

Statement of Accounts 2021/22

Report to:

Investment & Finance Board
Commissioner's Board
Audit Committee

Date:

27 October 2022
03 November 2022
17 January 2023

Report by:

Adrian Bloomfield, Assistant Director of Finance

Report classification:

For decision

For publication

I agree the recommended decision below.



Andy Roe

London Fire Commissioner

Date This decision was remotely
signed on 12 October 2023

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This report presents the London Fire Commissioner's (LFC's) audited Statement of Accounts 2021/22 including the Annual Governance Statement, External Auditor's Annual Report and Letter of Representation for review and recommendation to LFC to approve for publication.

The draft Statement of Accounts was presented to the Commissioner's Board on 8 June 2022 and published, and passed for external audit, on 13 June 2022.

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

EY has also prepared an Addendum to the Draft Audit Plan 2021/22 presented to Commissioner's Board on 11 May (LFC-1543), to provide further detail on the approach to the assessment on the LFC having in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources and financial statements audit. The Addendum is attached at Appendix 3.

The report also includes the Draft Outturn 2021/22 to reflect the draft Statement of Accounts, at Appendix 4.

Recommended decision

That the Commissioner approves the audited Statement of Accounts 2021/22, certified by the Director of Corporate Services and audited by the LFC's external auditor Ernst & Young (EY) LLP, as presenting a true and fair financial position of the LFC as at 31 March 2022 and the LFC's income and expenditure for the financial year.

1 Introduction and background

1.1 The LFC is required under Regulation 7 of the Accounts and Audit Regulations 2015 to approve and publish audited accounts, and for the LFC's statutory Chief Financial Officer, the Director of Corporate Services, to certify draft accounts for audit and public inspection. The deadlines for these were amended for 2021/22 due to the COVID-19 pandemic. The Audit (Coronavirus) (Amendment) Regulations 2021 extended the period for certification of the draft accounts for public inspection and audit from 31 May to 'on or before the first working day of August'. The Audit (Coronavirus) (Amendment) Regulations 2022 extended the deadline for the approval and publication of the audited accounts from 31 July to 30 November. The draft Statement of Accounts 2021/22 was approved by the interim Director of Corporate Services on 31 May 2022, and the audited Statement of Accounts 2021/22 is expected to be approved by the LFC and the Director of Corporate Services by 30 November 2022.

- 1.2** Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the LFC to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement (AGS). The AGS for 2021/22 was, following review by Commissioner's Board, incorporated into draft unaudited Statement of Accounts ahead of publication and passing to the external auditors on 8 June 2022.
- 1.3** The external audit of the draft Statement of Accounts 2021/22 by the LFC's external auditors, EY, has now been completed [Note to IFB: The work has progressed well and close to completion, an update on outstanding items will be provided at IFB and CB.]. The outcome of the audit has been notified to the Director of Corporate Services and the LFC. The draft Audit Results Report was made available on 19 October 2022 and the audited Statement of Accounts 2021/22 will be made available on the LFB website to comply with Regulation 10, paragraph (2b) that requires these to be published as soon as reasonably practical. The final audited accounts are presented in this report for approval [Note to CB: The accounts will be updated following conclusion of the audit and a verbal update shall be presented by the auditors at CB.] to comply with governance requirements, by formally recording LFC approval.
- 1.4** The Statement of Accounts includes a copy of the LFC's Annual Governance Statement, which does not form part of the accounts however it is published with the final accounts and has been approved by the LFC.

2 Statutory Accounting Framework

- 2.1** The Statement of Accounts for 2021/22 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that 'present a true and fair view'.
- 2.2** This report provides the draft outturn position for the LFC and explanations of the figures and key issues in the accounts as submitted. The final Statement of Accounts will have all changes included once the auditors have finalised the audit.

3 Statement of accounting policies

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

4 Final position

- 4.1** The final position for the capital and revenue actual expenditure and income has changed from the Draft Outturn 2021/22 report presented to Commissioner's Board on 8 June 2022. The Final Outturn 2021/22 Report shall reflect changes required to address audit findings and is presented at Appendix 4. [Note to CB: Audit is still in progress. The Outturn will be updated once the audit is concluded.]

5 Capital expenditure

- 5.1** 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 operational equipment (£7.8m). Capital expenditure on assets (£17.1m) was funded by capital receipts (£16.4m) and borrowing (£0.6m).
- 5.2** The LFC took no external borrowing during the year. Settlement of maturing principal debt during 2021/22 totalled £4.0m. As a result, at 31 March 2022, the level of outstanding principal

debt totalled £48.7m. The average interest payable on outstanding loans at 31 March 2022 was 4.7% (4.73% at 31 March 2021).

6 Service Income and Expenditure

- 6.1** The Statement of Accounts include accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK. These provide for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits, depreciation, impairment and revaluation charges.
- 6.2** The figure for net service expenditure for 2021/22, shown in the table below excludes these accounting adjustments.
- 6.3** Following movements between the general fund and reserves, the general fund balance increased by £8.1m from £12.7m as at 31 March 2021 to £20.8m as at 31 March 2022 and the earmarked reserves decreased by £7.6m from £79.6m as at 31 March 2021 to £71.9m as at 31 March 2022.

Service Expenditure and Income 2021/22

Service Expenditure	Budget £'000	2021/22	
		Outturn £'000	Variance £'000
Operational staff	270,883	283,096	12,213
Other staff	66,613	63,690	(2,923)
Employee related	23,976	26,131	2,154
Pensions	21,644	20,659	(985)
Premises	44,903	42,029	(2,874)
Transport	17,550	17,253	(297)
Supplies and services	31,409	32,065	656
Third party payments	1,364	2,068	705
Capital financing costs	8,953	9,810	867
Central contingency against inflation	1,880	713	(1,167)
Total revenue expenditure	489,175	497,513	8,338
Other income	(43,041)	(54,005)	(10,963)
Net revenue expenditure	446,133	443,508	(2,625)
Use of reserves	4,245	4,245	
Financing Requirement	441,888	439,263	(2,625)
Financed by:			
Specific grants	(36,485)	(37,732)	(1,247)
GLA funding	(405,400)	(405,400)	
Net Financial Position	3	(3,689)	(3,872)

7 Balance Sheet

- 7.1** The net Pensions Deficit, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes is £7.1bn as at 31 March 2022. This is the sum of the LFC's liabilities in both schemes arising from pension benefits earned by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost.

Audit Results Report

- 7.2** The LFC's external auditor issued a Draft Audit Results Report (ARR) which shows their audit findings up to 30 September 2022, at Appendix 2. During the course of the audit, the Director of Corporate Services considered the accounting and material nature of each issue raised under the audit and provided a management response to the matters arising. The responses have been formally discussed with the external auditor based on professional judgement, materiality and significance. It should be noted that for an item to be of material accounting significance it should be at LFC level in excess of £5m.
- 7.3** The Director of Corporate Services has agreed amendments and/or future actions with the external auditor on all matters arising from the audit. This included the reclassification of the pension top up grant and pension related cost within Comprehensive Income and Expenditure Statement.
- 7.4** There is also a reclassification adjustment of £52.5m in the Balance Sheet between short-term and long-term creditors for an insurance receipt. There is also an adjustment to debtors for £5.4m relating to income received under the Metropolitan Fire Brigade Act 1865.
- 7.5** There is also a change to the depreciation charge of £7.1m following a correction to asset lives and change to componentisation. This also impacts on the revaluation gain/loss. There is a correction required to the Firefighters Pension Fund of £2.5m.
- 7.6** The Audit Results Report confirms the auditor has issued an unqualified opinion on the LFC's Statement of Accounts 2021/22. [Note to LFB: Auditors are still reviewing the pension disclosure, going concern. Verbal update on the Audit Results Report will be presented at the CB meeting on 03 November 2022.]

8 Schedule of Uncorrected Misstatements

- 8.1** Where an authority declines to make changes to the accounts recommended by the external auditor, this is required to be reported in a schedule of uncorrected misstatements. There are no unadjusted audit differences. [Note to CB: This is the expected position and will be finalised on conclusion of the audit.]

9 Audit and Public Inspection

- 9.1** EY commenced their audit on 13 June 2022 and the LFC's accounts were open to public inspection from 5 July 2022 to 13 August 2022. This means that any person interested may inspect and make copies of the accounts, and any related books, deeds, contracts, bills, vouchers and receipts. An opportunity for electors to raise any objections to the accounts was available during this inspection period. No person or elector raised any objection to the LFC's accounts during the inspection period.

10 Letter of Representation

- 10.1** As part of the standard closing of accounts process, a general letter of representation is formally acknowledged by the LFC. This represents a formal response to the auditor and provides a management response to any uncorrected items raised as part of the audit. The draft letter is included at Appendix 5 of the draft Audit Results Report (Appendix 2), and this will be finalised following conclusion of the audit.

11 Audit Fees 2021-22

11.1 LFC's external auditors, EY, has also provided an update on the audit fees for the 2021/22 audit. The proposed audit fees include a scale fee at £51,961, additional scaling of base fee as reported in audit plan at £47,200 for increased regulatory focus and change of scope; and additional fees at range of £31,900 - £49,900 subject to approval by Public Sector Audit Appointments (PSAA) at date of authorisation of 2021/22 accounts. Additional fee areas are:

- Specialist pension valuation
- Specialist asset valuation
- New requirements Value for Money opinion
- Revised standard in respect of estimation
- Accounting for insurance receipts
- Additional work on statement errors
- Additional work following reduction in materiality threshold

11.2 The first of the areas identified above (pension valuation) are consistent with areas requiring additional work in previous years. The external auditors have reviewed more asset valuations than in the previous year's audit, and this additional work leads to additional fees. The additional work required by the auditors reflects the staffing challenges in the finance department, with key roles continuing to be filled by interim staff. The Finance restructure has now been approved and work now started on recruiting to the new structure, with progress on this expected to be helped with market-facing pay allowances for hard to recruit roles ahead of the planned FRS pay review.

11.3 The final external audit fees for 2019/20 and 2020/21 were £137,822 and £102,853 respectively. Given the information above, the final external audit fees for 2021/22 audit fees is likely to remain in similar levels as previous years.

12 Annual Governance Statement (AGS)

12.1 The Annual Governance Statement provides an overview of the governance arrangements that were in place for the LFC during the year 2021/22 and is included with the Statement of Accounts. Resource capacity issues faced by the Accountancy section of the Corporate Finance team is new addition to the AGS by request of the external auditors. Revised AGS attached [Appendix 6]

13 Finance comments

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

14 Workforce comments

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

15 Legal comments

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

- 15.2** By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
- 15.3** This report seeks the London Fire Commissioner's (LFC's) to note the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.
- 15.4** Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.
- 15.5** The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
- 15.6** Regulation 7 of the Accounts and Audit Regulations 2015 (the "2015 Regulations") provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year.
- 15.7** Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.
- 15.8** Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement (AGS).
- 15.9** The Accounts and Audit (Amendment) Regulations 2021 and 2022 have amended the dates for compliance with the 2015 Regulations as set out in this report.
- 15.10** Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out the how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records.
- 15.11** This report together with the enclosed appendices presented for approval will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

16 Sustainability implications

- 16.1** There are no direct sustainability implications arising from this report.

17 Equalities impact

- 17.1** The London Fire Commissioner and the Greater London Authority are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on those with protected characteristics taking this into account and then evidencing how decisions were reached.

- 17.2** It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 17.3** The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
- 17.4** The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
- a. eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - b. advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - c. foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 17.5** Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a. remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic.
 - b. take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - c. encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 17.6** The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.
- 17.7** Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a. tackle prejudice, and
 - b. promote understanding.

