</b>         | <b>(194,593)</b>  | <b>(100,885)</b> |          |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b> | <b>(94,156)</b> |                    |                        |                           | <b>(94,156)</b>       | <b>94,156</b>     | <b>-</b>         | <b>6</b> |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>(449)</b>    |                    |                        |                           | <b>(449)</b>          | <b>(100,436)</b>  | <b>(100,885)</b> |          |
| Transfers (to)/from Earmarked Reserves  | (7,695)         | 7,695              |                        |                           |                       |                   |                  | 7        |
| <b>Increase/(Decrease) in Year</b>  | <b>(8,144)</b>  | <b>7,695</b>       |                        |                           | <b>(449)</b>          | <b>(100,436)</b>  | <b>(100,855)</b> |          |
| <b>Balance as at 31/03/22</b>   | <b>(20,850)</b> | <b>(71,945)</b>    | <b>(205)</b>           | <b>-</b>                  | <b>(93,000)</b>       | <b>6,720,296</b>  | <b>6,627,296</b> |          |

## Movement in Reserves Statement (continued)

The following table provides comparative figures for 2020/21:

| Movement in Reserves Statement  | General Fund     | Earmarked Reserves | Capital Grants Applied | Capital Receipts Reserves | Total Usable Reserves | Unusable Reserves | Total Reserves   | Notes    |
|---|------------------|--------------------|------------------------|---------------------------|-----------------------|-------------------|------------------|----------|
|   | £'000            | £'000              | £'000                  | £'000                     | £'000                 | £'000             | £'000            |          |
| <b>Balance as at 01/04/20</b>   | <b>(15,811)</b>  | <b>(62,281)</b>    | <b>(830)</b>           | <b>(679)</b>              | <b>(79,600)</b>       | <b>6,173,822</b>  | <b>6,094,221</b> |          |
| (Surplus) or deficit on provision of services (accounting basis)                  | 106,434          |                    |                        |                           | 106,434               |                   | 106,434          |          |
| Other Comprehensive Income & Expenditure  |                  |                    |                        |                           |                       | 527,525           | 527,525          | 4        |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>106,434</b>   |                    |                        |                           | <b>106,434</b>        | <b>527,525</b>    | <b>633,959</b>   |          |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b> | <b>(120,689)</b> |                    | <b>625</b>             | <b>679</b>                | <b>(119,385)</b>      | <b>119,385</b>    |                  | <b>6</b> |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>(14,255)</b>  |                    | <b>625</b>             | <b>679</b>                | <b>(12,951)</b>       | <b>646,910</b>    | <b>633,959</b>   |          |
| Transfers (to)/from Earmarked Reserves  | 17,360           | (17,360)           |                        |                           |                       |                   |                  | 7        |
| <b>Increase/(Decrease) in Year</b>  | <b>3,104</b>     | <b>(17,360)</b>    | <b>625</b>             | <b>679</b>                | <b>(12,952)</b>       | <b>645,591</b>    | <b>632,638</b>   |          |
| <b>Balance as at 31/03/21</b>   | <b>(12,705)</b>  | <b>(79,641)</b>    | <b>(205)</b>           | <b>-</b>                  | <b>(92,552)</b>       | <b>6,820,732</b>  | <b>6,728,181</b> |          |

## Balance Sheet

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

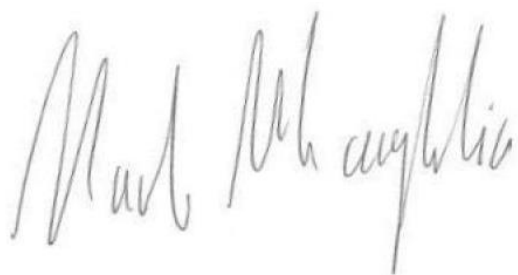
The first category of reserves are usable reserves, i.e. those reserves that the LFC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure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

The second category of reserves are those that the LFC is not able to use to provide services. These reserves include reserves that hold unrealised gains and losses (e.g. 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 2022.



Mark McLaughlin CPFA  
Director of Corporate Services

Date 31 May 2022

| 31 March 2021 |                    | Balance Sheet                          | 31 March 2022 |                    | Note |
|---------------|--------------------|--|---------------|--------------------|------|
| £'000         | £'000              |  | £'000         | £'000              |      |
|               |                    | <b>Property, Plant &amp; Equipment</b> |               |                    |      |
| 145,029       |                    | Land                                   | 162,552       |                    |      |
| 265,710       |                    | Buildings                              | 275,808       |                    |      |
| 55,638        |                    | Vehicles, Plant and Equipment          | 55,966        |                    |      |
| 22,475        |                    | Non Operational Assets – Surplus       | 15,137        |                    |      |
| 11,608        |                    | Non Operational Assets – Other         | 12,739        |                    |      |
| 1,432         |                    | Heritage Assets                        | 1,432         |                    |      |
|               | <b>501,892</b>     |  |               | <b>523,634</b>     | 9    |
| 1,013         | <b>1,013</b>       | Intangible Assets                      | 802           | <b>802</b>         | 9    |
| 53            | <b>53</b>          | Long Term Debtors                      | 40            | <b>40</b>          |      |
|               | <b>502,957</b>     | <b>Long Term Assets</b>                |               | <b>524,476</b>     |      |
| 450           |                    | Assets Held For Sale                   | 0             |                    | 9    |
| 654           |                    | Inventories                            | 439           |                    |      |
|               |                    | Short Term Investments                 |               |                    |      |
| 54,761        |                    | Short Term Debtors                     | 70,984        |                    | 12   |
| 44,333        |                    | Cash and Cash Equivalents              | 116,427       |                    | 13   |
|               | <b>100,197</b>     | <b>Current Assets</b>                  |               | <b>187,849</b>     |      |
| (3,043)       |                    | Short Term Borrowing                   | (21,086)      |                    | 10   |
| (49,792)      |                    | Short Term Creditors                   | (112,565)     |                    | 14   |
| (2,094)       |                    | Provisions                             | (4,821)       |                    | 15   |
| (1,375)       |                    | Short Term Liabilities                 | (1,443)       |                    | 26   |
|               | <b>(56,305)</b>    | <b>Current Liabilities</b>             |               | <b>(139,915)</b>   |      |
| (3,088)       |                    | Provisions                             | (1,646)       |                    | 15   |
| (53,169)      |                    | Long Term Borrowing                    | (49,121)      |                    | 11   |
| (7,218,775)   |                    | Other Long Term Liabilities            | (7,148,939)   |                    | 25   |
|               | <b>(7,275,031)</b> | <b>Long Term Liabilities</b>           |               | <b>(7,199,706)</b> |      |
|               | <b>(6,728,181)</b> | <b>Net Assets</b>                      |               | <b>(6,627,296)</b> |      |
|               | <b>(92,552)</b>    | Usable Reserves                        |               | <b>(92,999)</b>    | 16   |
|               | <b>6820733</b>     | Unusable Reserves                      |               | <b>6,720,296</b>   | 17   |
|               | <b>6,728,181</b>   | <b>Total Reserves</b>                  |               | <b>6,627,296</b>   |      |

## 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.

| 2020/21<br>£'000 | Cash Flow Statement   | 2021/22<br>£'000 | Notes |
|------------------|---|------------------|-------|
| <b>106,433</b>   | <b>Net (Surplus) or Deficit on the Provision of Services</b>  | <b>93,708</b>    |       |
| (106,527)        | Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements                                   | (170,646)        | 32    |
| 2,472            | Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities | 16,399           |       |
| <b>2,378</b>     | <b>Net cash flows from Operating Activities</b>   | <b>(60,540)</b>  |       |
| 16,685           | Investing Activities  | 670              | 34    |
| 6,337            | Financing Activities  | (12,224)         | 34    |
| <b>25,400</b>    | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>  | <b>(72,093)</b>  |       |
| 69,733           | Cash and cash equivalents at the beginning of the period  | 44,333           | 13    |
| <b>44,333</b>    | <b>Cash and Cash Equivalents at the End of Period</b>   | <b>116,426</b>   |       |

**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 centre 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. The former HQ and fire station are an operational property given its continued use as an operational fire station and offices, whilst the centre and rear sites were reclassified as a surplus asset in the financial accounts. Since the planning consent for the redevelopment has been refused by the Secretary of State and judicial decision on the opportunity to appeal the Secretary of State's

decision was confirmed unsuccessful in November 2021, LFC has been in negotiations with the current developer to understand whether a revised scheme can be considered a viable way forward.

### **ASSETS HELD FOR SALE AT FAIR VALUE AND SURPLUS ASSETS**

Sites that closed following the implementation of the last London Safety Plan that have not been sold are held as Assets Held for Sale. They have been valued at 31st March 2022 at the lower of their 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 & Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2021/22.

| 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 2022 is £xxm (£503.2m at 31 March 2021). A full valuation of all Fire Stations was carried out as at 31 March 2022.</p> <p>The following issues result in heightened estimation uncertainty:</p> <ul style="list-style-type: none"> <li>• Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology.</li> <li>• Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13.</li> </ul> <p>For more details of the assumptions applied and treatments used please refer to Note 9. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement ('Red Book'), the valuer has not declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment. This is based on uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the London Fire Brigade.</p> | <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 £8.1m and £13.8m 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 2022 is £7,087m (£7,155m at 31 March 2021).</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 £628m. 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 in Note 28.</p> |

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

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

| Item                                    | Uncertainties  | Effect if actual results differ from assumptions   |
|---|--|--|
| Impairment Allowance for Doubtful Debts | As at 31 March 2022, the LFC had an outstanding balance of short-term debtors totalling is £56.68m (£11.95m at 31 March 2021). 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. |

## Note 3 Material items of Income and Expenditure

The LFC collected £32.1m 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:

| 2020/21  |                | Surplus or deficit on revaluation of non-current assets<br>& Actuarial (gains)/losses on pension assets/liabilities | 2021/22  |                  |
|----------|----------------|---|----------|------------------|
| £'000    | £'000          |   | £'000    | £'000            |
| (14,313) |                | Gain on the revaluation of Property assets  | (30,700) |                  |
| 8,631    |                | Loss on the revaluation of Property assets  | 5,606    |                  |
|          | <b>(5,682)</b> | <b>Surplus on revaluation of non current assets</b>   |          | <b>(25,094)</b>  |
| 460,510  |                | Actuarial (gains)/losses on Firefighter pension liabilities   | (86,350) |                  |
| 72,697   |                | Actuarial (gains)/losses on LGPS pension assets/liabilities   | (83,149) |                  |
|          | <b>533,207</b> | <b>Actuarial (gains)/losses on pension assets/liabilities</b>   |          | <b>(169,499)</b> |
|          | <b>527,525</b> | <b>Total Other Comprehensive Income and Expenditure</b>   |          | <b>(194,593)</b> |



## **Note 5** Events after the balance sheet date

### **ACCOUNTS AUTHORISED**

The Statement of Accounts were authorised for issue by Mark McLaughlin, Director of Corporate Services on 31 May 2022.