List of appendices

Appendix	Title	Open or confidential*
1	Statement of Accounts 2021/22 - Unaudited	No protective marking
2	Draft Audit Results Report	No protective marking
3	Addendum – Audit Plan 2021/22	No protective marking
4	Draft Outturn 2021/22	No protective marking
5	Letter of Representation	No protective marking
6	Revised Annual Governance Statement	No protective marking

Part two confidentiality

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

Is there a Part Two form: NO

Originating officer declaration

Reporting officer to confirm the following by using 'x' in the box:

Reporting officer [Report author] has drafted this report and confirms the following:	
1. Assistant Director/Head of Service Adrian Bloomfield has reviewed the documentation and is satisfied for it to be referred to Board for consideration	X
2. Advice The Finance and Legal teams have commented on this proposal: Thomas Davies, Legal Advisor , on behalf of General Counsel (Head of Law and Monitoring Officer). Princess Christian-Iwuagwu, Financial Advisor , on behalf of the Chief Finance Officer.	X X



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, to be a world class fire and rescue service for London, Londoners and visitors, was reviewed as part of work on the Community Risk Management Plan (CRMP), and the Brigade's purpose and vision is now 'Trusted to serve and protect London'. 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 has the power to direct the London Fire Commissioner but must act reasonably and must not cut across responsibilities of the Fire Commissioner.

THE LONDON FIRE COMMISSIONER

Director of Corporate Services' Narrative Report (continued)

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

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:

Director of Corporate Services' Narrative Report (continued)

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.

The four pillars were reviewed as part of the CRMP. The CRMP 'Your London Fire Brigade', published on 1 January 2023, includes four pillars and eight commitments.

Engaging with you

Commitment 1 We will work with you to provide localised services that meet your needs

Commitment 2 We will make it easy for you to access our services

Protecting you

Commitment 3 We will adapt our services as your needs change

Commitment 4 We will design services around your needs and concerns

Learning from others

Commitment 5 We will enable our people to be the best they can be, to serve you better

Commitment 6 We will work together to provide the best possible services to meet your needs

Adding value

Commitment 7 We will be driven by evidence to give you the value you expect

Commitment 8 We will work with other organisations to secure a safer future for everyone

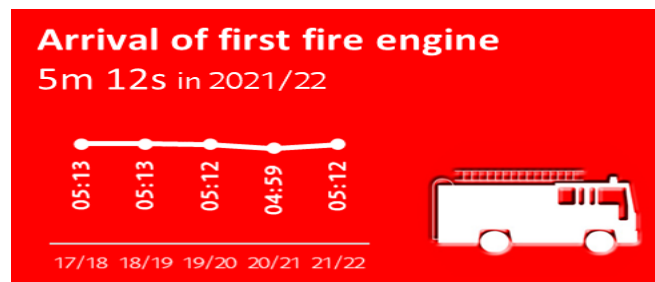
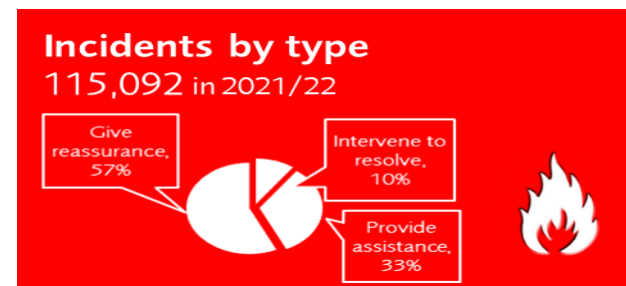
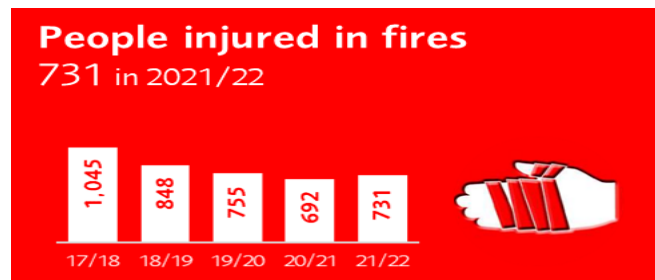
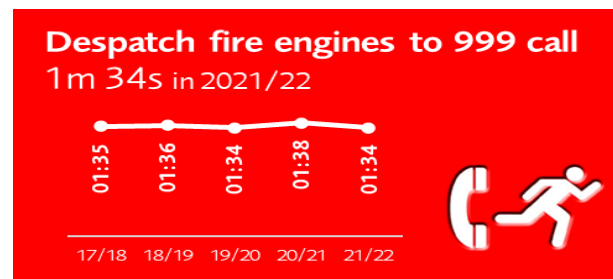
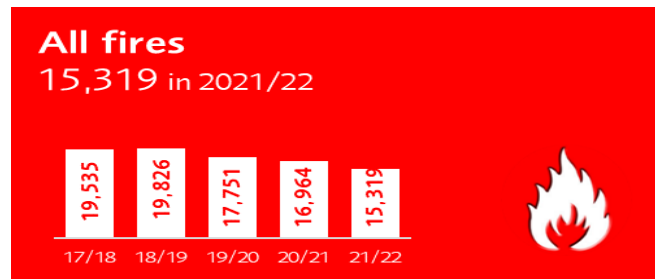
Director of Corporate Services' Narrative Report (continued)

THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2021/22

Performance as at year ending 31st March 2022 shows that 17 out of 33 performance indicators are meeting their target. The full performance report can be found on the London Data Store at the below link:

<https://data.london.gov.uk/dataset/--lfb-financial-and-performance-reporting-2021-22>

Highlights of the LFC's performance include:



Greater London

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

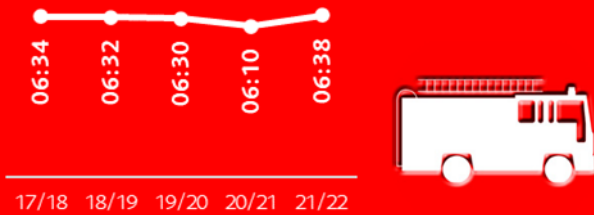
Fire safety audits

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

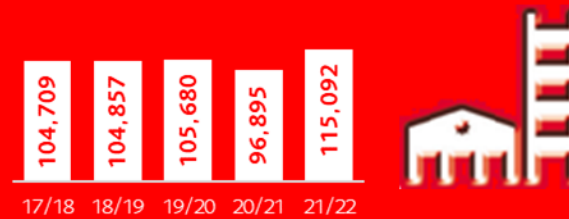
142 fire engines

5,598 staff



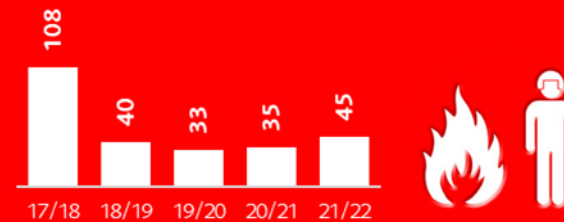
All incidents attended

115,092 in 2021/22



People who died in fires

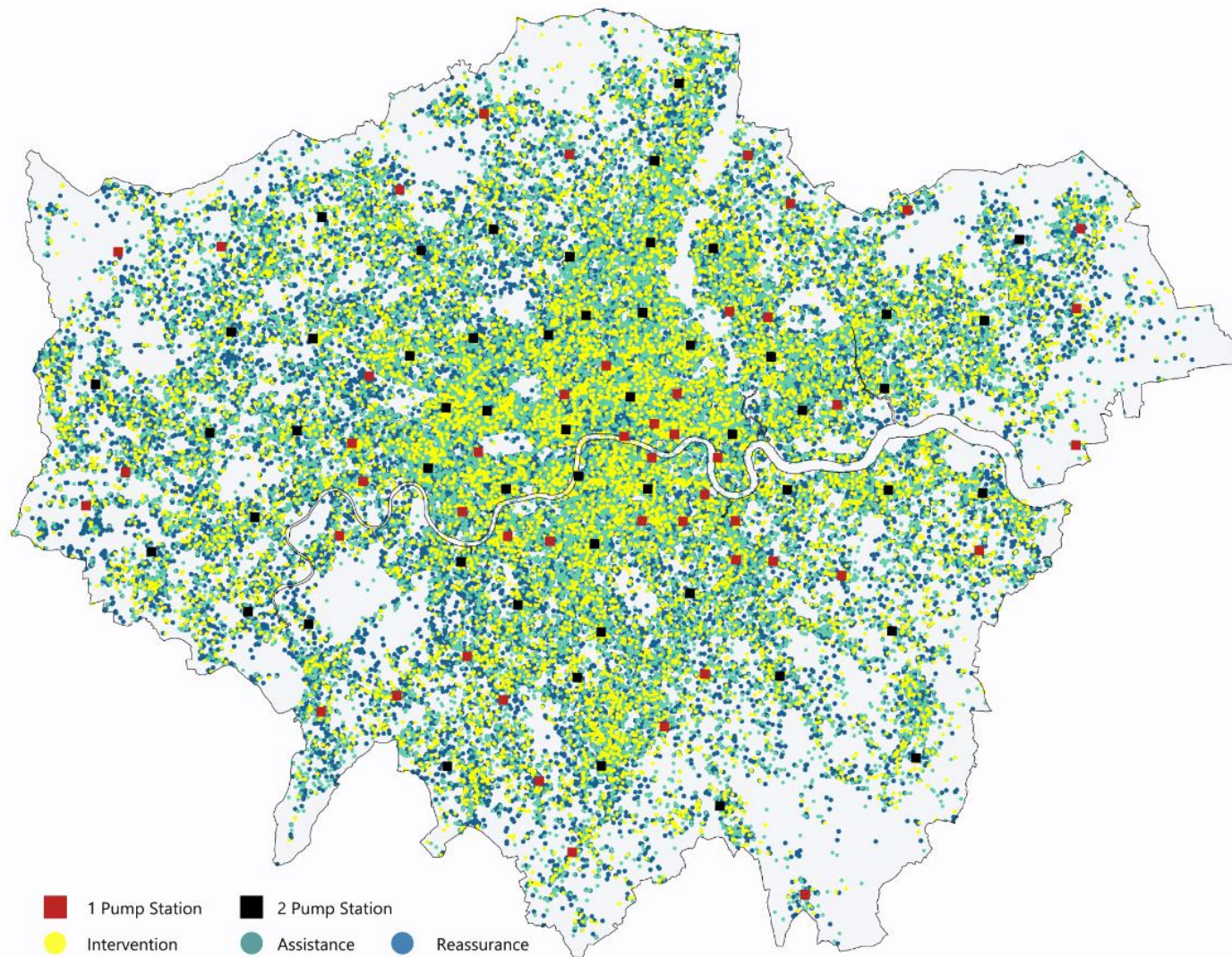
45 in 2021/22



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 was replaced by a Community Risk Management Plan (CRMP) which was published in January 2023.

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 were completed by the end of 2021/22.

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. Aim 3 – People and Resources continues to be affected by long term sickness levels, although our firefighter recruitment targets are now being met.

Project Management is one of the key methods of delivering complex change in the Brigade in a planned and organised manner. At the end of March 2022, there were 14 active 'A' governance projects (those which affect multiple directorates; have a significant business impact and/or are of particular risk

to the Brigade). Seven were progressing to schedule, two were reporting as red, four were amber and one was blue (closing).

The Coronavirus pandemic has had an uneven impact on our frontline service delivery which is reflected in some of our performance indicators. Throughout the pandemic the Brigade 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 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 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 were transporting equipment as part of a convoy to Poland.

Director of Corporate Services' Narrative Report (continued)

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 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

Director of Corporate Services' Narrative Report (continued)

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 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.

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 (Fire Safety Guidance) 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 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) as necessary.

Grenfell Tower Fire

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

Since November 2021 the LFC has been a party to a group of defendants participating in an Alternative Dispute Resolution process aimed at settling the civil claims of approximately 950 Grenfell Bereaved, Survivors and Relatives. This ADR process is designed to resolve any claims as expediently as possible without formal litigation. LFC is engaged in this process and working closely with the representatives of the claimants, together with other defendants.

In addition, the LFC will seek to resolve outstanding claims by a further group of Bereaved, Survivors and Residents as well as addressing any claims by other Emergency Responders and those whose claims arise out of the fire (including LFC personnel)

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 6 April 2022 which allows the Brigade to move forward with this project.