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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

| <b>2021/22 - Adjustments between Accounting Basis and Funding Basis under Regulations</b>  | <b>General Fund</b> | <b>Capital Grants Unapplied</b> | <b>Capital Receipts Unapplied</b> | <b>Total Usable Reserves</b> | <b>Total Unusable Reserves</b> |
|--|---------------------|---------------------------------|-----------------------------------|------------------------------|--------------------------------|
|  | <b>£'000</b>        | <b>£'000</b>                    | <b>£'000</b>                      | <b>£'000</b>                 | <b>£'000</b>                   |
| Depreciation, amortisation, and impairment of fixed assets   | 12,143              | -                               | -                                 | 12,143                       | (12,143)                       |
| 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 | (16,257)            | -                               | -                                 | (16,257)                     | 16,257                         |
| MRP for capital financing. Not debited to the Comprehensive Income and expenditure account   | (8,625)             | -                               | -                                 | (8,625)                      | 8,625                          |
| Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES   | 8,795               | -                               | -                                 | 8,795                        | (8,795)                        |
| Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations             | 101,454             | -                               | -                                 | 101,454                      | (101,454)                      |
| Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account  | -                   | -                               | -                                 | -                            | -                              |
| Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account                                     | -                   | -                               | -                                 | -                            | -                              |
| Adjustment due to Accumulated Absences, reversal of prior year charge  | (10,636)            | -                               | -                                 | (10,636)                     | 10,636                         |
| Adjustment due to Accumulated Absences, current year charge  | 7,283               | -                               | -                                 | 7,283                        | (7,283)                        |
| <b>Total Adjustments</b>   | <b>(94,156)</b>     | <b>-</b>                        | <b>-</b>                          | <b>(94,156)</b>              | <b>94,156</b>                  |

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

The following table provides comparative figures for 2020/21:

| 2020/21 - Adjustments between Accounting Basis and Funding Basis under Regulations   | General Fund<br>£'000 | Capital Grants Unapplied<br>£'000 | Capital Receipts Unapplied<br>£'000 | Total Usable Reserves<br>£'000 | Total Unusable Reserves<br>£'000 |
|--|-----------------------|-----------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Depreciation, amortisation, and impairment of fixed assets   | 15,294                | -                                 | -                                   | 15,294                         | (15,294)                         |
| Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital |                       | -                                 | (679)                               | (679)                          | 679                              |
| MRP for capital financing. Not debited to the Comprehensive Income and expenditure account   | (7,154)               | -                                 | -                                   | (7,154)                        | 7,154                            |
| Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES   |                       | -                                 | -                                   |                                |                                  |
| Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations             | 106,502               | -                                 | -                                   | 106,502                        | (106,502)                        |
| Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account  | 95                    |                                   | -                                   | 95                             | (95)                             |
| 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)                         |
| <b>Total Adjustments</b>   | <b>120,689</b>        | <b>(625)</b>                      | <b>(679)</b>                        | <b>119,385</b>                 | <b>(119,385)</b>                 |

## Note 7 Transfers to/from Earmarked Reserves

| Earmarked Reserves                                | Balance as at<br>31/03/20209<br>£'000 | Transfers Out<br>£'000 | Transfers In<br>£'000 | Balance as at<br>31/03/2021<br>£'000 | Transfers<br>Out<br>£'000 | Transfers In<br>£'000 | Balance as at<br>31/03/2022<br>£'000 |
|---|---------------------------------------|------------------------|-----------------------|--------------------------------------|---------------------------|-----------------------|--------------------------------------|
| Vehicle Fleet Reserve                             | 1,503                                 | 112                    | 970                   | 2,585                                | (233)                     |                       | 2,352                                |
| London Resilience                                 | 771                                   |                        |                       | 771                                  |                           |                       | 771                                  |
| Sustainability Reserve                            | 235                                   |                        |                       | 235                                  | (56)                      |                       | 179                                  |
| Hydrants  | 367                                   |                        | 95                    | 462                                  | (216)                     |                       | 246                                  |
| Compensation                                      | 287                                   | (1,000)                | 713                   | 0                                    |                           | 1,000                 | 1,000                                |
| Pension Early Release                             | -                                     |                        | 425                   | 425                                  |                           | 420                   | 845                                  |
| LSP 2017 Implementation                           | 3,699                                 | (983)                  |                       | 2,716                                | (72)                      |                       | 2,644                                |
| Emergency Services Mobile Communication Programme | 2,174                                 | (1,330)                |                       | 844                                  | (68)                      | 237                   | 1,013                                |
| Emergency Medical Response                        | 294                                   |                        |                       | 294                                  |                           |                       | 294                                  |
| EU Procurement Projects                           | 140                                   | (140)                  |                       | 0                                    |                           |                       | 0                                    |
| ICT Development Reserve                           | 1,953                                 | (31)                   | 361                   | 2,283                                | (697)                     |                       | 1,586                                |
| Recruitment/Outreach                              | 250                                   |                        |                       | 250                                  | (250)                     |                       | 0                                    |
| Fire Safety & Youth Engagement                    | 1,007                                 | (672)                  | 4,594                 | 4,929                                | (193)                     | 1,866                 | 6,612                                |
| Additional Resilience Requirements                | 622                                   | (98)                   |                       | 524                                  | (524)                     |                       | 0                                    |
| Budget Flexibility                                | 29,931                                | (10,237)               | 15,495                | 35,189                               | (4,567)                   |                       | 30,532                               |
| Capital Receipt - GLA                             | 11,745                                |                        |                       | 11,745                               |                           |                       | 11,745                               |
| LFC Control Centre                                | 729                                   |                        |                       | 729                                  |                           |                       | 729                                  |
| Organisational Reviews                            | 327                                   | (239)                  |                       | 88                                   | 62                        |                       | 150                                  |
| National Operational Guidance Project             | 747                                   | (102)                  | 184                   | 829                                  | (501)                     |                       | 328                                  |
| Transformation Reserve                            | 5,500                                 | (1,422)                | 2,200                 | 6,278                                | (2,997)                   |                       | 3,281                                |
| In Year Savings Reserve                           |                                       |                        | 5,000                 | 5,000                                | (1,400)                   |                       | 3,600                                |
| Grenfell Infrastructure Reserve                   |                                       | (95)                   | 1,306                 | 1,211                                | (462)                     |                       | 749                                  |
| Covid   |                                       |                        | 1,968                 | 1,968                                |                           | 1,123                 | 3,091                                |
| LFB Museum Project                                |                                       | (46)                   | 330                   | 284                                  | (175)                     | 88                    | 197                                  |
| <b>Total</b>                                      | <b>62,281</b>                         | <b>-16,283</b>         | <b>33,641</b>         | <b>79,639</b>                        | <b>(12,501)</b>           | <b>4,806</b>          | <b>71,944</b>                        |

## Note 9 Property, Plant and Equipment

### 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 2021/22 was £8.625m (2020/21 £7.154m), 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.

### 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

## Note 9 Property, Plant and Equipment (continued)

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 to the LFC (£5 million and above), 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 2021/22, 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 only applies where an item of property, plant and equipment has major components where the cost of these is significant (20% or above) in relation to the total cost of the asset. Where this occurs, the components are recognised and depreciated separately according to their useful lives.

| 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 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.

## Note 9 Property, Plant and Equipment (continued)

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 2021/22:

| Movement in Balances 2021/22  | Other Land<br>& Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | Surplus<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Heritage<br>Assets<br>£000 | Assets held<br>for sale<br>£000 | Total<br>£000   |
|---|-----------------------------------|---|---------------------------|--------------------------------------|----------------------------|---------------------------------|-----------------|
| <b>Cost or Valuation</b>  |                                   |   |                           |                                      |                            |                                 |                 |
| <b>As at 1 April 2021</b>   | <b>414,668</b>                    | <b>124,158</b>                            | <b>22,475</b>             | <b>11,608</b>                        | <b>1,432</b>               | <b>450</b>                      | <b>574,791</b>  |
| Additions   | 7,949                             | 2,521                                     |                           | 6,531                                |                            |                                 | 17,001          |
| Revaluation increases / (decreases) recognised in Revaluation Reserve | 25,087                            |   | 7                         |                                      |                            |                                 | 25,094          |
| Revaluation increases / (decreases) recognised in the CIES            | (4,591)                           |   | 5                         |                                      |                            |                                 | (4,586)         |
| Derecognition – Disposals   |                                   | 6,140                                     | (7,350)                   |                                      |                            | (450)                           | (13,940)        |
| Derecognition - Other   | (823)                             |   |                           |                                      |                            |                                 | (823)           |
| Other movements in cost or valuation                                  |                                   | 5,400                                     |                           | (5,400)                              |                            |                                 |                 |
| <b>As at 31 March 2022</b>  | <b>442,289</b>                    | <b>125,939</b>                            | <b>15,137</b>             | <b>12,739</b>                        | <b>1,432</b>               | <b>0</b>                        | <b>597,536</b>  |
| <b>Accumulated Depreciation and Impairment</b>                        |                                   |   |                           |                                      |                            |                                 |                 |
| <b>As at 1 April 2021</b>   | <b>(3,928)</b>                    | <b>(68,521)</b>                           |                           |                                      |                            |                                 | <b>(72,448)</b> |
| Depreciation charge for 2021/22                                       | (4,444)                           | (7,418)                                   |                           |                                      |                            |                                 | (11,862)        |
| Derecognition – disposals   |                                   | 5,969                                     |                           |                                      |                            |                                 | 5,969           |
| Write out of accumulated depreciation                                 | 4,444                             | (4)                                       |                           |                                      |                            |                                 | 4,440           |
| <b>As at 31 March 2022</b>  | <b>(3,929)</b>                    | <b>(69,974)</b>                           |                           |                                      |                            |                                 | <b>(73,902)</b> |
| <b>Net Book Value:</b>  |                                   |   |                           |                                      |                            |                                 |                 |
| As at 31 March 2021   | 410,740                           | 55,638                                    | 22,475                    | 11,608                               | 1,432                      | 450                             | 502,342         |
| As at 31 March 2022   | 438,360                           | 55,965                                    | 15,137                    | 12,739                               | 1,432                      | 0                               | 523,632         |

## Note 9 Property, Plant and Equipment (continued)

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

| Movement in Balances 2020/21  | 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            |
| <b>Cost or Valuation</b>  |                        |                             |                |                           |                 |                      |                 |
| <b>As at 1 April 2020</b>   | <b>410,384</b>         | <b>119,890</b>              | <b>24,819</b>  | <b>13,755</b>             | <b>1,432</b>    | <b>0</b>             | <b>570,280</b>  |
| 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                  |                 |
| <b>As at 31 March 2021</b>  | <b>414,668</b>         | <b>124,158</b>              | <b>22,475</b>  | <b>11,608</b>             | <b>1,432</b>    | <b>450</b>           | <b>574,791</b>  |
| <b>Accumulated Depreciation and Impairment</b>                        |                        |                             |                |                           |                 |                      |                 |
| <b>As at 1 April 2020</b>   | (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           |
| <b>As at 31 March 2021</b>  | <b>(3,928)</b>         | <b>(68,520)</b>             | <b>0</b>       | <b>0</b>                  | <b>0</b>        | <b>0</b>             | <b>(72,448)</b> |
| <b>Net Book Value:</b>  |                        |                             |                |                           |                 |                      |                 |
| As at 31 March 2020   | 407,480                | 47,135                      | 23,695         | 13,755                    | 1,432           | 0                    | 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)

### 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 three separate assets, the former HQ and fire station and the separate centre and rear sites. The former HQ and fire station are an operational asset and as such has been valued as a specialised asset. Whilst the centre and rear sites are a non operational assets and have been classified as surplus assets which have been revalued at fair value (market value) in line with IFRS 13.