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

Director of Corporate Services' Narrative Report (continued)

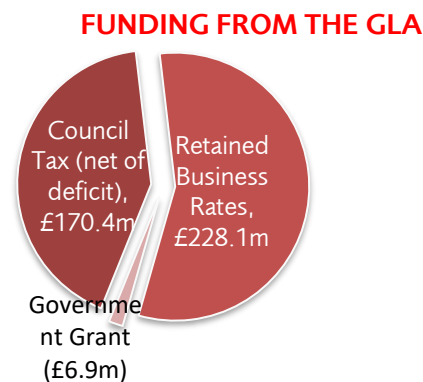
years. The operational delivery of capability commences once the priority 1 boroughs have completed their theory and practical training.

FINANCIAL PERFORMANCE

CORE FUNDING

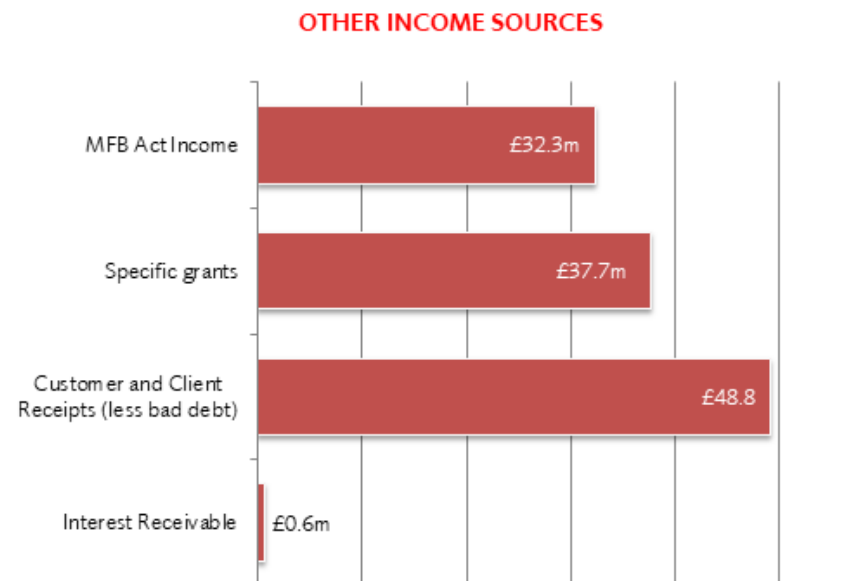
As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax, retained business rates and government grants which provided funding of £405.4m in 2021/22 (£401.5m in 2020/21). The GLA 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).



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 £119.4m after a £0.3m reduction for bad debt. (£101.4m in 2020/21).



Director of Corporate Services' Narrative Report (continued)

REVENUE EXPENDITURE

This combination of core funding from the GLA and other income provided total funds of £524.9m in 2021/22 (£501.4m in 2020/21). After including a net draw from reserves of £4.2m this provided for expenditure of £529.1m.

Total expenditure net of reserve funding in 2021/22 was £501.6m, £27.5m more than budgeted. 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			LFC Revenue	2021/22		
Budget £'000	Outturn £'000	Variance £'000		Budget £'000	Outturn £'000	Variance £'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	29,761	5,784
21,321	21,162	(159)	Pensions	21,644	21,121	-522
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	-	(178)	Central contingency against inflation	1,880	713	(1,167)
483,521	487,239	3,718	Total revenue expenditure	489,175	501,606	12,431
(42,116)	(52,476)	(10,359)	Other income	(43,041)	(81,733)	(38,692)
441,405	434,764	(6,641)	Net revenue expenditure	446,133	419,873	(26,260)
1,425	1,425	-	Use of reserves	(4,245)	(4,245)	-
442,829	436,188	(6,641)	Financing Requirement	441,888	415,628	(26,260)
			Financed by:			
(41,329)	(47,507)	(6,178)	Specific grants	(36,485)	(37,732)	(1,247)
(401,500)	(401,500)	-	GLA funding	(405,400)	(405,400)	-
-	(12,819)	(12,819)	Net Financial Position	3	(27,504)	(27,507)

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.

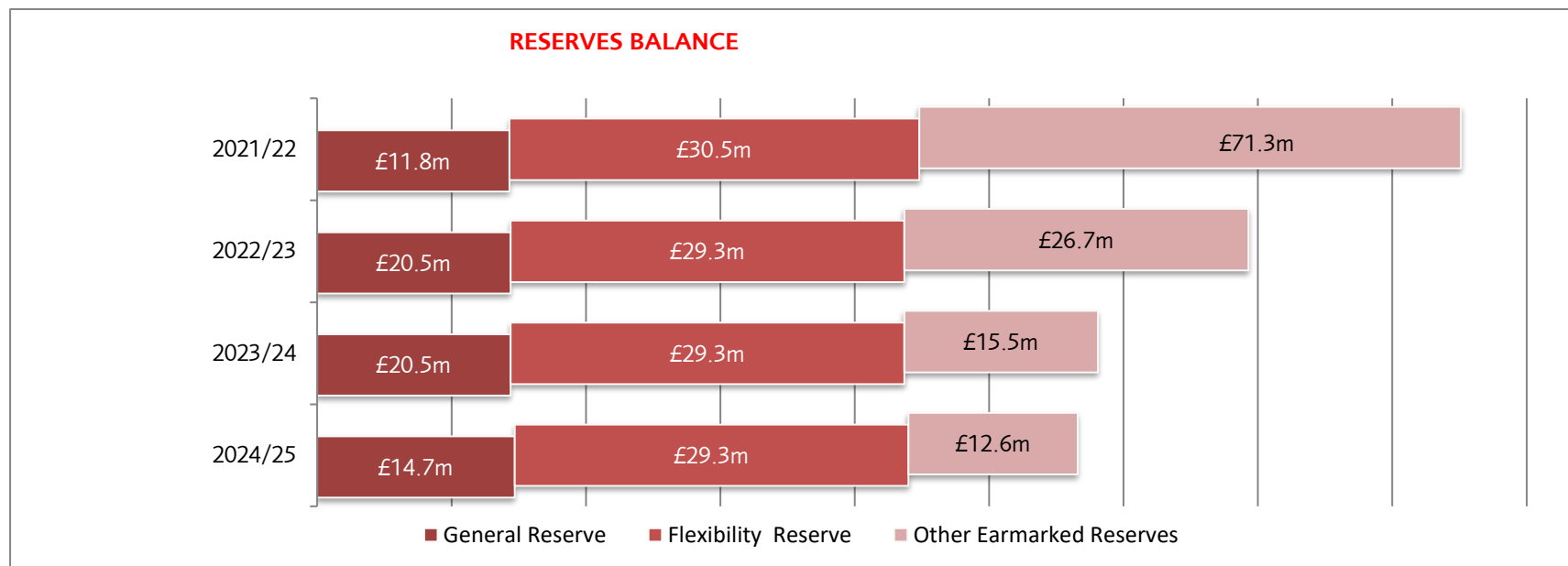
There were two main areas of spend, i.e. Property (47%) and Fleet & Equipment Projects (45%).

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

Director of Corporate Services' Narrative Report (continued)

RESERVES

The LFC had total reserves of £113.6m as at 31 March 2022, comprising £11.8m in general reserves and £101.8m 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 (£446.1m in 2021/22) 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. As a result of the outturn position for the 2021/22 financial year including transfers into earmarked reserves the general reserve is currently below this level at £11.8m as at the end of March 2022. To return the reserve to the minimum position a transfer will be proposed from the Budget Flexibility reserve as part of the quarterly financial reporting in 2022/23. Once agreed the general reserve would then be expected to remain at or above 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)
Net Revenue Expenditure Total	460.3	474.7	491.0
Funding			
Reserves (excl. BFR)	(1.9)	(2.5)	(1.7)
Budget Flexibility Reserve	0.0	0.0	0.0
Total – Reserves	(1.9)	(2.5)	(1.7)
Specific Grants	(36.5)	(36.5)	(36.5)
Budget – Mayoral Funding	421.8	435.7	452.8

Project	2022/23	2023/24	2024/25
	£m	£m	£m
Capital Schemes			
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
Total Expenditure	45.0	39.3	20.1
Funded by:			
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
Total Funded Financing	45.0	39.3	20.1

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. Actual inflation rates now being observed are well above previous estimates and are resulting in increased financial pressures over the planning period.

This position will continue to 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

CORPORATE RISKS

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 (Risk score of 20 and above)	Owned by Commissioner's Board Scrutinised by LFC and Audit Committee
Directorate risks (Risk score of 10 to 16)	Owned by Director Scrutinised by LFC
Departmental risks (high) (Risk score of 4 to 9)	Owned by Heads of Service Scrutinised by Director
Departmental risks (low) (Risk score of 1 to 3)	Owned by Heads of Service Scrutinised by Director

Director of Corporate Services' Narrative Report (continued)

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 CRMP 'Your London Fire Brigade' was published on 1 January 2023, and describes how we'll better engage, protect, learn from, and represent London's communities over the coming years. One of the most important things this plan does is reflect our Assessment of Risk in London and what we will do to help reduce and respond to that risk.

The CRMP also highlights the importance of improving the culture in the London Fire Brigade. London is home to an increasingly diverse group of people and it is important that, as an organisation, we are representative of the communities we serve and that our services are accessible to all Londoners. In 2021, the Commissioner launched an organisation-wide independent review into our culture, appointing Nazir Afzal OBE as the Chair of the review. Over a period of twelve months, Nazir and his team heard from more than 2,000 current and former members of staff and community groups who shared their experiences of the Brigade.

The report from the independent review paints a picture of poor behaviour and painful experiences over many years. We want to reassure everyone that having commissioned this independent culture review we now fully understand the issues and have plans in place to address them. Following the publication of the Independent Culture Review report in November 2022, we took immediate steps to change our workplace culture. These changes are just the beginning. We understand that significant change takes time and that we have a lot of work to do. As we develop our plans, we'll share them on our website.

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 4.73% (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 (£170.4m), 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 £501.6m against a budgeted net expenditure sum of £529.1m

included £4.2m in agreed use of reserves. The outturn position after application of reserves and grants was £27.5m less than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance increased by £2.1m from £9.6m as at 1 April 2021 to £11.7m as at 31 March 2022 and the LFC's earmarked reserves increased by £22m from £79.6m as at 1 April 2021 to £101.8m as at 31 March 2022.

The £27.5m 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.

A handwritten signature in black ink, appearing to read 'M. Ahmed', is positioned above the printed name and title.

Mostaque Ahmed FCA
Director of Corporate Services and Chief
Financial Officer

Dated 26 July 2023

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;
- Prepared the going concern
- 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 34 to 122 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.



Mostaque Ahmed FCA
Director of Corporate Services

Dated 26 July 2023

Audit Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE LONDON FIRE COMMISSIONER

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of the London Fire Commissioner for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 34

and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Fire Commissioner as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the London Fire Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on London Fire Commissioner's ability to continue as a going concern for a period to the 31 March 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the London Fire Commissioner
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the London Fire Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on page 24, Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the London Fire Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the London Fire Commissioner either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Audit and Accountability Act 2014 (as amended),
- The Accounts and Audit Regulations 2015,
- Greater London Authority Act (1999 & 2007),
- Metropolitan Fire Brigade Act (1965 and 1958), and
- Fire Services Act 1947.

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

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

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

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we tested non grant income by challenging assumptions and corroborating the income to appropriate evidence.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the London Fire Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Fire Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the London Fire Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit



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

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Fire Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Fire Commissioner and London Fire Commissioner's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner), Ernst & Young LLP (Local Auditor), London
27 July 2023

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.
- MFB Income Recognition –

Statement of Accounting Policies (continued)

Metropolitan Fire Brigade (MFB) Act 1865 is legislation whereby insurance companies pay a yearly levy to London Fire. An Annual Return request is issued to insurance companies who insure building against fire within the city of London. Insurance companies submit their return which details the gross valuation of buildings insured against fire. The levy charge due is calculated at the rate of £35 per £1 million of the Gross Sum Insured.