#### 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 Authority Accounting 2020/21. On the basis of this, 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.

## Note 9 Property, Plant and Equipment (continued)

### 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 2022, in accordance with the current edition of the RICS Valuation – Global Standards effective from 31st January 2022, including the UK National Supplement effective from 14th January 2019 ('the Red Book').

### 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 £438.4m net book value of PPE land and buildings subject to valuation, £414m 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 outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy, with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further 'waves' of COVID-19. Although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

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 to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the Red Book.

The London Fire Brigade therefore concludes that the measurement of its PPE assets is materially accurate as at 31 March 2022 but that

## Note 9 Property, Plant and Equipment (continued)

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 twelfth 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 for 2003, 2008, 2013, 2014, 2015 2016 and 2017, and then 31st March for 2018, 2019, 2020 and 2021. This is the thirteenth time that the Valuer's firm has carried out the valuation instruction, i.e. 31 March 2022. The first valuation date was 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. A peer review objectivity letter has been provided which confirms that an independent and objective opinion of the values of the Brigade's assets has been undertaken.

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, fees payable to the firm by LFC represented between 30-35% 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 and continual fleet replacement programme.

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.

### 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), is 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.

## Note 9 Property, Plant and Equipment (continued)

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 useful to the LFC. The useful lives assigned to the major software suites used by LFC are:

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



The table below shows the movements in the LFC's Intangible Assets during 2021/22:

| Movement in Balances 2021/22                       | Operational                   |                               |                | Under Development<br>(non-operational) |                               |                |
|--|-------------------------------|-------------------------------|----------------|--|-------------------------------|----------------|
|  | Software<br>licences<br>£'000 | In-house<br>Software<br>£'000 | Total<br>£'000 | Software<br>licences<br>£'000          | In-house<br>Software<br>£'000 | Total<br>£'000 |
| <b>Balances at 1<sup>st</sup> April</b>            |                               |                               |                |  |                               |                |
| Gross carrying amounts                             | 14,441                        | 12,843                        | 27,284         | 72                                     | 0                             | 72             |
| Accumulated amortisation                           | (14,314)                      | (11,958)                      | (26,272)       | 0                                      | 0                             | 0              |
| <b>Net carrying amount at 1<sup>st</sup> April</b> | <b>127</b>                    | <b>886</b>                    | <b>1,013</b>   | <b>72</b>                              | <b>0</b>                      | <b>72</b>      |
| Reclassification                                   | 0                             | 0                             | 0              | 0                                      | 0                             | 0              |
| Additions  | 0                             | 68                            | 68             | 0                                      | 0                             | 0              |
| Amortisation for the period                        | (10)                          | (269)                         | (279)          | 0                                      | 0                             | 0              |
| <b>Net carrying amount at 31 March</b>             | <b>117</b>                    | <b>685</b>                    | <b>802</b>     | <b>72</b>                              | <b>0</b>                      | <b>72</b>      |
| Comprising:  |                               |                               |                |  |                               |                |
| Gross carrying amounts                             | 14,441                        | 12,911                        | 27,352         | 72                                     | 0                             | 0              |
| Accumulated amortisation                           | (14,324)                      | (12,227)                      | (26,551)       | 0                                      | 0                             | 0              |
|  | <b>117</b>                    | <b>685</b>                    | <b>802</b>     | <b>72</b>                              | <b>0</b>                      | <b>72</b>      |

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

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

## HERITAGE ASSETS

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

## Note 10 Financial Instruments

### ACCOUNTING POLICY

#### FINANCIAL LIABILITIES

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

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

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

settlement of borrowing resulting from any premiums or discounts.

#### FINANCIAL ASSETS

Financial assets are recognised within the Statement of Accounts when the Authority becomes party to the contractual provisions of the instrument or, in the case of debtors, when the contract obligations have been met. Financial assets are classified into three types; each type based on the business model for holding the instruments and the expected cashflow characteristics of them:

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

through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

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

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

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

## Note 10 Financial Instruments (continued)

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

| 31 March 2020      |                  | 31 March 2021      |                  | Financial liabilities and Assets at amortised cost | 31 March 2021      |                  | 31 March 2022      |                  |
|--------------------|------------------|--------------------|------------------|--|--------------------|------------------|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 | Long Term<br>£'000 | Current<br>£'000 |  | Long Term<br>£'000 | Current<br>£'000 | Long Term<br>£'000 | Current<br>£'000 |
| 55,725             | 5,000            | 52,725             | 3,000            | <b>Borrowings</b>                                  |                    |                  |                    |                  |
|                    |                  |                    |                  | Public Work Loan Board Debt (PWLB)                 | 52,725             | 3,000            | 48,725             | 4,000            |
| 487                | 62               | 444                | 43               | PWLB Accrued Interest                              | 444                | 43               | 396                | 43               |
| <b>56,212</b>      | <b>5,062</b>     | <b>53,169</b>      | <b>3,043</b>     | <b>Total borrowings</b>                            | <b>53,169</b>      | <b>3,043</b>     | <b>49,121</b>      | <b>4,043</b>     |
| 62,711             | 1,337            | 61,336             | 1,375            | PFI and finance lease liabilities                  | 61,336             | 1,375            | 59,893             | 1,443            |
| <b>62,711</b>      | <b>1,337</b>     | <b>61,336</b>      | <b>1,375</b>     | <b>Total Other Long term liabilities</b>           | <b>61,336</b>      | <b>1,375</b>     | <b>59,893</b>      | <b>1,443</b>     |
| -                  | 10,164           | -                  | 6,668            | Creditors  | -                  | 6,668            | 0                  | 7,560            |
| <b>118,923</b>     | <b>16,563</b>    | <b>114,505</b>     | <b>11,086</b>    | <b>TOTAL</b>                                       | <b>114,505</b>     | <b>11,086</b>    | <b>109,014</b>     | <b>13,046</b>    |

| 31 March 2020      |                  | 31 March 2021      |                  | Financial liabilities and Assets at amortised cost | 31 March 2021      |                  | 31 March 2022      |                  |
|--------------------|------------------|--------------------|------------------|--|--------------------|------------------|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 | Long Term<br>£'000 | Current<br>£'000 |  | Long Term<br>£'000 | Current<br>£'000 | Long Term<br>£'000 | Current<br>£'000 |
| -                  | -                | -                  | -                | <b>Loans &amp; Receivables</b>                     |                    |                  |                    |                  |
| -                  | -                | -                  | -                | Investments  | -                  | -                |                    |                  |
| -                  | -                | -                  | -                | Short term investments                             | -                  | -                |                    |                  |
| -                  | -                | -                  | -                | Accrued Interest                                   | -                  | -                |                    |                  |
| -                  | -                | -                  | -                | <b>Total investments</b>                           | -                  | -                |                    |                  |
| 77                 | 6,520            | 53                 | 4,839            | Debtors  | 53                 | 4,839            | 40                 | 4,006            |
| -                  | 69,733           | -                  | 44,333           | Cash Equivalents                                   | -                  | 44,333           |                    | 116,426          |
| <b>77</b>          | <b>76,253</b>    | <b>53</b>          | <b>49,172</b>    | <b>TOTAL</b>                                       | <b>53</b>          | <b>49,172</b>    | <b>40</b>          | <b>120,432</b>   |

## 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:

| 2020/21<br>£'000 | Financial Instruments Income<br>& Expenditure | 2021/22<br>£'000 |
|------------------|---|------------------|
| 9,070            | Interest expense                              | 9,070            |
| (534)            | Interest income                               | -555             |
| <b>8,536</b>     | <b>Net gain/(loss) for the year</b>           | <b>8,515</b>     |

| 2020/21<br>£'000 | Financial Instruments Income<br>& Expenditure | 2021/22<br>£'000 |
|------------------|---|------------------|
| 2,735            | PWLB borrowing                                | 2,560            |
| 3,027            | PFI lease interest & contingent rentals       | 2,937            |
| 3,308            | Merton Lease Payment                          | 3,308            |
| <b>9,070</b>     | <b>Total Interest expense</b>                 | <b>8,805</b>     |

## 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 2022, 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 a level 2 valuation which has been provided by Link Asset Services, 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 2021   |                | Liabilities & Assets               | 31 March 2022   |                |
|-----------------|----------------|------------------------------------|-----------------|----------------|
| Carrying amount | Fair value     |                                    | Carrying amount | Fair value     |
| £'000           | £'000          |                                    | £'000           | £'000          |
| 55,725          | 77,549         | Public Work Loan Board Debt (PWLB) | 48,725          | 63,187         |
| 61,336          | 61,336         | PFI & Other Finance Leases         | 59,893          | 59,893         |
| 6,668           | 6,668          | Trade and other creditors          | 7,590           | 7,590          |
| <b>123,729</b>  | <b>145,553</b> | <b>Total Liabilities</b>           | <b>116,208</b>  | <b>130,670</b> |
| 4,839           | 4,839          | Trade and other debtors            |                 |                |
| 53              | 53             | Long term debtors                  | 40              | 40             |
| 44,333          | 44,333         | Cash & Cash Equivalents            | 116,426         | 116,426        |
| <b>49,225</b>   | <b>49,225</b>  | <b>Total Assets</b>                | <b>116,466</b>  | <b>116,466</b> |

## 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.

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 (TMS) for 2022/23 which incorporates the prudential indicators and investment strategy was approved by LFC on 30th March 2022 and is available on the LFC website (LFC-0681).

The key issues within the strategy were:

- (i) The Authorised Borrowing Limit for 2021/22 was set at £245m with an

## Note 10 Financial Instruments (continued)

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 2022/23 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%         |

### 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 which is included as part of the TMS that was approved on 30 March 2022.

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.