The return requests are issued to those insurance companies on the address database at the end of March each year with the returns statutorily due by 1 June of the same year.

MFB income is recognised when a signed attestation is received from insurer. There is a 25%:75% split which relates to MFB being a calendar year process (January to December). This means that 25% of an invoice is charged to current year and 75% is recognised as a receipt in advance and the income is therefore recognised in the following year.

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.

Statement of Accounting Policies (continued)

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 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.

CASH ACCOUNTING POLICY

Under the treasury management shared service arrangement with the Greater London Authority (GLA), GLA group treasury officers carry out the London Fire Commissioner's (LFC) day to day treasury management function, managing the LFC's investment and borrowing activities. LFC officers provide the GLA with details of the LFC's daily cash flow requirements and monies are only transferred between the Authorities as and when required to match LFC need. This way, surplus funds over and above daily need are continuously held with the Group Investment Syndicate (GIS), the GLA managed vehicle used by the Authority to maximise liquidity and investment return.

The GLA has delegated GIS investment decisions to London Treasury Limited (LTL) a wholly GLA owned entity which is Financial Conduct Authority ('FCA') authorised and regulated. In practice, the GLA's Chief Investment Officer (CIO) is still the individual approving the current discretions, in his capacity as LTL's Managing Director.

The LFC has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Commissioner's Board and for the execution and administration of treasury management

Statement of Accounting Policies (continued)

decisions to the Section 151 Officer cum Director of Corporate Services, who will act in accordance with the LFC's Treasury Policy Statement and Treasury Management Practices (TMP).

LFC has instant access to our funds subject to GIS drawdown procedure, therefore, GIS is treated like a bank account, but the funds themselves are invested on our behalf by the Syndicate on a pooled basis and in that sense are invested funds attracting a return

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.

Statement of Accounting Policies (continued)

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:

- 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

Comprehensive Income and Expenditure Statement

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

Restated 2020/21			2021/22				
Gross Expenditure	Gross Income	Net Expenditure	Comprehensive Income and Expenditure Statement	Gross Expenditure	Gross Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
454,510	(95,697)	358,813	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	463,995	(115,129)	348,866	
		358,813	Cost of services			348,866	
3,657	(1,232)	2,425	Other operating expenditure	7,036	(16,399)	(9,363)	3
5,762			Interest payable and similar charges	5,497			10
	(534)		Interest and investment income		(604)		10
141,520			Firefighter pensions net interest on the net defined benefit liability	136,890			28
4,835			Support staff pension net interest on the net defined benefit liability	6,057			28
152,117	(534)	151,583	Financing and Investment Income and Expenditure	148,444	(604)	147,840	
	(401,500)		GLA Grant		(405,400)		22
	(3,732)		PFI Grant		(3,732)		22
	(1,240)		Capital Grant				22
	(406,472)	(406,472)	Taxation and Non-Specific Grant Income		(409,132)	(409,132)	
		106,349	(Surplus) or Deficit on Provision of Services			78,211	18
		(6,062)	(Surplus)/ Deficit on revaluation of non-current assets			(29,560)	4
		-	Impairment losses on non-current assets charged to revaluation reserve				4
		533,207	Re-measurement of the net defined benefit liability			(192,061)	4
		527,145	Other Comprehensive Income and Expenditure			(221,621)	
		633,494	Total Comprehensive Income and Expenditure			(143,410)	

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	
Balance as at 01/04/21	(9,613)	(79,639)	(205)	-	(89,457)	6,817,690	6,728,233	
(Surplus) or deficit on provision of services (accounting basis)	78,211				78,211		78,211	
Other Comprehensive Income & Expenditure						(221,621)	(221,621)	4
Total Comprehensive Income and Expenditure	78,211				78,211	(221,621)	(143,410)	
Adjustments between accounting basis & funding basis under regulations	(102,336)				(102,336)	102,336	-	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(24,125)				(24,125)	(119,285)	(143,410)	
Transfers (to)/from Earmarked Reserves	21,985	(21,985)						7
Increase/(Decrease) in Year	(2,140)	(21,985)			(24,125)	(119,285)	(143,410)	
Balance as at 31/03/22	(11,753)	(101,624)	(205)		(113,581)	6,698,405	6,584,824	

Movement in Reserves Statement (continued)

The following table provides comparative figures for 2020/21:

Restated - 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	
Balance as at 01/04/20	(12,704)	(62,281)	(830)	(679)	(76,494)	6,171,233	6,094,739	
(Surplus) or deficit on provision of services (accounting basis)	106,349				106,349		106,349	
Other Comprehensive Income & Expenditure						527,145	527,145	4
Total Comprehensive Income and Expenditure	106,349				106,349	527,145	633,494	
Adjustments between accounting basis & funding basis under regulations	(120,617)		625	679	(119,313)	119,313		6
Net Increase/Decrease before Transfers to Earmarked Reserves	(14,268)		625	679	(12,964)	646,458	633,494	
Transfers (to)/from Earmarked Reserves	17,359	(17,359)						7
Increase/(Decrease) in Year	3,091	(17,359)	625	679	(12,964)	646,458	633,494	
Balance as at 31/03/21	(9,613)	(79,640)	(205)		(89,457)	6,817,690	6,728,233	

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'.

Restated 31 March 2020	Restated 31 March 2021		31 March 2022		Note
£'000	£'000	Balance Sheet	£'000	£'000	
		Property, Plant & Equipment			
135,214	142,325	Land	158,582		
256,432	253,031	Buildings	263,373		
47,135	55,638	Vehicles, Plant and Equipment	55,966		
21,015	22,475	Non Operational Assets – Surplus	15,137		
16,436	11,608	Non Operational Assets – Other	12,739		
1,432	1,432	Heritage Assets	1,432		
477,663	486,509			507,229	9
2,876	1,013	Intangible Assets	802	802	9
77	53	Long Term Debtors	40	40	
480,616	487,575	Long Term Assets		508,071	
	450	Assets Held For Sale			9
692	654	Inventories	438		
		Short Term Investments			
34,835	54,761	Short Term Debtors	61,474		12
69,733	44,333	Cash and Cash Equivalents	116,427		13
105,261	100,198	Current Assets		178,339	
(5,062)	(3,043)	Short Term Borrowing	(21,086)		10
(47,297)	(49,833)	Short Term Creditors	(55,540)		14
(1,642)	(2,094)	Provisions	(15,599)		15
(1,337)	(1,375)	Short Term Liabilities	(1,443)		26
(55,337)	(56,345)	Current Liabilities		(93,668)	
(3,609)	(3,088)	Provisions	(14,818)		15
(56,212)	(53,169)	Long Term Borrowing	(49,121)		11
(6,565,458)	(7,203,404)	Other Long Term Liabilities	(7,113,627)		25
(6,625,279)	(7,259,661)	Long Term Liabilities		(7,177,566)	
(6,094,739)	(6,728,233)	Net Assets		(6,584,824)	
(76,494)	(89,457)	Usable Reserves		(113,581)	16
6,171,233	6,817,690	Unusable Reserves		6,698,405	17
6,094,739	6,728,233	Total Reserves		6,584,824	

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.

A handwritten signature in black ink, appearing to read 'M. Ahmed', is positioned above the printed name and title.

Mostaque Ahmed FCA
Director of Corporate Services

Dated 26 July 2023

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.

Restated 2020/21 £'000	Cash Flow Statement	2021/22 £'000	Notes
106,349	Net (Surplus) or Deficit on the Provision of Services	78,211	
(106,443)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(155,150)	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	
2,378	Net cash flows from Operating Activities	(60,540)	
16,685	Investing Activities	670	34
6,337	Financing Activities	(12,224)	34
25,400	Net (Increase) or Decrease in Cash and Cash Equivalents	(72,094)	
69,733	Cash and cash equivalents at the beginning of the period	44,333	13
44,333	Cash and Cash Equivalents at the End of Period	116,427	

**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.

Provision – Grenfell Tower Claims

The LFC has made a provision for Public Liability and Employer Liability claims in relation to the Grenfell incident.

Employer Liability Claims Provision – The LFC has received a number of claims from its employees' following attendance at the Grenfell incident.

Public Liability Claims Provision - The LFC, together with other relevant authorities, has received a number of claims in relation to public liability at the Grenfell incident.

These provisions are measured at the LFC's best estimate of its contribution to claims as at the date of authorisation of these accounts. These estimates involve a number of critical judgements including the estimated value of the LFC's share of any settlements and other relevant costs. The level of the LFC's provision is set out in Note 15.

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
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 £507.2 (£486.9m 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"> • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13. 	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £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 £7067m (£7155m 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>

Public Liability Provision	<p>The LFC has made a provision for public liability costs in relation to the Grenfell incident. This provision is estimated based on a number of complex assumptions relating to the estimated value of the LFC share of settlements and other relevant costs, and the current carrying value of the provision based on the above assumptions is £10,778k.</p> <p>The LFC, together with other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, alternative dispute resolution (ADR) process but there are claims outside of the ADR process for which uncertainty remains over the amounts that may be required to settle any claims as well as the extent of LFC's potential contribution to these, if any. At the date of authorisation of these accounts there are claims outside of ADR process which have not been lodged with the LFC. However this may be subject to change in the future.</p> <p>The majority of the contributions to damages claimed have been made in the 2022-23 financial year. LFC anticipate that 50% of the associated costs will be made at the beginning of the 2023-24 financial year with the remaining costs expected to be paid within 2-3 years' time depending on court timelines.</p>	<p>Significant changes in any of the estimated inputs would result in a significantly lower or higher settlement value for the claims.</p> <p>The effects of changes in individual assumptions can be measured.</p> <p>A 10% increase in the settlement value due to claims outside of the ADR process would result in an approximate £875k increase in the public liability provision. No provision has currently been made for these claims which represents the lower end of the range and current estimate in the table below.</p> <p>A 10% increase or decrease in the legal costs of the public liability will increase or decrease the total provision by £176k.</p> <table border="1" data-bbox="1379 708 2051 1107"> <thead> <tr> <th></th> <th>Lower end of range £000</th> <th>Current Estimate £000</th> <th>Higher end of range £000</th> </tr> </thead> <tbody> <tr> <td>10% changes in Settlement value for claims outside of ADR</td> <td>£10,778</td> <td>£10,778</td> <td>£11,655</td> </tr> <tr> <td>10% changes in legal cost</td> <td>£10,602</td> <td>£10,778</td> <td>£10,954</td> </tr> </tbody> </table>		Lower end of range £000	Current Estimate £000	Higher end of range £000	10% changes in Settlement value for claims outside of ADR	£10,778	£10,778	£11,655	10% changes in legal cost	£10,602	£10,778	£10,954
	Lower end of range £000	Current Estimate £000	Higher end of range £000											
10% changes in Settlement value for claims outside of ADR	£10,778	£10,778	£11,655											
10% changes in legal cost	£10,602	£10,778	£10,954											
Employer Liability Provision	<p>The LFC has made a provision for employer liability claims in relation to the Grenfell incident. This provision is estimated based on a number of complex assumptions relating to the numbers of claimants, estimated value of the settlements and other relevant costs as well as the share which the LFC may contribute. The current carrying value of the provision based on the above assumptions is £1,292k.</p> <p>The estimates provided here are still subject to change and will develop further as work on the claims continues and progresses since settlement packs are yet to be received from</p>	<p>Significant changes in any of the estimated inputs would result in a significantly lower or higher settlement value for the claims.</p> <p>A 10% increase or decrease in the settlement cost of the employer liability will increase or decrease the liability by £100k. A 10% increase or decrease in the legal costs of the employer liability will increase or decrease liability by £23k. A 0.5%</p>												

all the claimants in respect of the Employers liability driving uncertainty over this estimate. Once received, these claim packs will set out the injuries suffered and any financial loss which will allow a much more detailed consideration of the amounts that may be necessary to settle any claims and enable an agreement to be determined over the percentage share which the LFC may contribute.

Claims will likely be resolved during 2023-24 and most of the payments will be made during this period. LFC estimate that all claims will likely be settled by the end of the 2024-25 financial year.

increase or decrease in the share of the liability would result in an approximate 8% increase or decrease in the employer liability provision.

	Lower end of range £000	Current Estimate £000	Higher end of range £000
0.5% increase or decrease in the share of the liability	£1,189	£1,292	£1,395
10% changes in Settlement value	£1,195	£1,292	£1,388
10% changes in Legal Cost	£1,268	£1,292	£1,315

Note 3a Material items of Income and Expenditure

There has been a significant contractual receipt totalling £50.0m which is included as income in the Net Cost of Services against Community Fire Safety and Firefighting and Rescue Operations. This £50.0m insurance receipt is the limit of the insurer's liability for public liability claims, and is to be used to meet the public liability claims set out in the provisions.

The LFC collected £32.3m 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 3b Other operating expenditure

2020/21	Other Operating Income and Expenditure	2021/22
£'000		£'000
3,657	Non-current assets disposed in year	7,036
(1,232)	Proceeds from disposal of non-current assets in year	(16,399)
2,425	Total Other Comprehensive Income and Expenditure	(9,363)

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 & Actuarial (gains)/losses on pension assets/liabilities	2021/22	
£'000	£'000		£'000	£'000
(14,313)		Gain on the revaluation of Property assets	(32,753)	
8,251		Loss on the revaluation of Property assets	3,193	
	(6,062)	Surplus on revaluation of non current assets		(29,560)
460,510		Actuarial (gains)/losses on Firefighter pension liabilities	(86,224)	
72,697		Actuarial (gains)/losses on LGPS pension assets/liabilities	(105,837)	
	533,207	Actuarial (gains)/losses on pension assets/liabilities		(192,061)
	527,145	Total Other Comprehensive Income and Expenditure		(221,621)

Note 5 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by Mostaque Ahmed, Director of Corporate Services on 26 July 2023. 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 5a Prior Period Adjustment

The lease for the Fire and Rescue Control Center located at Merton Road (Merton RCC) has been historically accounted for as a finance lease in error. According to a review of the lease in the current year the Authority came to the conclusion that the lease agreement does not transfer substantially all of the risks and rewards incidental to ownership of the asset and that the Merton RCC lease should have been classified as an operating lease at inception. This has resulted in the following changes being made to the 2020/21 financial statements:

Under finance lease accounting the Authority recognised the asset and the equivalent liability on the balance sheet and also accounted for the related revaluations, depreciation and lease payments. LFC did not correctly adjust the lease liability or split the lease payment between principle and interest but rather accounted for the full payment under the interest payable and comparable charges line. For operating lease accounting LFC only recognises the straight-lined lease payments as an expense.

As a result of the reclassification, there has been an adjustment between the cost of services line and Interest payable and comparable charges line in Comprehensive Income and Expenditure Statement. This is because the previously recorded interest expense related to the Merton RCC is now charged to the cost of services as a lease / rental expense. There will no longer be any future depreciation or valuation movement adjustments for the assets and these amounts are reversed for 2020/21.

The reclassification resulted in an decrease in 2020/21 net assets by £52k as a result of a fall in total PPE of £15.383m, and a decrease in long-term liabilities of £15.370m. The net effect was a £3m decrease in Usable reserves as a result of straight lining the lease expenditure for prior years and a £3m increase in Unusable reserves that can be split between a £7.5m increase in the Capital Adjustment account and a £4.5m decrease in the Revaluation Reserve.

Effect on line items in the Balance Sheet 31 March 2020

Categories	Previously Reported £'000	Restated £'000	Difference £'000
Land	137,984	135,214	(2,771)
Buildings	269,496	256,432	(13,064)
Total Property, Plant & Equipment	493,498	477,663	(15,835)
Long Term Assets	496,451	480,616	(15,835)
Short Term Creditors	(47,285)	(47,297)	(12)
Current Liabilities	(55,326)	(55,338)	(12)
Other Long Term Liabilities	(6,580,787)	(6,565,458)	15,329
Long Term Liabilities	(6,640,608)	(6,625,279)	15,329
Net Assets	(6,094,223)	(6,094,739)	(516)
Usable Reserves	(79,600)	(76,493)	3,107
Unusable Reserves	6,173,823	6,171,233	(2,591)
Total Reserves	6,094,223	6,094,739	516

Effect on line items in the Balance Sheet 31 March 2021

Categories	Previously Reported £'000	Restated £'000	Difference £'000
Land	145,029	142,325	(2,704)
Buildings	265,710	253,031	(12,679)
Total Property, Plant & Equipment	410,739	395,356	(15,383)
Long Term Assets	502,957	487,575	(15,383)
Short Term Creditors	(49,792)	(49,833)	(41)
Current Liabilities	(56,305)	(56,346)	(41)
Other Long Term Liabilities	(7,218,775)	(7,203,405)	15,370
Long Term Liabilities	(7,275,031)	(7,259,661)	15,370
Net Assets	(6,728,181)	(6,728,233)	(52)
Usable Reserves	(92,552)	(89,457)	3,095
Unusable Reserves	6,820,733	6,817,690	(3,043)
Total Reserves	6,728,181	6,728,233	52

Effect on the Comprehensive Income and Expenditure Statement 2020/21

	Previously Reported Net Expenditure £'000	Restated Net Expenditure £'000	Difference £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	355,589	358,813	3,224
Cost of services	355,589	358,813	3,224
Interest payable and similar charges	9,070	5,762	(3,308)
Financing and Investment Income and Expenditure	154,891	151,583	(3,308)
(Surplus) or Deficit on Provision of Services	106,433	106,349	(84)
(Surplus)/ Deficit on revaluation of non-current assets	(5,682)	(6,062)	(380)
Other Comprehensive Income and Expenditure	527,525	527,145	(380)
Total Comprehensive Income and Expenditure	633,958	633,494	(464)

Effect on the Movement in Reserves Statement 2020/21

	Previously Reported Usable Reserve	Restated	Difference	Previously Reported Unusable Reserve	Restated	Difference
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 01/04/20	(79,600)	(79,600)		6,173,823	6,171,232	(2,591)
(Surplus) or deficit on provision of services (accounting basis)	106,433	106,349	(84)			
Other Comprehensive Income & Expenditure				526,430	527,145	715
Total Comprehensive Income and Expenditure	106,208	106,361	153	526,430	527,145	715
Adjustments between accounting basis & funding basis under regulations	(119,161)	(119,313)	(152)	119,161	119,313	152
Net Increase/Decrease before Transfers to Earmarked Reserves	(12,952)	(12,952)		645,591	646,458	867
Balance as at 31/03/21	(92,552)	(92,552)		6,819,413	6,817,690	(1,723)

Effect on the Cash Flow Statement 2020/21

	Previously Reported	Restated	Difference
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	106,433	106,349	(84)
Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(106,527)	(106,443)	84

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.

2021/22 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Capital Grants Unapplied	Capital Receipts Unapplied	Total Usable Reserves	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Depreciation, amortisation, and impairment of fixed assets	18,709	-	-	18,709	(18,709)
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	(16,399)	-	-	(16,399)	16,399
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	7,858	-	-	7,858	(7,858)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	104,144	-	-	104,144	(104,144)
Adjustment due to Accumulated Absences, reversal of prior year charge	(10,636)	-	-	(10,636)	10,636
Adjustment due to Accumulated Absences, current year charge	7,285	-	-	7,285	(7,285)
Total Adjustments	102,336	-	-	102,336	(102,336)

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

The following table provides comparative figures for 2020/21:

Restated - 2020/21 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Capital Grants Unapplied	Capital Receipts Unapplied	Total Usable Reserves	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Depreciation, amortisation, and impairment of fixed assets	16,534	-	-	16,534	(16,534)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital		-	(679)	(679)	679
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(7,154)	-	-	(7,154)	7,154
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES		-	-		
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	106,508	-	-	106,508	(106,508)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(1,225)		-	(1,225)	1,225
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	(625)	-	(625)	625
Adjustment due to Accumulated Absences, reversal of prior year charge	(4,682)	-	-	(4,682)	4,682
Adjustment due to Accumulated Absences, current year charge	10,636	-	-	10,636	(10,636)
Total Adjustments	120,617	(625)	(679)	119,313	(119,313)

Note 7 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance as at 31/03/2020 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/2021 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/2022 £'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			-
ICT Development Reserve	1,953	(31)	361	2,283	(697)		1,586
Recruitment/Outreach	250			250	(250)		-
Fire Safety & Youth Engagement	1,007	(672)	4,594	4,929	(203)	1,866	6,592
Additional Resilience Requirements	622	(98)		524	(524)		-
Budget Flexibility	29,931	(10,237)	15,495	35,189	(4,658)	2	30,533
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		1,122	3,090
Fire Safety Improvement Reserve						29,680	29,680
LFB Museum Project		(46)	330	284	(175)	88	197
Total	62,281	(16,283)	33,641	79,639	(12,450)	34,415	101,624

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) 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.

Note 9 Property, Plant and Equipment (continued)

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

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

Where decreases in value are identified they are accounted for in the following way:

- 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 in the following way:

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

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

DEPRECIATION

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

Depreciation is calculated on the following bases:

Note 9 Property, Plant and Equipment (continued)

- 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.

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

COMPONENT ACCOUNTING

For assets, where the building value is classed as material 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.

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	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Heritage Assets	Assets held for sale	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
As at 1 April 2021	399,068	124,158	22,475	11,608	1,432	450	559,191
Additions	7,608	2,521		6,531			16,660
Revaluation increases / (decreases) recognised in Revaluation Reserve	18,062		7				18,069
Revaluation increases / (decreases) recognised in the CIES	902		5				907
Derecognition – Disposals		(6,140)	(7,350)			(450)	(13,940)
Derecognition - Other	(823)						(823)
Other movements in cost or valuation		5,400		(5,400)			
As at 31 March 2022	424,817	125,939	15,137	12,739	1,432	-	580,064
Accumulated Depreciation and Impairment							
As at 1 April 2021	(3,712)	(68,520)					(72,232)
Depreciation charge for 2021/22	(10,641)	(7,419)					(18,060)
Derecognition – disposals		5,969					5,969
Write out of accumulated depreciation	11,491	(3)					11,488
As at 31 March 2022	(2,862)	(69,973)					(72,835)
Net Book Value:							
As at 31 March 2021	395,356	55,638	22,475	11,608	1,432	450	486,959
As at 31 March 2022	421,955	55,966	15,137	12,739	1,432	-	507,229

Note 9 Property, Plant and Equipment (continued)

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

Restated - Movement in Balances 2020/21	Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Heritage Assets	Assets held for sale	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
As at 1 April 2020	394,550	119,890	24,819	13,755	1,432	-	554,446
Additions	5,578	7,707	73	5,568			18,926
Revaluation increases / (decreases) recognised in Revaluation Reserve	6,056		6				6,062
Revaluation increases / (decreases) recognised in the CIES	(5,789)		(5)				(5,794)
Derecognition – Disposals	(2,302)	(11,023)	(1,124)				(14,449)
Other movements in cost or valuation	975	7,584	(1,294)	(7,715)		450	
As at 31 March 2021	399,068	124,158	22,475	11,608	1,432	450	559,191
Accumulated Depreciation and Impairment							
As at 1 April 2020	(2,904)	(72,755)	(1,124)				(76,783)
Depreciation charge for 2020/21	(5,269)	(6,768)					(12,037)
Derecognition – disposals	21	11,003	1,124				12,148
Write out of accumulated depreciation	4,440						4,440
As at 31 March 2021	(3,712)	(68,520)					(72,232)
Net Book Value:							
As at 31 March 2020	391,646	47,135	23,695	13,755	1,432	-	477,663
As at 31 March 2021	395,356	55,638	22,475	11,608	1,432	450	486,959

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.