## Note 10 Financial Instruments (continued)

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 2022 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 at 31 March 2022 was £112.7m (£41.3m as at 31 March 2021) with a Weighted Average Maturity of 91 days. Including a sum held on a NatWest Call account (£7.6m). The total investment position as at 31 March 2022 was £120.3m (£44.8m as at 31 March 2021). Cumulative performance for the year was 0.47% versus the average 3 Month LIBID benchmark of 0.05% (gross outperformance of 0.47%), and attracted interest of £0.51m. The performance figure is net of fees.

| 31 March 2021 | Maturity analysis      | 31 March 2022 |
|---------------|------------------------|---------------|
| £'000         |                        | £'000         |
| 3,000         | Within 1 year          | 4,000         |
| 4,000         | Between 1 and 2 years  | 2,000         |
| 10,500        | Between 2 and 5 years  | 11,225        |
| 14,725        | Between 5 and 10 years | 12,000        |
| 23,500        | More than 10 years     | 23,500        |
| <b>55,725</b> | <b>Total</b>           | <b>48,725</b> |

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

### 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:

## 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:

| <b>Maturity analysis of fixed rate borrowing</b> | <b>Approved upper limits</b> | <b>Approved lower limits</b> | <b>Actual 31/03/2021</b> | <b>Actual 31/03/2022</b> |
|--|------------------------------|------------------------------|--------------------------|--------------------------|
| Less than 1 year                                 | 20%                          | 0%                           | 5%                       | 8%                       |
| Between 1 and 2 years                            | 20%                          | 0%                           | 7%                       | 4%                       |
| Between 2 and 5 years                            | 50%                          | 0%                           | 19%                      | 21%                      |
| Between 5 and 10 years                           | 75%                          | 0%                           | 26%                      | 23%                      |
| More than 10 years                               | 90%                          | 25%                          | 42%                      | 45%                      |

## 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 2021 | Sensitivity analysis            | 31 March 2022 |
|---------------|---------------------------------|---------------|
| £'000         |                                 | £'000         |
| 2,730         | Increase in interest payable    | 2,560         |
| (530)         | Increase in interest receivable | (604)         |
| <b>2,200</b>  | <b>Total</b>                    | <b>1,956</b>  |

## Note 11 Long Term Borrowing

| 31 March 2021 | Long-term Borrowing            | 31 March 2022 |
|---------------|--------------------------------|---------------|
| £'000         | The sources are:               | £'000         |
| 52,725        | Public Works Loan Board        | 48,725        |
| <b>52,725</b> | <b>Total</b>                   | <b>48,725</b> |
|               | These loans mature as follows: |               |
| 4,000         | Between 1 and 2 years          | 2,000         |
| 10,500        | Between 2 and 5 years          | 11,225        |
| 14,725        | Between 5 and 10 years         | 12,000        |
| 0             | Between 10 and 15 years        | 0             |
| 23,500        | More than 15 years             | 23,500        |
| <b>52,725</b> |                                | <b>48,725</b> |
| 444           | Add accrued interest           | 396           |
| <b>53,169</b> | <b>Total</b>                   | <b>49,121</b> |

## Note 12 Debtors

### SHORT TERM DEBTORS

These are as illustrated in the table:

| 31 March 2021<br>£'000 | Debtors                                       | 31 March 2022<br>£'000 |
|------------------------|---|------------------------|
| 32,851                 | Central government bodies - Home Office       | 37,709                 |
| 4,426                  | Central government bodies - HMRC              | 2,619                  |
| 3,200                  | Central Government bodies - Other             | 231                    |
| 601                    | Other Local Authorities                       | 13,525                 |
| 14,128                 | Other entities and individuals                | 17,345                 |
| (445)                  | Less: Impairment Allowance for Doubtful Debts | (445)                  |
| <b>54,761</b>          | <b>Total</b>                                  | <b>70,984</b>          |

### IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £445k brought forward from 2020/21 to safeguard against future losses or non-recoveries has not changed during the year and remains at £445k.

The aged debt analysis shows that £7,971k (£7.971m 2020/21) 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<br>£'000 | 1-2 years<br>£'000 | 120-365 days<br>£'000 | 90-120 days<br>£'000 | 60-90 days<br>£'000 | 30-60 days<br>£'000 | Total<br>£'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          |
| <b>Total</b>                        | <b>53</b>                     | <b>109</b>         | <b>7,127</b>          | <b>108</b>           | <b>16</b>           | <b>558</b>          | <b>7,971</b>   |

## 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<br>2021<br>£'000 | Cash and Cash<br>Equivalents               | 31 March<br>2022<br>£'000 |
|---------------------------|--|---------------------------|
| 11                        | Cash held by the Authority                 | 10                        |
| (4,071)                   | Bank current accounts                      | (3,931)                   |
| 48,393                    | Short term deposits held<br>on demand      | 120,347                   |
| <b>44,333</b>             | <b>Total Cash and Cash<br/>Equivalents</b> | <b>116,426</b>            |

## Note 14 Creditors

| 31 March 2021<br>£'000 | Creditors                         | 31 March 2022<br>£'000 |
|------------------------|-----------------------------------|------------------------|
| 10,265                 | Central government bodies – HMRC  | 10,163                 |
| 550                    | Central government bodies – Other | 42                     |
| 184                    | Other local authorities           | 484                    |
| 8,504                  | Other entities and individuals    | 12,344                 |
| 10,636                 | Accumulated Absences              | 7,285                  |
| 19,653                 | Receipts in advance               | 82,247                 |
| <b>49,792</b>          | <b>Total Creditors</b>            | <b>112,565</b>         |

## 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 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.

| <b>Short Term Provisions<br/>2021/22</b>         | <b>Legal</b> | <b>Property</b> | <b>Motor<br/>Insurance</b> | <b>MFB<br/>Refund</b> | <b>MMI<br/>Insurance<br/>Levy</b> | <b>Total</b> |
|--|--------------|-----------------|----------------------------|-----------------------|-----------------------------------|--------------|
|  | <b>£000</b>  | <b>£000</b>     | <b>£000</b>                | <b>£000</b>           | <b>£000</b>                       | <b>£000</b>  |
| Opening Balance                                  | 1,789        | -               | 230                        | 75                    | -                                 | 2,094        |
| Increase/(decrease) in provision during the year | 937          | 2,020           | (230)                      | -                     | -                                 | 4,021        |
| Utilised during the year                         |              |                 |                            | -                     |                                   |              |
| <b>Closing Balance</b>                           | <b>2,726</b> | <b>2,020</b>    | <b>-</b>                   | <b>75</b>             | <b>-</b>                          | <b>4,821</b> |

| <b>Long Term Provisions<br/>2021/22</b>          | <b>Legal</b> | <b>Property</b> | <b>Motor<br/>Insurance</b> | <b>MFB<br/>Refund</b> | <b>MMI<br/>Insurance<br/>Levy</b> | <b>Total</b> |
|--|--------------|-----------------|----------------------------|-----------------------|-----------------------------------|--------------|
|  | <b>£000</b>  | <b>£000</b>     | <b>£000</b>                | <b>£000</b>           | <b>£000</b>                       | <b>£000</b>  |
| Opening Balance                                  | 294          | -               | 2,137                      | 510                   | 146                               | 3,088        |
| Increase/(decrease) in provision during the year | (294)        |                 | (1,147)                    |                       |                                   | (1,441)      |
| Utilised during the year                         | -            |                 |                            |                       |                                   |              |
| <b>Closing Balance</b>                           | <b>-</b>     | <b>-</b>        | <b>990</b>                 | <b>510</b>            | <b>146</b>                        | <b>1,646</b> |

## Note 17 Unusable Reserves (continued)

## 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.

| <b>31 March 2021</b> | <b>Unusable Reserves</b>       | <b>31 March 2022</b> |
|----------------------|--------------------------------|----------------------|
| <b>£'000</b>         |                                | <b>£'000</b>         |
| (183,692)            | Revaluation Reserve            | (201,864)            |
| (161,407)            | Capital Adjustment Account     | (172,275)            |
| 7,155,196            | Pensions Reserve               | 7,087,150            |
| 10,636               | Accumulated Absences Account   | 7,285                |
| <b>6,820,733</b>     | <b>Total Unusable Reserves</b> | <b>6,720,296</b>     |



## 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.

| 2020/21  |                  | Revaluation Reserve   | 2021/22  |                  |
|----------|------------------|---|----------|------------------|
| £'000    | £'000            |   | £'000    | £'000            |
|          | (180,457)        | Balance as at 1 April   |          | (183,692)        |
| (14,319) |                  | Upward revaluation of assets  | (30,700) |                  |
| 8,637    |                  | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services      | 5,606    |                  |
|          | (5,682)          | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |          | (25,094)         |
| 1,194    |                  | Difference between fair value depreciation and historical cost depreciation   | 1,157    |                  |
| 1,253    |                  | Accumulated gains on assets sold or scrapped  | 5,765    |                  |
|          | 2,447            | Amount written off to the Capital Adjustment Account  |          | 6,922            |
|          | <b>(183,692)</b> | <b>Total Unusable Reserves</b>  |          | <b>(201,865)</b> |

## 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.

| 2020/21 |                  | Capital Adjustment Account  | 2021/22  |                  |
|---------|------------------|---|----------|------------------|
| £'000   | £'000            |   | £'000    | £'000            |
|         | (165,889)        | Balance at 1 April  |          | (161,407)        |
| 15,557  |                  | Charges for depreciation and impairment of non current and intangible assets  | 12,142   |                  |
| 0       | 0                | Revaluation losses on Property Plant and Equipment  | 142      |                  |
|         |                  | Other derecognition (8AE)   | 823      |                  |
| 1,049   |                  | 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 | 2205     |                  |
|         | <b>16,606</b>    |   |          | <b>15,313</b>    |
| (3,776) |                  | Use of Capital Receipts to finance new capital expenditure  | (16,399) |                  |
| 0       | 0                | Capital Expenditure Charged Against The General Fund  | 0        | 0                |
| (1,194) |                  | Adjusting amounts written out to the Revaluation Reserve  | (1,157)  |                  |
| 0       |                  | Capital grant and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing                                |          |                  |
|         |                  | Application of grants to capital financing from the Capital Grants unapplied Account  |          |                  |
| (7,154) |                  | Statutory provision for the financing of capital investments charged against the General Fund   | (8,625)  |                  |
|         | <b>(12,124)</b>  |   |          | <b>(26,181)</b>  |
|         | <b>(161,407)</b> | <b>Balance at 31 March</b>  |          | <b>(172,275)</b> |

## 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.

| 2020/21<br>£'000 | Pensions Reserve   | 2021/22<br>£'000 |
|------------------|--|------------------|
| 6,515,486        | Balance at 1 April   | 7,155,195        |
| 533,207          | Actuarial (gains) or losses on pensions assets and liabilities   | (169,499)        |
| 294,410          | 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 | 296,894          |
| (187,907)        | Employer's pensions contributions and direct payments to pensioners payable in the Year  | (195,440)        |
| <b>7,155,196</b> | <b>Balance at 31 March</b>   | <b>7,087,150</b> |

## 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.

| 2020/21 |               | Accumulated Absences Account  | 2021/22  |              |
|---------|---------------|---|----------|--------------|
| £'000   | £'000         |   | £'000    | £'000        |
|         | 4,683         | Balance as at 1 April   |          | 10,636       |
| (4,683) |               | Settlement or cancellation of accrual made at the end of the preceding year   | (10,636) |              |
| 10,636  |               | Amounts accrued at the end of the current year  | 7,285    |              |
|         | 5,954         | 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 |          | (3,351)      |
|         | <b>10,636</b> | <b>Balance as at 31 March</b>   |          | <b>7,285</b> |

## 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.

| 2020/21          | Expenditure and Income Analysed by Nature              | 2021/22          |
|------------------|--|------------------|
| £'000            |  | £'000            |
| 497,975          | Employee Benefits Expenditure                          | 497,714          |
| 39,823           | Premises   | 41,509           |
| 16,724           | Transport  | 17,253           |
| 32,395           | Supplies and Services                                  | 32,887           |
| 1,957            | Third Party Payments                                   | 2,068            |
| 4,706            | Interest Payments                                      | 4,492            |
| 15,556           | Depreciation and Impairment                            | 12,142           |
| <b>609,136</b>   | <b>Total expenditure</b>                               | <b>608,065</b>   |
| (51,938)         | Fees, charges and other service income                 | (63,899)         |
| (534)            | Interest and investment income                         | (604)            |
| 15               | Gain on disposal of non-current assets                 | (8,286)          |
| (48,747)         | Government grants and contributions                    | (36,168)         |
| (401,500)        | GLA Funding  | (405,400)        |
| <b>(502,703)</b> | <b>Total income</b>                                    | <b>(514,357)</b> |
| <b>106,433</b>   | <b>Surplus or Deficit on the Provision of Services</b> | <b>93,708</b>    |

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

| Expenditure and Funding Analysis  | 2021/22   |   | Net Expenditure<br>in CIES<br>Statement<br>£'000 |
|---|---|---|--|
|   | Expenditure<br>chargeable to<br>general fund<br>£'000 | Adjustments<br>between funding and<br>accounting basis<br>£'000 |  |
| Firefighting and rescue operations, community fire safety, emergency planning and civil defence | 462,901   | (102,781)   | 360,120  |
| <b>Cost of services</b>   | <b>462,901</b>  | <b>(102,781)</b>  | <b>360,120</b>                                   |
| Other income and expenditure  | (275,038)   | 8,625   | (266,413)  |
| (Surplus) or Deficit on Provision of Services   | <b>187,863</b>  | <b>94,156</b>   | <b>93,707</b>                                    |
| Opening General Fund Balance  |   |   | 958,989  |
| (Surplus) or Deficit on Provision of Services   |   |   | 187,863  |
| <b>Closing General Fund Balance</b>   |   |   | <b>1,146,852</b>                                 |

| Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure<br>Statement amounts   | 2021/22  |   | Adjustments<br>between<br>funding and<br>accounting basis<br>£'000 |
|--|--|---|--|
|  | Adjustment<br>for capital<br>purposes<br>£'000 | Net change for the<br>pension's adjustment<br>£'000 |  |
| Firefighting and rescue operations, community fire safety, emergency planning and civil defence  | 194,113  | (296,894)   | (102,781)  |
| <b>Cost of services</b>  | <b>194,113</b>                                 | <b>(296,894)</b>                                    | <b>(102,781)</b>   |
| Other income and expenditure from the Expenditure and Funding Analysis   | (186,815)                                      | 195,440   | 8,625  |
| <b>Difference between General Fund surplus or deficit and the Comprehensive Income and<br/>Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>7,298</b>                                   | <b>(101,454)</b>                                    | <b>(94,156)</b>  |

**Note 18** Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2020/21:

| Expenditure and Funding Analysis  | 2020/21   |   |  |
|---|---|---|--|
|   | Expenditure chargeable to general fund<br>£'000 | Adjustments between funding and accounting basis<br>£'000 | Net Expenditure in CIES Statement<br>£'000 |
| Firefighting and rescue operations, community fire safety, emergency planning and civil defence | 479,701   | (127,843)   | 351,858                                    |
| <b>Cost of services</b>   | <b>479,701</b>                                  | <b>(127,843)</b>  | <b>351,858</b>                             |
| Other income and expenditure  | (252,579)                                       | 7,154   | (245,425)                                  |
| (Surplus) or Deficit on Provision of Services   | <b>227,122</b>                                  | <b>(120,689)</b>  | <b>106,433</b>                             |
| Opening General Fund Balance  |   |   | 731,867                                    |
| (Surplus) or Deficit on Provision of Services   |   |   | 227,122                                    |
| <b>Closing General Fund Balance</b>   |   |   | <b>958,989</b>                             |

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

## **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. These governance arrangements came into effect on 1 April 2018.



**Note 20 Officer Remuneration (continued)**

## 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 – 2021/22

| 2021/22<br>Post title and Name   | Period                 | Remuneration<br>(including fees<br>and<br>allowances)<br>£ | Expense<br>Allow-<br>ances<br>£ | Compensation<br>on loss of<br>office<br>£ | Other<br>Compensation<br>payments<br>£ | Total<br>Remuneration<br>(excluding<br>pensions)<br>£ | Pension<br>Contributions<br>£ | Total<br>Remuneration<br>(including<br>pensions)<br>£ |
|--|------------------------|--|---------------------------------|---|--|---|-------------------------------|---|
| London Fire Commissioner<br>Office Holder and<br>Corporation Sole - Andy Roe | 01/04/21 –<br>31/03/22 | 206,040  | -                               | -   | -                                      | 206,040   | 59,340                        | 265,380   |

### Senior Officers

| 2021/22<br>Post title and Name                                  | Period                 | Salary<br>(including<br>fees and<br>allowances)<br>£ | Expense<br>Allowances<br>£ | Compensation<br>for Loss of<br>Office<br>£ | Total<br>Remuneration<br>(excluding<br>pensions)<br>£ | Pension<br>Contributions<br>£ | Total<br>Remuneration<br>(including<br>pensions)<br>£ |
|---|------------------------|--|----------------------------|--|---|-------------------------------|---|
| <b>Directors</b>  |                        |  |                            |  |   |                               |   |
| Director of Corporate Services and<br>S127 Officer - Sue Budden | 01/04/21 –<br>24/09/21 | 41,384   |                            |  | 41,384  |                               | 41,384  |
| Deputy Commissioner, Director of<br>Operations - Richard Mills  | 01/04/21 –<br>31/03/22 | 167,314  | 0                          | 0  | 167,314   | 49,026                        | 216,340   |
| Director for People - Tim Powell                                | 01/04/21 –<br>31/03/22 | 153,477  | 0                          | 0  | 153,477   | 17,496                        | 170,973   |

## Note 20 Officer Remuneration (continued)

|   |                     |         |   |   |         |        |         |
|---|---------------------|---------|---|---|---------|--------|---------|
| <b>Director for Transformation</b> - Fiona Dolman | 01/04/21 – 31/03/22 | 125,000 | 0 | 0 | 125,000 | 17,100 | 142,100 |
|---|---------------------|---------|---|---|---------|--------|---------|

N.B. Director of Corporate Services – Jo Moore took up the position of Interim Director of Corporate Services and S127 Officer on 25 September 2021 and left on 29 November 2021. Adrian Bloomfield, the existing Assistant Director of Finance then acted up into the role from 30 November 2021 until 8 February 2022, but did not receive any additional remuneration for this.. On 9 February 2022 Mark McLaughlin started as the Interim Director of Corporate Services and S127 Officer and remained with the LFB until 31 March 2022. As both Jo Moore and Mark McLaughlin were retained by the LFC on an interim basis and paid via an agency arrangement and as such were not salaried.

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

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

## Senior Officers

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

N.B. 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)

**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:

| 2020/21<br>No. | Salary Range        | 2021/22<br>No. |
|----------------|---------------------|----------------|
| 271            | £50,000 - £54,999   | 388            |
| 109            | £55,000 - £59,999   | 125            |
| 101            | £60,000 - £64,999   | 78             |
| 79             | £65,000 - £69,999   | 68             |
| 58             | £70,000 - £74,999   | 46             |
| 31             | £75,000 - £79,999   | 29             |
| 18             | £80,000 - £84,999   | 33             |
| 7              | £85,000 - £89,999   | 12             |
| 12             | £90,000 - £94,999   | 7              |
| 6              | £95,000 - £99,999   | 3              |
| 1              | £100,000 - £104,999 | 0              |
| 0              | £105,000 - £109,999 | 2              |
| 0              | £110,000 - £114,999 | 1              |
| 2              | £115,000 - £119,999 | 2              |
| 3              | £120,000 - £124,999 | 1              |
| 1              | £125,000 - £129,999 | 2              |
| 0              | £130,000 - £134,999 | 2              |
| 2              | £135,000 - £139,999 | 0              |
| 1              | £140,000 - £144,999 | 0              |

## 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)

| 2020/21   | Audit Fees  | 2021/22   |
|-----------|---|-----------|
| £'000     |   | £'000     |
| 99        | Fees payable to appointed Auditor for External Audit services | 99        |
| -         | Refund audit fees from PSAA                                   | -         |
| <b>99</b> | <b>Total</b>  | <b>99</b> |

## 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.

The grants received by the LFC are non-ring fenced and therefore these are unconditional. The 2021/22 £405.4m GLA grant income (£401.5m in 2020/21) shown in the table is comprised of two elements, grant funding in the form of Retained Business rates £228.1m (£232.8m in 2020/21) and GLA Precepts £171.8m (£168.7m in 2020/21).