ASSETS HELD FOR SALE

Note 9 Property, Plant and Equipment (continued)

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, £411m 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:

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

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

Movement in Balances 2021/22	Operational			Under Development (non-operational)		
	Software licences £'000	In-house Software £'000	Total £'000	Software licences £'000	In-house Software £'000	Total £'000
Balances at 1st April						
Gross carrying amounts	14,441	12,843	27,284	72	-	72
Accumulated amortisation	(14,314)	(11,957)	(26,271)	-	-	0
Net carrying amount at 1st April	127	886	1,013	72	-	72
Reclassification	-	-	-	-	-	0
Additions	-	68	68	-	-	0
Amortisation for the period	(10)	(269)	(279)	-	-	0
Net carrying amount at 31 March	117	685	802	72	-	72
Comprising:						
Gross carrying amounts	14,441	12,911	27,352	72	-	72
Accumulated amortisation	(14,324)	(12,226)	(26,550)	-	-	-
	117	685	802	72	-	72

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

Movement in Balances 2020/21	Operational			Under Development (non-operational)		
	Software licences £'000	In-house Software £'000	Total £'000	Software licences £'000	In-house Software £'000	Total £'000
Balances at 1st April						
Gross carrying amounts	14,355	12,772	27,127	72	-	72
Accumulated amortisation	(14,028)	(10,294)	(24,321)	-	-	-
Net carrying amount at 1st April	327	2,478	2,806	72	-	72
Reclassification	-	-	-	-	-	-
Additions	86	-	86	-	-	-
Amortisation for the period	(286)	(1,663)	(1,949)	-	-	-
Net carrying amount at 31 March	127	815	942	72	-	72
Comprising:						
Gross carrying amounts	14,441	12,843	27,284	72	-	72
Accumulated amortisation	(14,314)	(11,957)	(26,272)	-	-	-
	127	886	1,013	72	-	72

HERITAGE ASSETS

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

Note 10 Financial Instruments

ACCOUNTING POLICY FINANCIAL LIABILITIES

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

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

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

FINANCIAL ASSETS

Financial assets are 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:

Restated - 31 March 2021		Financial liabilities and Assets at amortised cost	31 March 2022	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Borrowings		
52,725	3,000	Public Work Loan Board Debt (PWLB)	48,725	4,000
444	43	PWLB Accrued Interest	396	43
		Short term borrowing		17,043
53,169	3,043	Total borrowings	49,121	21,086
42,911	1,375	PFI and finance lease liabilities	41,468	1,443
42,911	1,375	Total Other Long term liabilities	41,468	1,443
-	6,668	Creditors	-	7,590
96,080	11,086	TOTAL	90,589	30,119

31 March 2021		Financial liabilities and Assets at amortised cost	31 March 2022	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Loans & Receivables		
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued Interest	-	-
-	-	Total investments	-	-
53	7,873	Debtors	40	6,897
-	44,333	Cash Equivalents	-	116,427
53	52,206	TOTAL	40	123,324

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:

Restated 2020/21 £'000	Financial Instruments Income & Expenditure	2021/22 £'000
5,762	Interest expense	5,497
(534)	Interest income	(604)
5,228	Net gain/(loss) for the year	4,893

Restated 2020/21 £'000	Financial Instruments Income & Expenditure	2021/22 £'000
2,735	PWLB borrowing	2,560
3,027	PFI lease interest & contingent rentals	2,937
-	Merton Lease Payment	-
5,762	Total Interest expense	5,497

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.

Restated 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)	52,725	63,187
		Short term Borrowing	17,043	17,043
42,911	42,911	PFI & Other Finance Leases	41,468	41,468
6,668	6,668	Trade and other creditors	7,590	7,590
105,304	127,128	Total Liabilities	118,826	129,288
4,839	7,873	Trade and other debtors	6,897	6,897
53	53	Long term debtors	40	40
44,333	44,333	Cash & Cash Equivalents	116,427	116,427
49,225	52,259	Total Assets	123,364	123,364

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

Note 10 Financial Instruments (continued)

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

- (i) Credit risk - the possibility that other parties might fail to pay amounts due to the LFC
- (ii) Liquidity risk - the possibility that the LFC might not have funds available to meet its commitments to make payments
- (iii) Re-financing risk - the possibility that the LFC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- (iv) Market risk - the possibility that financial loss might arise for the LFC as a result of changes in such measures as interest rates movements

OVERALL PROCEDURES FOR MANAGING RISK

The LFC's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal

framework based on the Local Government Act 2003 and associated regulations. These require the LFC to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the LFC to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The LFC's overall borrowing
 - Its maximum and minimum exposures to fixed and variable rates
 - Its maximum and minimum exposures to the maturity structure of its debt
 - Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for

both investing and selecting investment counterparties in compliance with Government guidance

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

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.

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.

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%

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

The LFC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the LFC's

Note 10 Financial Instruments (continued)

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. GIS funds are instantly accessible.

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 0.42%), and attracted interest of £0.51m. The performance figure is net of fees.

LIQUIDITY RISK

The LFC manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of

Practice. This seeks to ensure that cash is available when needed.

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

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

31 March 2021 £'000	Maturity analysis	31 March 2022 £'000
3,000	Within 1 year	21,043
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
55,725	Total	69,768

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

Note 10 Financial Instruments (continued)

REFINANCING AND MATURITY RISK

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

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

This includes:

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

investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2021	Actual 31/03/2022
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	1,673
(530)	Increase in interest receivable	(1,156)
2,200	Total	517

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
52,725	Total	48,725
	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
52,725		48,725
444	Add accrued interest	396
53,169	Total	49,121

Note 12 Debtors

SHORT TERM DEBTORS

These are as illustrated in the table:

31 March 2021 £'000	Debtors	31 March 2022 £'000
32,851	Central government bodies - Home Office	37,670
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	8,133
(445)	Less: Impairment Allowance for Doubtful Debts	(704)
54,761	Total	61,474

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 increased by £259k during the year to £704k. The aged debt analysis shows that £6.824m (£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	1-2 years	120-365 days	90-120 days	60-90 days	30-60 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sundry debt (ex MFB)	51	62	76	6	122	290	607
Third party claims	5	15	-	-	-	-	20
Metropolitan Fire Brigade (MFB) Act	-	335	5,793	-	-	69	6,197
Total	56	412	5,869	6	122	359	6,824

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.

The major element of the LFC's investments are held and managed in the GLA Group Investment Syndicate (GIS), which is jointly controlled by the GLA, syndicate members including LFC through their respective chief financial officers. The LFC's Treasury Management activities are carried out by the Greater London Authority (GLA) under a shared service agreement and are delivered by GLA Group Treasury. The funds managed under this shared service are invested in the Group Investment Syndicate (GIS), to which the Director of Corporate Services is a syndicate member and the LFC's representative. Funds held within GIS are instantly available to LFC.

31 March 2021		31 March 2022
£'000	Cash and Cash Equivalents	£'000
11	Cash held by the Authority	10
(493)	Bank current accounts	(3,931)
44,815	Short term deposits held on demand	120,348
44,333	Total Cash and Cash Equivalents	116,427

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.

Note 14 Creditors

31 March		31 March
2021	Creditors	2022
£'000		£'000
10,265	Central government bodies – HMRC	10,163
550	Central government bodies – Other	42
184	Other local authorities	484
8,545	Other entities and individuals	14,913
10,636	Accumulated Absences	7,285
19,653	Receipts in advance	22,653
49,833	Total Creditors	55,540

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.

Transitional Arrangements Pensions Case Remedy - Injury to Feelings Claims Provision

Following the McCloud/Sargeant judgment on the unlawful pensions transitional protection, the claimants who brought claims via the Fire Brigades Union (FBU) in 2015 will be entitled to an injury to feelings award. Following legal negotiations, the Government Legal Department (GLD) has now made an offer to settle those claims brought in England and Wales. The LFC has raised a provision based on its number of claimants and the estimated value of the settlement, to provide a provision of £3,630k. There remains uncertainty on the amounts required to settle the claims as a number of cases will require individual determination. With the uncertainties outlined it is expected to be beyond the next financial year before the claims is settled, and this is therefore considered a long term liability. It is expected that funding to meet the costs of

settling these claims will be provided by the Home Office, however confirmation of the specific funding will not be provided until claims are nearer to being settled.

Employer Liability Claims Provision

The LFC has received a number of claims from its employees, following attendance at the Grenfell Tower incident. These claims include claims for Post-Traumatic Stress Disorder (PTSD), and similar injuries, and relate to the circumstances and environment experienced at the incident and therefore entities/ authorities other than LFC are likely to bear a significantly greater share of these and any related liabilities. The LFC has raised a provision for its estimated possible contribution which is based on the number of claimants and the estimated value of any settlement. Using this information, a provision has been made for £1,292k. There remains uncertainty over the amounts that would be required to settle any claims as a number of employees' cases will require individual determination, as well as involving other defendants. With the uncertainties outlined it is expected to be beyond the next financial year before any claims can be settled, and this is therefore considered a long-term potential liability. The cost of any settlement is

expected to be met from amounts received from the insurer.

Public Liability Claims Provision

The LFC, together with other relevant entities/authorities, has received a number of claims in relation to public liability following the Grenfell Tower incident. These claims relate to the impact of, and the circumstances and environment presented at the incident, and therefore entities/authorities other than LFC are likely to bear a significantly greater share of these and any related liabilities. The LFC has raised a provision for its share of the settlement which is based on the estimated value of the settlements and other relevant costs. Using this information, a provision has been made for £10,778k. However, damages costs are expected to be settled within 12 months and therefore shown as a short-term liability. The cost of any settlement is expected to be met from amounts received from the insurer.

In addition, a provision has also been made for Restorative Justice costs at a total of £8.25m. LFC has yet to meet with the claimants' legal representatives to begin discussions which will give LFC an indication of timescales for Restorative Justice. However, LFC currently

expects payments for this will occur through financial years 2024-25 to 2027-28.

Short Term Provisions 2021/22	Public Liability £000	Employer Liability £000	Immediate Detriment £000	Legal £000	Property £000	Motor Insurance £000	MFB Refund £000	MMI Insurance Levy £000	Total £000
Opening Balance	-	-		1,789	-	230	75	-	2,094
Increase/(decrease) in provision during the year	10,778	-		937	2,020	(230)	-		13,505
Utilised during the year							-		
Closing Balance	10,778	-		2,726	2,020	-	75	-	15,599

Long Term Provisions 2021/22	Public Liability £000	Employer Liability £000	Immediate Detriment £000	Legal £000	Property £000	Motor Insurance £000	MFB Refund £000	MMI Insurance Levy £000	Total £000
Opening Balance	-	-		294	-	2,138	510	146	3,088
Increase/(decrease) in provision during the year	8,250	1,292	3,630	(294)		(1,148)			11,730
Closing Balance	8,250	1,292	3,630	-	-	990	510	146	14,818

Note 16 Usable 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 on Provision of Services in the Comprehensive Income and Expenditure Statement. The Usable reserves consist of the LFC's general fund £11.7m and a range of earmarked reserves for specific purposes including the Budget Flexibility Reserves of £101.8m. Movements in the LFC's usable reserves are detailed 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 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 Statement.

Note 17 Unusable Reserves

Restated -31 March 2021 £'000	Unusable Reserves	31 March 2022 £'000
(179,244)	Revaluation Reserve	(203,450)
(168,897)	Capital Adjustment Account	(172,709)
7,155,195	Pensions Reserve	7,067,278
10,636	Accumulated Absences Account	7,285
6,817,690	Total Unusable Reserves	6,698,404

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.

Restated - 2020/21		Revaluation Reserve	2021/22	
£'000	£'000		£'000	£'000
	(175,556)	Balance as at 1 April		(179,244)
(14,319)		Upward revaluation of assets	(32,753)	
8,257		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,193	
	(6,062)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(29,560)
		Adjustment to historical cost depreciation	(3,831)	
1,121		Difference between fair value depreciation and historical cost depreciation	3,420	
1,253		Accumulated gains on assets sold or scrapped	5,765	
	2,374	Amount written off to the Capital Adjustment Account		5,354
	(179,244)	Total Unusable Reserves		(203,450)

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.

Restated - 2020/21		Capital Adjustment Account	2021/22	
£'000	£'000		£'000	£'000
	(173,380)	Balance at 1 April		(168,897)
15,485		Charges for depreciation and impairment of non current and intangible assets	18,707	
		Revaluation losses on Property Plant and Equipment	(935)	
		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	2,206	
	16,534			20,801
(3,776)		Use of Capital Receipts to finance new capital expenditure	(16,399)	
		Adjustment to historical depreciation	3,831	
(1,121)		Adjusting amounts written out to the Revaluation Reserve	(3,420)	
		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)	
	(12,051)			(24,613)
	(168,897)	Balance at 31 March		(172,709)

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 £'000	Pensions Reserve	2021/22 £'000
6,515,486	Balance at 1 April	7,155,196
533,207	Actuarial (gains) or losses on pensions assets and liabilities	(192,061)
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	297,075
(187,908)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(192,932)
7,155,195	Balance at 31 March	7,067,278

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 included in Unusable Reserves on the Balance Sheet, until the benefits are used.

employees earn the benefits. Amounts are transferred to the Accumulated Absences Account, which is

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)
	10,636	Balance as at 31 March		7,285

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.

Restated - 2020/21 £'000	Expenditure and Income Analysed by Nature	2021/22 £'000
497,975	Employee Benefits Expenditure	498,589
38,755	Premises	45,296
16,724	Transport	17,253
32,395	Supplies and Services	32,065
1,957	Third Party Payments	2,068
5,762	Interest Payments	5,497
15,485	Depreciation and Impairment	18,707
609,053	Total expenditure	619,475
(51,938)	Fees, charges and other service income	(38,167)
(534)	Interest and investment income	(604)
15	Gain on disposal of non-current assets	(9,363)
(48,747)	Government grants and contributions	(37,730)
(401,500)	GLA Funding	(405,400)
	Insurance Receipts	(50,000)
(502,704)	Total income	(541,264)
106,349	Surplus or Deficit on the Provision of Services	78,211

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	Expenditure chargeable to general fund £'000	2021/22	Net Expenditure in CIES Statement £'000
		Adjustments between funding and accounting basis £'000	
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	380,413	(31,547)	348,866
Cost of services	380,413	(31,547)	348,866
Other income and expenditure	(404,538)	133,883	(270,655)
(Surplus) or Deficit on Provision of Services	(24,125)	102,336	78,211
Opening General Fund Balance			(9,613)
Transfers (to)/from Earmarked Reserves			21,985
(Surplus) or Deficit on Provision of Services			(24,125)
Closing General Fund Balance			(11,753)

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Other Differences	Adjustments between funding and accounting basis £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	10,084	(38,280)	(3,351)	(31,547)
Cost of services	10,084	(38,280)	(3,351)	(31,547)
Other income and expenditure from the Expenditure and Funding Analysis	(8,541)	142,424		133,883
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,543	104,144	(3,351)	102,336

Note 18 Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2020/21: Restated

Expenditure and Funding Analysis	2020/21			
	Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES Statement	
	£'000	£'000	£'000	
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	383,332	(24,519)	358,813	
Cost of services	383,332	(24,519)	358,813	
Other income and expenditure	(397,600)	145,136	(252,464)	
(Surplus) or Deficit on Provision of Services	(14,268)	120,617	106,349	
Opening General Fund Balance			(12,704)	
Transfers (to)/from Earmarked Reserves			17,359	
(Surplus) or Deficit on Provision of Services			(14,268)	
Closing General Fund Balance			(9,613)	
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for capital purposes	Net change for the pensions adjustment	Other Differences	Adjustments between funding and accounting basis
	£'000	£'000		£'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	9,380	(39,853)	5,954	(24,519)
Cost of services	9,380	(39,853)	5,954	(24,519)
Other income and expenditure from the Expenditure and Funding Analysis	(1,225)	146,361		145,136
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	8,155	106,508	5,954	120,617

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 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

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

Senior Officers

2021/22 Post title and Name	Period	Salary (including fees and allowances) £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
Directors							
Director of Corporate Services and S127 Officer - Sue Budden	01/04/21 – 03/10/21	91,193			91,193	13,902	105,095
Deputy Commissioner, Director of Operations - Richard Mills	01/04/21 – 31/03/22	167,314		0	167,314	49,026	216,340
Director for People - Tim Powell	01/04/21 – 31/03/22	153,477		0	153,477	23,482	176,959
Director for Transformation - Fiona Dolman	01/04/21 – 31/03/22	150,000		0	150,000	22,950	172,950

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

Senior Officers

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

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.

**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 No.	Salary Range	2021/22 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	1
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).

The £99,161 figure shown in the table represent the planned fees for 2021/22 which includes an additional fee proposed by our auditors, EY, for increased regulatory focus and change of scope. An additional fee of £50,891 for 2020/21 was approved by PSAA meaning that the final approved 2020/21 audit fee was £102,853. Additional fees above the set scale fee are subject to approval per PSAA, at the date of authorisation of these accounts, the 2021/22 additional fee has not been agreed and approved.

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

Note 22 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution

is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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 following table.

2020/21	Credited to Taxation and Non-Specific Grant Income	Source of Funding	2021/22
£'000			£'000
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	-
406,472	Total		409,132
£'000	Credited to services	Source of Funding	£'000
21,732	Fire Pensions Grant	Home Office	21,732
	Pensions Remedy Funding	Home Office	420
3,457	New Dimensions & USAR Grant	Home Office	3,457
1,760	Fire Covid 19 Grant	Home Office	1,142
197	New Risks grant	Home Office	223
-	Innovate UK	Innovate UK (formerly Technology Strategy Board)	16
0	Spacecombat	Home Office	8
177	Fire Safety Grant	Home Office	-
6,157	Fire Contingency Grant	Home Office	-
2,206	Merton Regional Control	Home Office	2,182
160	Local Resilience Fund	Home Office	-
32	Mass Fatalities Regional Capacity	Home Office	32
5,518	Building Risk Review	Home Office	-
-	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)	-
43,775	Total		33,998

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.

The Mayor of London sets its budget, approves the London Safety Plan and has the power to direct the London Fire Commissioner but must

act reasonably and must not cut across responsibilities of the Fire Commissioner.

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 £'000	Capital Expenditure and Financing	2021/22 £'000
150,028	Opening Capital Financing Requirement	158,183
13,431	Tangible Operational Assets	10,129
5,568	Tangible Non Operational Assets	6,531
86	Intangible Assets	68
	Sources of finance	
(3,776)	Government grants and other contributions	(16,399)
	Sums set aside from Revenue to Fund Capital Expenditure	
(7,154)	Minimum Revenue Provision	(8,625)
	Other Movements	
158,183	Closing Capital Financing Requirement	149,887
	Explanation of movements in year	
8,227	Increase/(decrease) in underlying need to borrow	(7,955)
8,227	Increase/(decrease) in Capital Financing Requirement	(7,955)

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 £'000	Other Long Term Liabilities	31 March 2022 £'000	Note
42,911	Long Term PFI Properties	41,468	
3,055	Merton RCC Straight Line payment	2,983	
2,244	Deferred Credit	1,896	
7,155,194	Pensions Liability	7,067,280	28
7,203,404	Total	7,113,627	

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 £57.5m 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 £'000	Deferred liability £'000	Income & Expenditure Account £'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
Balance as at 31 March 2022	5,699	42,910	4,324
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
Balance as at 31 March 2021	5,685	44,285	4,348

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	1,489	7,007	12,202	12,649	9,821
Interest Costs	2,845	10,350	10,493	7,035	2,054
Contingent Rentals	83	240	(372)	(14)	230
Total	5,860	23,917	31,069	32,531	25,646

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
Total	5,723	23,336	30,257	31,613	32,125

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

FINANCE LEASES

The LFC hold one finance leases at 31st March 2022, for the 9 fire stations provided under the PFI contract.

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
<i>£'000</i>	<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
4,312	4,034	Not later than one year	4,287	4,011
16,942	13,468	Later than one year and no later than five years	16,670	13,262
58,745	25,728	Later than five years	54,730	24,624
79,999	43,230	Total	75,687	41,897

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. This would be all the normal operating lease expenditure in CIES plus the straight line payment for Merton RCC. The future minimum lease payments payable under non-cancellable leases in future years are:

Restated - Land & Buildings	Vehicles, Plant & Equipment	Operating lease payments	Land & Buildings	Vehicles, Plant & Equipment
31 March 2021	31 March 2021		31 March 2022	31 March 2022
£'000	£'000		£'000	£'000
8,122	3,620	Not later than one year	8,047	2,879
31,548	9,497	Later than one year and no later than five years	31,440	7,813
36,817	1,195	Later than five years	25,133	-
76,487	14,312	Total	64,621	10,692

The Authority had no subleases. There were contingent rents in 2021/22. The contingent rent is the difference between the minimum lease payment and the actual amount paid (£425k).

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 £0.232m.

Exit package cost band £'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 No.	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 £000	2021/22 £000
0 - 20	0	0	1	0	1	0	20	0
20 - 40	0	0	0	2	0	2	0	51
40 - 60	0	0	2	1	2	1	101	44
60 - 80	0	0	0	2	0	2	0	137
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	232

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 2021/22, being at 31 March 2019. 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.

Note 28 Pensions (continued)

MCCLLOUD/SARGEANT JUDGEMENT

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

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.

Note 28 Pensions (continued)

Local Government Pension Scheme 2020/21 £'000	Firefighter's Pension Schemes 2020/21 £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2021/22 £'000	Firefighter's Pension Schemes 2021/22 £'000
		Cost of Services		
15,933	131,670	Current Service cost	22,959	131,560
		Past service costs/(gain)	156	
		Financing and Investment Income and Expenditure		
4,835	141,520	Net Interest expense	5,535	136,890
451		Administrating expenses	132	
21,219	273,190	Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	28,782	268,450
		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)	(53,483)	
(5,880)		• Actuarial (gains) and losses arising on changes in demographic assumptions	(15,507)	
135,682	652,900	• Actuarial (gains) and losses arising on changes in financial assumptions	(27,477)	(82,850)
(6,897)	(191,990)	Experience (gains) and losses on defined benefit obligation	(9,370)	(3,490)
		Other		
93,916	734,100	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(77,055)	182,110
		Movement in Reserves Statement		
(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	(28,782)	(268,450)
10,457	177,450	Employers' contributions payable to scheme	11,490	181,440
		Benefits paid directly to beneficiaries		
(10,762)	(95,740)	Actual amount charged against the General Fund Balance for pensions in the year.	(17,292)	(87,010)

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 Number 2020/21	FPS Number 2020/21	Membership of Schemes	LGPS Number 2021/22	FPS Number 2021/22
854	4,297	Actives	983	4,297
721	1,318	Deferred Pensioners	734	1,318
1,435	8,890	Pensioners*	1,527	8,890
282		Unfunded Pensioners	265	

* Includes injury pensioners

LGPS Average Age 2020/21	FPS Average Age 2020/21	Membership of Schemes	LGPS Average Age 2021/22	FPS Average Age 2021/22
48	41	Actives	47	41
49	44	Deferred Pensioners	52	44
71	66	Pensioners	71	66
75	-	Unfunded Pensioners	76	-
-	71	Injury Pensioners	-	71

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

Note 28 Pensions (continued)

Local Government Pension Scheme As at 31 March 2021 £'000	Firefighter's Pension Schemes As at 31 March 2021 £'000	LFC Pensions Obligations	Local Government Pension Scheme As at 31 March 2022 £'000	Firefighter's Pension Schemes As at 31 March 2022 £'000
669,492	-	Present value of the defined benefit obligation	641,735	-
(401,926)	-	Fair Value of plan assets	(458,562)	-
267,566	-	Net	183,173	-
18,199	6,869,430	Present value of the unfunded obligation	14,047	6,870,060
285,765	6,869,430	Net liability arising from defined benefit obligation	197,220	6,870,060

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

Local Government Pension Scheme 2020/21 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2021/22 £'000
347,143	Opening fair value of scheme assets	401,926
7,079	Interest Income	7,103
	Re-measurement gain/(loss)	
50,208	• The return on plan assets excluding the amount included in the net interest expense	53,483
	• 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	(132)
401,926	Closing fair value of scheme assets	458,562

Note 28 Pensions (continued)

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

Funded Liabilities Local Government Pension Scheme 2020/21 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2020/21 £'000		Funded Liabilities Local Government Pension Scheme 2021/22 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2021/22 £'000
549,449	6,312,780	Opening Balance at 1 April	687,691	6,869,430
15,933	131,670	Current Service cost	22,959	131,560
11,914	141,520	Interest costs	12,638	136,890
3,145	23,580	Contributions from scheme participants	3,352	22,480
		Re-measurement (gains) and losses:		
(5,880)		• Actuarial gains/losses arising from changes in demographic assumptions	(15,507)	
135,682	652,900	• Actuarial gains/losses arising from changes in financial assumptions	(27,477)	(82,850)
(6,897)	(191,990)	• Experience loss/(gain) on defined benefit obligation	(9,370)	(3,530)
(948)		Unfunded pension payments	(948)	
-		Past service cost	156	
(14,707)	(201,030)	Benefits paid	(17,712)	(203,920)
		Liabilities extinguished on settlements		
687,691	6,869,430	Closing balance at 31 March	655,782	6,870,060

Note 28 Pensions (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the assets the LFC's share of Fund assets is approximately 5.98%

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 13.39% 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.