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22 as shown in the table on the following page.

| <b>2020/21</b> | <b>Credited to Taxation and Non-Specific Grant Income</b> | <b>Source of Funding</b>                         | <b>2021/22</b> |
|----------------|---|--|----------------|
| <b>£'000</b>   |   |  | <b>£'000</b>   |
| 401,500        | GLA Grant   | Greater London Authority                         | 405,400        |
| 3,732          | PFI Grant   | Home Office                                      | 3,732          |
| 1,240          | Contributions to Capital                                  | The Metropolitan Masonic Charity                 | 0              |
| <b>406,472</b> | <b>Total</b>  |  | <b>409,132</b> |
| <b>£'000</b>   | <b>Credited to services</b>                               | <b>Source of Funding</b>                         | <b>£'000</b>   |
| 21,732         | Fire Pensions Grant                                       | Home Office                                      | 21,732         |
| 3,457          | New Dimensions & USAR Grant                               | Home Office                                      | 3,457          |
| 1,760          | Fire Covid 19 Grant                                       | Home Office                                      | 0              |
| 197            | New Risks grant   | Home Office                                      | 223            |
| 0              | Innovate UK   | Innovate UK (formerly Technology Strategy Board) | 16             |
| 0              | Spacecombat   | Home Office                                      | 8              |
| 177            | Fire Safety Grant   | Home Office                                      | 0              |
| 6,157          | Fire Contingency Grant                                    | Home Office                                      | 0              |
| 2,206          | Merton Regional Control                                   | Home Office                                      | 2,182          |
| 160            | Local Resilience Fund                                     | Home Office                                      | 0              |
| 786            | CPO Grants  | Home Office                                      | 0              |
| 32             | Mass Fatalities Regional Capacity                         | Home Office                                      | 32             |
| 5,518          | Building Risk Review                                      | Home Office                                      | 0              |
| 0              | Protection Uplift   | Home Office                                      | 3,868          |
| 1,073          | Fire Revenue Fire Link Grant                              | Home Office                                      | 918            |
| 1,306          | Infrastructure Fund                                       | Innovate UK (formerly Technology Strategy Board) | 0              |
| <b>47,507</b>  | <b>Total</b>  |  | <b>32,436</b>  |

## 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 2022, 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. Since 2018/19 there haven't been any member allowances paid as there haven't been any paid elected members 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 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 2021 to 31 March 2022.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2022, 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 2021/22, total spending on the capital programme for tangible and intangible assets was £17.1m (£19.2m in 20/21). The spend included the rebuilding and modernising of fire stations and other buildings (£8.0m), upgrading ICT equipment (£1.4m) and the purchase of fleet vehicles and equipment (£7.7m). Capital expenditure on LFC assets (£17.1m) is to be financed in accordance with the Prudential Code, using Capital receipts (£16.4m) and borrowing (£0.7m)

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 the LFC (LFC-0679) included a total forecast capital spend of £45.9m in 2022/23, £39.3m in 2023/24 and £20.1m in 2024/25.

| 2020/21<br>£'000 | Capital Expenditure and Financing                           | 2021/22<br>£'000 |
|------------------|---|------------------|
| 150,028          | Opening Capital Financing Requirement                       | 158,255          |
| 13,431           | Tangible Operational Assets                                 | 13,504           |
| 5,640            | Tangible Non Operational Assets                             | 5,568            |
| 86               | Intangible Assets   | 68               |
|                  | <b>Sources of finance</b>                                   |                  |
| (3,776)          | Government grants and other contributions                   | (16,400)         |
|                  | Sums set aside from Revenue to Fund Capital Expenditure     |                  |
| (7,154)          | Minimum Revenue Provision                                   | (8,625)          |
|                  | Other Movements   |                  |
| 158,255          | Closing Capital Financing Requirement                       | 152,370          |
|                  | <b>Explanation of movements in year</b>                     |                  |
| -                | Other long term liability PFI and finance lease             |                  |
| -                | Borrowing from PWLB & Local Authorities in year             |                  |
| (8,227)          | Increase/(decrease) in underlying need to borrow            | 5,885            |
|                  | Other movements   |                  |
| <b>(8,227)</b>   | <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>5,885</b>     |



## 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 2021<br>£'000 | Other Long Term Liabilities | 31 March 2022<br>£'000 | Note |
|------------------------|-----------------------------|------------------------|------|
| 42,911                 | Long Term PFI Properties    | 41,468                 | 26   |
| 18,425                 | Long Term Finance Leases    | 18,425                 | 26   |
| 2,244                  | Deferred Credit             | 1,897                  |      |
| 7,155,194              | Pensions Liability          | 7,087,149              | 28   |
| <b>7,218,774</b>       | <b>Total</b>                | <b>7,148,939</b>       |      |

## 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, 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

In 2013/14 the LFC entered into a PFI agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The first rebuilt fire station became operational in 2014/15. Eight fire stations were completely rebuilt on their existing sites at Dagenham, Dockhead, Leytonstone, Old Kent Road, Orpington, Plaistow, Purley and Shadwel. The Mitcham fire station was built on a new site.

The PFI project will see the Brigade receive an additional £51.5m from Central Government (index linked to cover inflation over the contact period). PFI provides a way of funding major capital investments, without the public purse having to find all the cost up front.

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 2021/22 and 2020/21 is shown below:

| Finance Lease Property PFI          | Unitary Charge<br>£'000 | Deferred liability<br>£'000 | Income & Expenditure Account<br>£'000 |
|-------------------------------------|-------------------------|-----------------------------|---------------------------------------|
| Opening balance as at 1 Apr 2021    |                         | 44,285                      |                                       |
| New finance lease liability in year | -                       |                             |                                       |
| Principal sum paid in year          | 1,375                   | (1,375)                     |                                       |
| Interest                            | 2,845                   |                             | 2,845                                 |
| Contingent rentals                  | 64                      |                             | 64                                    |
| Operational expenses                | 1,415                   |                             | 1,415                                 |
| <b>Balance as at 31 March 2022</b>  | <b>5,699</b>            | <b>42,910</b>               | <b>4,324</b>                          |
| Opening balance as at 1 Apr 2020    | -                       | 45,622                      | -                                     |
| New finance lease liability in year | -                       | -                           | -                                     |
| Principal sum paid in year          | 1,337                   | (1,337)                     | -                                     |
| Interest                            | 2,937                   | -                           | 2,937                                 |
| Contingent rentals                  | 59                      | -                           | 59                                    |
| Operational expenses                | 1,352                   | -                           | 1,352                                 |
| <b>Balance as at 31 March 2021</b>  | <b>5,684</b>            | <b>44,285</b>               | <b>4,348</b>                          |

## 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 |
|---------------------------------|---------------|---------------------|----------------------|-----------------------|-----------------------|
|                                 | £'000         | £'000               | £'000                | £'000                 | £'000                 |
| Lease rental liabilities        | 1,443         | 6,320               | 8,746                | 12,861                | 13,541                |
| Operating Costs                 | 1,415         | 6,657               | 11,592               | 12,017                | 9,821                 |
| Interest Costs                  | 2,845         | 10,350              | 10,493               | 7,035                 | 2,054                 |
| Contingent Rentals              | 63            | 192                 | (318)                | (11)                  | 206                   |
| <b>Total</b>                    | <b>5,766</b>  | <b>23,519</b>       | <b>30,513</b>        | <b>31,902</b>         | <b>25,622</b>         |

Comparative Figures for 2020/21:

| 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 |
|---------------------------------|---------------|---------------------|----------------------|-----------------------|-----------------------|
|                                 | £'000         | £'000               | £'000                | £'000                 | £'000                 |
| Lease rental liabilities        | 1,375         | 6,175               | 8,363                | 11,802                | 16,569                |
| Operating Costs                 | 1,352         | 6,147               | 11,067               | 12,130                | 12,167                |
| Interest Costs                  | 2,937         | 10,767              | 11,057               | 7,841                 | 3,112                 |
| Contingent Rentals              | 59            | 247                 | (230)                | (160)                 | 276                   |
| <b>Total</b>                    | <b>5,723</b>  | <b>23,336</b>       | <b>30,257</b>        | <b>31,613</b>         | <b>32,125</b>         |

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

### FINANCE LEASES

The LFC holds two finance leases at 31<sup>st</sup> March 2022, one for its control centre at Merton and the other for the 9 fire stations 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 totalling £3.307m were paid during 2021/22 (£3.307m was paid in 2020/21). The table below shows the future payments under the lease agreement.

| Total value of minimum lease payments as at 31/03/2021 | Present value of minimum lease payments as at 31/03/2021 | Merton Control Centre Finance Lease              | Total value of minimum lease payments as at 31/03/2022 | Present value of minimum lease payments as at 31/03/2022 |
|--|--|--|--|--|
| £'000  | £'000  |  | £'000  | £'000  |
| 3,307  | 630  | Not later than one year                          | 3,307  | 534  |
| 13,263   | 1,698  | Later than one year and no later than five years | 13,967   | 1,476  |
| 35,312   | 1,630  | Later than five years                            | 31,571   | 1,319  |
| <b>51,881</b>  | <b>3,959</b>   | <b>Total</b>                                     | <b>48,845</b>  | <b>3,329</b>   |

| Total value of minimum lease payments as at 31/03/2021 | Present value of minimum lease payments as at 31/03/2021 | PFI Property Finance Lease                       | Total value of minimum lease payments as at 31/03/2022 | Present value of minimum lease payments as at 31/03/2022 |
|--|--|--|--|--|
| £'000  | £'000  |  | £'000  | £'000  |
| 4,312  | 4,034  | Not later than one year                          | 4,287  | 3,752  |
| 16,942   | 13,468   | Later than one year and no later than five years | 16,670   | 12,408   |
| 58,745   | 25,728   | Later than five years                            | 59,042   | 27,070   |
| <b>79,999</b>  | <b>43,230</b>  | <b>Total</b>                                     | <b>79,999</b>  | <b>43,230</b>  |

## 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 2022 with future sums committed. The future minimum lease payments payable under non-cancellable leases in future years are:

| <b>Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Operating lease payments</b>                  | <b>Land &amp; Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> |
|-----------------------------|--|--|-----------------------------|--|
| <b>31 March 2021</b>        | <b>31 March 2021</b>                   |  | <b>31 March 2022</b>        | <b>31 March 2022</b>                   |
| <b>£'000</b>                | <b>£'000</b>                           |  | <b>£'000</b>                | <b>£'000</b>                           |
| 5,239                       | 3,620                                  | Not later than one year                          | 5,239                       | 2,879                                  |
| 19,718                      | 9,497                                  | Later than one year and no later than five years | 19,489                      | 7,813                                  |
| 8,650                       | 1,195                                  | Later than five years                            | -                           | -                                      |
| <b>33,607</b>               | <b>14,312</b>                          | <b>Total</b>                                     | <b>24,728</b>               | <b>10,692</b>                          |

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

#### 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.

## 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 5 employees in 2021/22, incurring liabilities of £0.228m.

| Exit package cost band<br>£'000 | Number of compulsory redundancies |                | Number of other agreed departures |                | Total number of exit packages |                | Total cost of exit packages in each band |                |
|---------------------------------|-----------------------------------|----------------|-----------------------------------|----------------|-------------------------------|----------------|--|----------------|
|                                 | 2020/21<br>No.                    | 2021/22<br>No. | 2020/21<br>No.                    | 2021/22<br>No. | 2020/21<br>No.                | 2021/22<br>No. | 2020/21<br>No.                           | 2021/22<br>No. |
| 0 - 20                          | 0                                 | 0              | 1                                 | 0              | 1                             | 0              | 0  | 0              |
| 20 - 40                         | 0                                 | 0              | 0                                 | 3              | 0                             | 3              | 0  | 89             |
| 40 - 60                         | 0                                 | 0              | 2                                 | 0              | 2                             | 0              | 101                                      | 0              |
| 60 - 80                         | 0                                 | 0              | 0                                 | 2              | 0                             | 2              | 0  | 139            |
| 80 - 100                        | 0                                 | 0              | 0                                 | 0              | 0                             | 0              | 0  | 0              |
| 100 - 150                       | 0                                 | 0              | 0                                 | 0              | 0                             | 0              | 0  | 0              |
| Over 150                        | 0                                 | 0              | 0                                 | 0              | 0                             | 0              | 0  | 0              |
| Total                           | 0                                 | 0              | 3                                 | 5              | 3                             | 5              | 121                                      | 228            |

## 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 2019.

#### **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 2020.

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 2021/22.

#### **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.



## Note 28 Pensions (continued)

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. This means that in the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, which are then replaced with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### MCLOUD/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 MiRS. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the MiRS 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<br>2020/21<br>£'000 | Firefighter's Pension Schemes<br>2020/21<br>£'000 | Comprehensive Income and Expenditure Statement<br><br>Cost of Services  | Local Government Pension Scheme<br>2021/22<br>£'000 | Firefighter's Pension Schemes<br>2021/22<br>£'000 |
|---|---|---|---|---|
| 15,933  | 131,670   | Current Service cost  | 22,587  | 131,500   |
|   |   | Past service costs/(gain)   |   |   |
|   |   | <b>Financing and Investment Income and Expenditure</b>  |   |   |
| 4,835   | 141,520   | Net Interest expense  | 5,414   | 136,870   |
| 451   |   | Administrating expenses   | 523   |   |
| <b>21,219</b>                                       | <b>273,190</b>                                    | <b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>   | <b>28,524</b>                                       | <b>268,370</b>                                    |
|   |   | Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services   |   |   |
|   |   | Re-measurement of the net defined benefit liability comprising:   |   |   |
| (50,208)  |   | • Return on plan assets (excluding the amount included in the net interest expense)   | (55,058)  |   |
| (5,880)   |   | • Actuarial (gains) and losses arising on changes in demographic assumptions  | 0   |   |
| 135,682   | 652,900   | • Actuarial (gains) and losses arising on changes in financial assumptions  | (29,676)  | 82,860  |
| (6,897)   | (191,990)   | Experience (gains) and losses on defined benefit obligation   | 1,585   | (3,490)   |
|   |   | Other   |   |   |
| <b>93,916</b>                                       | <b>734,100</b>                                    | <b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>  | <b>(54,625)</b>                                     | <b>182,020</b>                                    |
|   |   | <b>Movement in Reserves Statement</b>   |   |   |
| (21,219)  | (273,190)   | • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (28,524)  | (268,370)   |
| 10,457  | 177,450   | Employers' contributions payable to scheme  | 11,490  | 183,950   |
|   |   | Benefits paid directly to beneficiaries   |   |   |
| <b>(10,762)</b>                                     | <b>(95,740)</b>                                   | <b>Actual amount charged against the General Fund Balance for pensions in the year.</b>   | <b>(17,034)</b>                                     | <b>(84,420)</b>                                   |

## 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 the **Local Pensions Partnership**

| LGPS<br>Number<br>2020/21 | FPS<br>Number<br>2020/21 | Membership of Schemes | LGPS<br>Number<br>2021/22 | FPS<br>Number<br>2021/22 |
|---------------------------|--------------------------|-----------------------|---------------------------|--------------------------|
| 854                       | 4,297                    | Actives               | 854                       | 4,297                    |
| 721                       | 1,318                    | Deferred Pensioners   | 721                       | 1,318                    |
| 1,435                     | 8,890                    | Pensioners*           | 1,435                     | 8,890                    |
| 282                       |                          | Unfunded Pensioners   | 282                       |                          |

\* Includes injury pensioners

| LGPS<br>Average<br>Age<br>2020/21 | FPS<br>Average<br>Age<br>2020/21 | Membership of Schemes | LGPS<br>Average<br>Age<br>2021/22 | FPS<br>Average<br>Age<br>2021/22 |
|-----------------------------------|----------------------------------|-----------------------|-----------------------------------|----------------------------------|
| 48                                | 41                               | Actives               | 48                                | 41                               |
| 49                                | 44                               | Deferred Pensioners   | 49                                | 44                               |
| 71                                | 66                               | Pensioners            | 71                                | 66                               |
| 75                                | -                                | Unfunded Pensioners   | 75                                | -                                |
| -                                 | 71                               | 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<br>As at 31 March 2021<br>£'000 | Firefighter's Pension Schemes<br>As at 31 March 2021<br>£'000 | LFC Pensions Obligations                                     | Local Government Pension Scheme<br>As at 31 March 2022<br>£'000 | Firefighter's Pension Schemes<br>As at 31 March 2022<br>£'000 |
|---|---|--|---|---|
| 669,492   | -   | Present value of the defined benefit obligation              | 662,530   | -   |
| (401,926)   | -   | Fair Value of plan assets                                    | (459,746)   | -   |
| <b>267,566</b>  | -   | <b>Net</b>   | <b>202,784</b>  | -   |
| 18,199  | 6,869,430   | Present value of the unfunded obligation                     | 16,866  | 6,867,470   |
| <b>285,765</b>  | <b>6,869,430</b>  | <b>Net liability arising from defined benefit obligation</b> | <b>219,650</b>  | <b>6,867,470</b>  |

**Note 28 Pensions (continued)****RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF ASSETS SCHEME (PLAN)**

| <b>Local<br/>Government<br/>Pension Scheme<br/>2020/21</b> | <b>London Fire Commissioner Asset Scheme</b>  | <b>Local<br/>Government<br/>Pension Scheme<br/>2021/22</b> |
|--|---|--|
| <b>£'000</b>   |   | <b>£'000</b>   |
| 347,143  | Opening fair value of scheme assets   | 401,926  |
| 7,079  | Interest Income   | 7,103  |
|  | <b>Re-measurement gain/(loss)</b>   |  |
| 50,208   | • The return on plan assets excluding the amount included in the net interest expense | 55,058   |
|  | • Other   |  |
| 10,457   | Contributions from employer   | 11,490   |
| 3,145  | Contributions from employees into the scheme  | 3,352  |
| (15,655)   | Benefits paid   | (18,660)   |
|  | Settlement prices received/(paid)   |  |
| (451)  | Other   | (523)  |
| <b>347,143</b>   | <b>Closing fair value of scheme assets</b>  | <b>459,746</b>   |

**Note 28 Pensions (continued)**

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

| Funded<br>Liabilities Local<br>Government<br>Pension Scheme<br>2020/21<br>£'000 | Unfunded<br>Liabilities<br>Firefighter's<br>Pension Schemes<br>2020/21<br>£'000 |  | Funded<br>Liabilities Local<br>Government<br>Pension Scheme<br>2021/22<br>£'000 | Unfunded<br>Liabilities<br>Firefighter's<br>Pension Schemes<br>2021/22<br>£'000 |
|---|---|--|---|---|
| 549,449   | 6,312,780   | <b>Opening Balance at 1 April</b>  | 687,691   | 6,869,430   |
| 15,933  | 131,670   | Current Service cost   | 22,431  | 131,500   |
| 11,914  | 141,520   | Interest costs   | 12,517  | 136,870   |
| 3,145   | 23,580  | Contributions from scheme participants                                   | 3,352   | 23,000  |
|   |   | <b>Re-measurement (gains) and losses:</b>                                |   |   |
| (5,880)   |   | • Actuarial gains/losses arising from changes in demographic assumptions | -   |   |
| 135,682   | 652,900   | • Actuarial gains/losses arising from changes in financial assumptions   | (29,676)  | (82,860)  |
| (6,897)   | (191,990)   | • Experience loss/(gain) on defined benefit obligation                   | 1,585   | (3,490)   |
| (948)   |   | Unfunded pension payments  | (948)   |   |
| -   |   | Past service cost  | 156   |   |
| (14,707)  | (201,030)   | Benefits paid  | (17,712)  | (206,980)   |
|   |   | Liabilities extinguished on settlements                                  |   |   |
| <b>687,691</b>  | <b>6,869,430</b>  | <b>Closing balance at 31 March</b>                                       | <b>679,396</b>  | <b>6,867,470</b>  |

## 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 6.09%

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 2022 to be 15.5% 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 that follow.

| <b>As at 31 March<br/>2021<br/>£'000</b> | <b>Fair Value of Fund Assets</b> | <b>As at 31 March<br/>2022<br/>£'000</b> |
|--|----------------------------------|--|
| 223,158                                  | Equities                         | 261,684                                  |
| 92,227                                   | Target Return Portfolio          | 99,021                                   |
| 34,324                                   | Infrastructure                   | 46,837                                   |
| 35,432                                   | Property                         | 41,520                                   |
| 16,785                                   | Cash                             | 10,954                                   |
| <b>401,926</b>                           | <b>Total</b>                     | <b>459,746</b>                           |

## 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 2022.

| Local Government Pension Scheme | Firefighter Pension Scheme | Assumptions as at | Local Government Pension Scheme | Firefighter Pension Scheme |
|---------------------------------|----------------------------|-------------------|---------------------------------|----------------------------|
| 31/03/2021                      | 31/03/2021                 |                   | 31/03/2022                      | 31/03/2022                 |
| 2.80%                           | 2.40%                      | CPI increases     | 3.20%                           | 3.00%                      |
| 3.80%                           | 4.15%                      | Salary increases  | 4.20%                           | 4.75%                      |
| 2.80%                           | 2.40%                      | Pensions increase | 3.20%                           | 3.00%                      |
| 2.00%                           | 2.00%                      | Discount rate     | 2.60%                           | 2.65%                      |

### ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In 2021/22 the LFC made an additional employer contribution payment of £3.663m to the LGPS fund to reduce the LGPS pension deficit. That payment in 2020/21 was £3.534m. Together these payments have resulted in ongoing savings from 2021/22 against the LFC's past service deficit payments.

The projected future contribution rates do not include any allowance for the impact of the McCloud/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 | 2021/22       | 2022/23       |
|------------------------|---------------|---------------|
|                        | £'000         | £'000         |
| LGPS                   | 9,683         | 10,115        |
| Firefighters Schemes   | 51,426        | 50,135        |
| <b>Total</b>           | <b>61,109</b> | <b>60,259</b> |



## Note 28 Pensions (continued)

### LOCAL GOVERNMENT PENSION SCHEME

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

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

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

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

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

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

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

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

## **Note 28 Pensions (continued)**

### **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. 3.20% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between the RPI and CPI is less than assumed at the previous accounting date.

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

### **FIREFIGHTER PENSION SCHEMES ASSUMPTIONS**

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2021/22 Pension Disclosures.

## **Note 28 Pensions (continued)**

The cost of benefits accruing in the period from 1 April 2021 to 31 March 2022 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2020/21 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 2022 is assumed to be 2.65% a year.

### **PENSION INCREASES**

The pension increase assumption as at 31 March 2022 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 3.0%

### **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 4.75% a year.

### **RATE OF REVALUATION FOR CARE PENSIONS**

A rate of revaluation for CARE pensions of 4.75% 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.

## Note 28 Pensions (continued)

### 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. Gratuity lump sum paid on injury are not dependent on service and so are recognised as a past service cost when the payments are made.

### DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

| 2020/21                     |                              | Mortality Assumptions                       |            | 2021/22 |                              |
|-----------------------------|------------------------------|---|------------|---------|------------------------------|
| LGPS                        | Fire Service Pension Schemes |   | LGPS       |         | Fire Service Pension Schemes |
| Age 65                      | Age 65                       | <b>Average Future Life expectancy as at</b> | Age 65     |         | Age 65                       |
| <b>Retiring today</b>       | <b>Current pensioners</b>    |   |            |         |                              |
| 22.0 years                  | 21.4 years                   | <b>Male</b>                                 | 22.0 years |         | 21.5                         |
| 23.8 years                  | 21.4 years                   | <b>Female</b>                               | 23.9 years |         | 21.5                         |
| <b>Retiring in 20 years</b> | <b>Future Pensioners</b>     |   |            |         |                              |
| 23.2 years                  | 23.1 years                   | <b>Male</b>                                 | 23.3 years |         | 23.2                         |
| 25.9 years                  | 23.1 years                   | <b>Female</b>                               | 26.0 years |         | 23.2                         |

### 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

## Note 28 Pensions (continued)

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

### SENSITIVITY ANALYSIS

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

| Local Government Pension Scheme    | £'000          | £'000        | £'000          |
|------------------------------------|----------------|--------------|----------------|
| <b>Adjustment to discount rate</b> | <b>0.10%</b>   | <b>0.00%</b> | <b>-0.10%</b>  |
| Present value of total obligation  | 666,694        | 679,396      | 692,063        |
| Project service cost               | 18,490         | 19,119       | 19,767         |
| <b>Adjustment to discount rate</b> | <b>0.10%</b>   | <b>0.00%</b> | <b>-0.10%</b>  |
| Present value of total obligation  | 680,688        | 679,396      | 678,114        |
| Project service cost               | 19,130         | 19,119       | 19,108         |
| <b>Adjustment to discount rate</b> | <b>0.10%</b>   | <b>0.00%</b> | <b>-0.10%</b>  |
| Present value of total obligation  | 690,684        | 679,396      | 668,316        |
| Project service cost               | 19,762         | 19,119       | 18,495         |
| <b>Adjustment to discount rate</b> | <b>+1 year</b> | <b>None</b>  | <b>-1 year</b> |
| Present value of total obligation  | 711,732        | 679,396      | 648,609        |
| Project service cost               | 19,963         | 19,119       | 18,306         |

## 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;

| <b>Change in financial assumption at year ended 31/03/2022</b> | <b>Approximate % increase to Employer liability</b> | <b>Approximate monetary amount (£'000)</b> |
|--|---|--|
| 0.5% decrease in real discount rate                            | -9.00%  | -628,000                                   |
| 1 year increase in member life expectancy                      | 3.50%   | 247,000                                    |
| 0.5% increase in the salary increase rate                      | 1.50%   | 109,000                                    |
| 0.5% increase in the salary increase rate (CPI)                | 7.50%   | 515,000                                    |

Comparative figures at year ended 31/03/2021:

| <b>Change in financial assumption at year ended 31/03/2021</b> | <b>Approximate % increase to Employer liability</b> | <b>Approximate monetary amount (£'000)</b> |
|--|---|--|
| 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                                    |

## 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 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.

### GRENFELL TOWER CLAIMS

Lawyers acting for the bereaved survivors and relatives have issued around 950 claims against the London Fire Commissioner (LFC) and other core participants in the Grenfell Tower Inquiry. A further 107 claims from firefighters and control room officers, and 36 claims from Metropolitan Police Officers against the same Defendants have also been made. The LFC, together with most other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, alternative dispute resolution (ADR) process to try and resolve matters without the need for litigation. The first stage of the mediation is due to take place over a two week period, beginning 16 January 2023.

## **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 2022 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<br>31/03/2021<br>Amount (£) | Category insured                                  | As at<br>31/03/2022<br>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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 for 12 months from the approval of these financial statements, management have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent balances are as follows:

| Date     | General Fund | Earmarked reserves |
|----------|--------------|--------------------|
| 31/03/22 | £20.8m       | £71.9m             |

Our expected General Fund and Earmarked Reserve position would have a predicted balance of £17.1 million and £54.6 million at 31 March 2023. This remains above our minimum level of GF balances as set by the LFC's CFO of 3.5 per cent of net revenue expenditure after a planned transfer from Earmarked Reserves.

Our 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 Mayor's Budget Guidance 2022/23, set out provisional funding levels for the LFC over a three-year period. The LFC's Budget Submission to the Mayor was agreed and published on 26 November 2021 to meet the requirements of the Guidance. In the submission the LFC proposed funding for Marauding Terrorist Attack (MTA) pressures of £5.4m, departmental growth of £7.0m and savings of £4.3m. The Mayor's Final Budget included increases to LFC funding allocations of £3.3m in 2022/23.

On this basis, the London Fire Commissioner has a reasonable expectation that they 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 Movement

| 2020/21<br>£'000 | Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements | 2021/22<br>£'000 |
|------------------|---|------------------|
| (12,253)         | Depreciation of Non Current Assets  | (11,863)         |
| (1,354)          | Impairment, Impairment Reversal and Revaluation of Non Current Assets                     | (142)            |
| (2,301)          | Assets de-recognised during year  | (8,794)          |
| (1,949)          | Amortisation of Intangible assets   | (279)            |
| (452)            | (Increase)/Decrease in impairment for provision of bad debts                              | (2,727)          |
| (39)             | Increase/(Decrease) in inventories  | (215)            |
| 19,902           | Increase/(Decrease) in debtors  | 16,211           |
| (2,506)          | (Increase)/Decrease in creditors  | (62,774)         |
| 521              | (Increase)/Decrease in provisions   | 1,441            |
| (106,102)        | Pension Fund costs adjustment   | (101,454)        |
| 6                | Other Non cash items  | (50)             |
| <b>(106,527)</b> | <b>Net cash (inflow)/outflow from operating activities</b>                                | <b>(170,646)</b> |

## Note 33 Cash Flow Statement – Operating Activities

| 2020/21<br>£'000 | Operating Activities               | 2021/22<br>£'000 |
|------------------|------------------------------------|------------------|
| (534)            | Interest received                  | (605)            |
| 2,735            | Interest paid                      | 2,560            |
| 6,335            | Interest element of finance leases | 6,245            |
| <b>8,536</b>     | <b>Total</b>                       | <b>8,200</b>     |

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

| 2020/21<br>£'000 | Investing Activities   | 2021/22<br>£'000 |
|------------------|--|------------------|
| 19,157           | Purchase of property, plant and equipment, investment property and intangible assets               | 17,069           |
| (1,232)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (16,399)         |
| (1,240)          | Capital grants received  | 0                |
| <b>16,685</b>    | <b>Net cash flows from investing activities</b>  | <b>670</b>       |

| 2020/21<br>£'000 | Financing Activities  | 2021/22<br>£'000 |
|------------------|---|------------------|
| -                | Cash Receipts of Short and Long term borrowing  | (17,599)         |
| 1,337            | Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal) | 1,375            |
| 5,000            | Repayments of Short and Long term borrowing   | 4,000            |
| <b>6,337</b>     | <b>Net cash flows from financing activities</b>   | <b>(12,224)</b>  |

**FIREFIGHTERS' PENSION FUND  
ACCOUNT AND NOTES**

## Firefighters' Pension Fund Account Notes

| 2020/21         |                | Firefighters' Pension Schemes Fund Account   | 2021/22         |                |
|-----------------|----------------|--|-----------------|----------------|
| £000            | £000           |  | £000            | £000           |
|                 |                | <b>Contributions receivable</b>  |                 |                |
|                 |                | - from employer  |                 |                |
| (51,425)        |                | - normal   | (50,125)        |                |
| (1,201)         |                | - early retirements  | (1,654)         |                |
| <b>(52,626)</b> |                |  | <b>(51,779)</b> |                |
| (22,854)        |                | - from members   | (22,406)        |                |
|                 | (75,480)       |  |                 | (74,185)       |
|                 |                | <b>Transfers in</b>  |                 |                |
|                 | (836)          | - individual transfers in from other schemes   |                 | (590)          |
|                 |                | <b>Benefits payable</b>  |                 |                |
| 152,972         |                | - pensions   | 155,975         |                |
| 27,100          |                | - commutations and lump sum retirement benefits  | 30,925          |                |
| -               |                | - back dated commutations  |                 |                |
| 222             |                | - lump sum death benefits  |                 |                |
|                 | <b>180,294</b> |  |                 | <b>186,900</b> |
|                 |                | <b>Payments to and on account of leavers</b>   |                 |                |
| -               |                | - refunds of contributions   | 619             |                |
| -               |                | - individual transfers out to the other schemes  |                 |                |
| 800             |                | - other - interest due on back dated lump sums   |                 |                |
| -               |                | - interest due on back date commutations lump sums   |                 |                |
|                 | <b>800</b>     |  |                 | <b>619</b>     |
|                 | 104,778        | Deficit/Surplus for the year before top up grant receivable/amount payable to central government |                 | 112,744        |
|                 | (104,778)      | Top up grant receivable from/amount payable from central government                              |                 | (112,744)      |
|                 |                | - Grant received from central government for back dated commutations                             |                 | -              |
|                 |                | - <b>Net amount payable/receivable for the year</b>  |                 | -              |
| <hr/>           |                |  |                 |                |
| 31/03/2021      |                | - Net Assets Statement   | 31/03/2022      |                |
| £000            | £000           |  | £000            | £000           |
| 57              |                | - Recoverable overpayments of pensions   | -               |                |
| 28,470          |                | - Top up receivable from/(payable to) Government   | 37,669          |                |
| (28,527)        |                | - other current liabilities  | (37,669)        |                |
| -               | -              |  | -               | -              |

# Firefighters' Pension Fund Account Notes

## THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

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

contribution based on a percentage of pay into the Pension Fund.

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

## FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

The Home Office issued guidance and provided funding for implementing the employee contributions holiday for members of the 1992

Scheme. The LFC made the majority of payments to eligible members by the end of March 2017.

## ACCOUNTING POLICIES

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

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

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

# Firefighters' Pension Fund Account Notes

## 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 2021/22. 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.

| 2020/21       |               |   | 2021/22       |               |
|---------------|---------------|---|---------------|---------------|
| 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



# 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.

## **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.

## **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.