As at 31 March 2021	Fair Value of Fund Assets	As at 31 March 2022
£'000		£'000
223,158	Equities	258,406
92,227	Target Return Portfolio	97,913
34,324	Infrastructure	48,413
35,432	Property	40,539
16,785	Cash	13,291
401,926	Total	458,562

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	11,490	10,217
Firefighters Schemes	50,125	50,662
Total	61,615	60,879

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 20 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 final 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.

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.

Note 28 Pensions (continued)

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2020/21		Mortality Assumptions		2021/22	
LGPS	Fire Service Pension Schemes		LGPS	Fire Service Pension Schemes	
Age 65	Age 65	Average Future Life expectancy as at	Age 65	Age 65	
Retiring today	Current pensioners				
21.5 years	21.4 years	Male	21.5 years	21.5	
23.6 years	21.4 years	Female	23.6 years	21.5	
Retiring in 20 years	Future Pensioners				
22.4 years	23.1 years	Male	22.4 years	23.2	
25.5 years	23.1 years	Female	25.5 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 sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 28 Pensions (continued)

SENSITIVITY ANALYSIS

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

Local Government Pension Scheme	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	643,515	655,782	668,411
Project service cost	17,439	18,088	18,763
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	656,858	655,782	654,713
Project service cost	18,098	18,088	18,078
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	667,248	655,782	644,642
Project service cost	18,757	18,088	17,445
Adjustment to discount rate	+1 year	None	-1 year
Present value of total obligation	690,048	655,782	623,334
Project service cost	18,901	18,088	17,305

Note 28 Pensions (continued)

FIREFIGHTERS' PENSION SCHEMES

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

Change in financial assumption at year ended 31/03/2022	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	(9.00%)	(627,000)
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%	514,000

Comparative figures at year ended 31/03/2021:

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

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.

Grenfell Tower Claims

The LFC, together with other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, Alternative Dispute Resolution (ADR) process to determine a settlement however there are claims outside of the ADR process for which uncertainty remains on the amounts that may be required to settle any claims and how the potential liabilities may be shared across the defendants. At the time of authorisation of these accounts there is insufficient information available to estimate the contribution of any claims outside of the ADR process. At Note 2 we have outlined estimates of the financial impact this uncertainty could have on the provisions included within these accounts.

The Employer's Liability provision disclosed at Note 15 is based on claims packs received so far and an estimate for outstanding claim packs. This estimate could be subject to change as and when the remaining claim packs are received, and more information becomes available.

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 31/03/2021 Amount (£)	Category insured	As at 31/03/2022 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 to the 31st March 2025. 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
31/03/23	£13.6m	£91.9m
31/03/24	£13.6m	£67.9m
31/03/25	£13.6m	£64.3m

Our expected General Fund and Earmarked Reserve position would have a predicted balance of £13.6 million and £64.2 million as at 31 March 2025. This is below our minimum level of GF balances as set by the LFC's CFO of 3.5 per cent of net revenue expenditure which is £15.6m. The General Fund which will be

supplemented to return to the minimum level after a transfer from the Budget Flexibility Reserves in 2023/24, following approval by the LFC.

The agreed budget for 2023/24 includes a number of assumptions and key risks. These include significant risks regarding inflationary pressures both on contracts and the cost of pay awards for staff. The LFC has budgeted for a 5% pay award for all staff in 2023/24 and 2% in 2024/25.

In addition, following the outcome of a recent legal case on pensions additional pensions payments will also be required for affected firefighters from the pension fund, which could have cashflow implications for the LFC. Operational staff spend volatility also continues to be a risk, in particular due to the financial impact of high levels of pre-arranged overtime (albeit an action plan has now been implemented to reduced unbudgeted overtime costs). The LFC's training requirement, in particular on Urban Firefighting, continues to be reviewed as well and this may result in further financial pressures in 2023/24 and beyond.

On funding, whilst the Mayor has provided indicative funding levels for up to 2025/26, there is significant uncertainty about the level of

funding for future years due to a number of risks on the funding available to the Mayor, through retained business rates and the council tax, as well Government decisions on funding, including the spending/fair funding reviews.

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

Restated - 2020/21 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2021/22 £'000
(12,181)	Depreciation of Non Current Assets	(18,428)
(1,354)	Impairment, Impairment Reversal and Revaluation of Non Current Assets	935
(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	(252)
(39)	Increase/(Decrease) in inventories	(216)
19,902	Increase/(Decrease) in debtors	6,700
(2,494)	(Increase)/Decrease in creditors	(5,707)
521	(Increase)/Decrease in provisions	(24,984)
(106,102)	Pension Fund costs adjustment	(104,144)
6	Other Non cash items	18
(106,443)	Net cash (inflow)/outflow from operating activities	(155,150)

Note 33 Cash Flow Statement – Operating Activities

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

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

2020/21 £'000	Investing Activities	2021/22 £'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	-
16,685	Net cash flows from investing activities	670

2020/21 £'000	Financing Activities	2021/22 £'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
6,337	Net cash flows from financing activities	(12,224)

**FIREFIGHTERS' PENSION FUND
ACCOUNT AND NOTES**

Firefighters' Pension Fund Account Notes

2020/21		Firefighters' Pension Schemes Fund Account	2021/22	
£000	£000		£000	£000
		Contributions receivable		
		- from employer		
(51,425)		- normal	(50,119)	
(1,201)		- early retirements	(1,051)	
(52,626)			(51,170)	
(22,854)		- from members	(22,405)	
	(75,480)			(73,575)
		Transfers in		
	(836)	- individual transfers in from other schemes		(68)
		Benefits payable		
152,972		- pensions	156,082	
27,100		- commutations and lump sum retirement benefits	27,870	
-		- back dated commutations		
222		- lump sum death benefits	138	
	180,294			184,090
		Payments to and on account of leavers		
-		- refunds of contributions		
-		- individual transfers out to the other schemes		
800		- other - interest due on back dated lump sums		
-		- interest due on back date commutations lump sums	552	
	800			552
	104,778	Deficit/Surplus for the year before top up grant receivable/amount payable to central government		110,999
	(104,778)	Top up grant receivable from/amount payable from central government		(110,999)
		- Grant received from central government for back dated commutations		-
		- Net amount payable/receivable for the year		-
<hr/>				
31/03/2021		Net Assets Statement	31/03/2022	
£000			£000	
57		- Recoverable overpayments of pensions	66	
28,470		- Top up receivable from/(payable to) Government	37,669	
(28,527)		- other current liabilities	(37,735)	
-	-		-	-

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.

Firefighters' Pension Fund Account Notes

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

CONTRIBUTIONS

Employees and employers contribution levels are set nationally by CLG and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighter's pension regulations the employer's contribution rates as a percentage of pensionable pay is increased following the 2019 valuation to 37.3% for the 1992 scheme, 27.4% for the 2006 scheme and 28.8% for the 2015 scheme from 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

2020/21 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2021/22 2015 Scheme %
11.0	Up to and including £27,818	11.0
12.9	More than £27,819 and up to and including £51,515	12.9
13.5	More than £51,516 and up to and including £142,500	13.5
14.5	More than £142,501	14.5

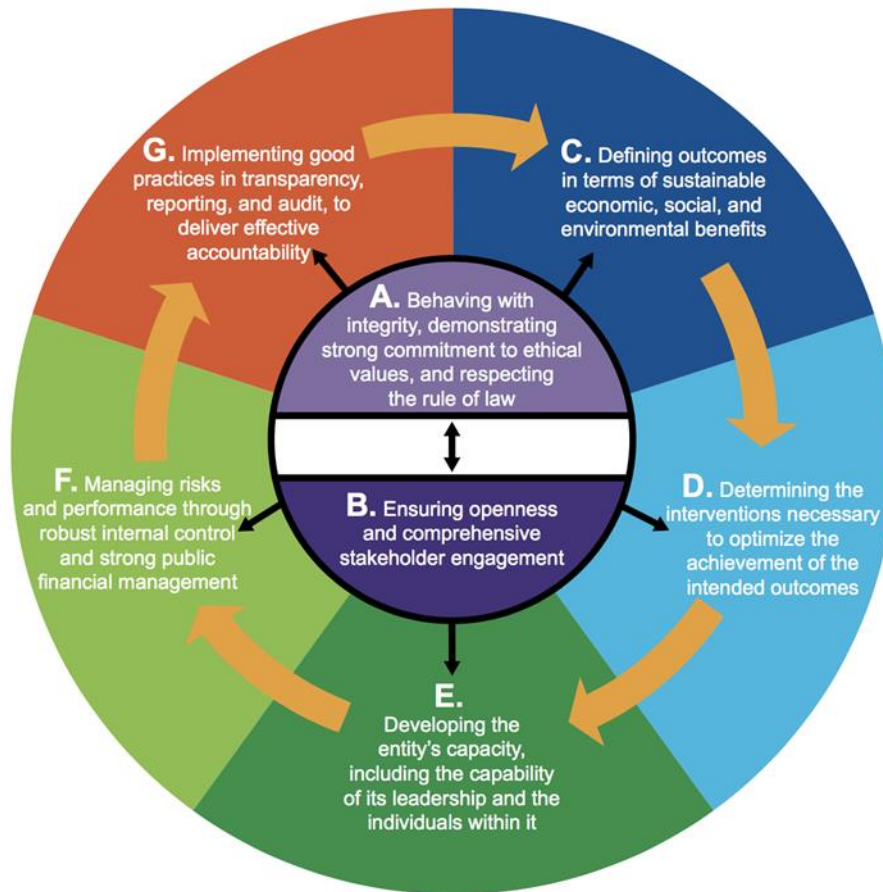
ANNUAL GOVERNANCE STATEMENT

London Fire Commissioner

ANNUAL GOVERNANCE STATEMENT 2021/22

Introduction

0. Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement.
1. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a [London Fire Commissioner Governance Direction 2018](#) in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for Fire and Resilience's consent and those on which the Deputy Mayor for Fire and Resilience needs to be consulted. It also requires the LFC to follow the Greater London Authority (GLA) practice on staff political restrictions, based on those in the Local Government and Housing Act 1989. In addition, the functions of the LFC shall be exercised by the office holder to fulfil the commitments given by LFEPA as a signatory to the GLA Group Corporate Governance Framework Agreement.
2. This Annual Governance Statement for 2021/22 reflects the governance arrangements in place under the LFC.
3. The LFC's governance framework is based on the CIPFA/SoLACE *Delivering Good Governance in Local Government Framework 2016* which requires the LFC to be responsible for ensuring that:
 - business is conducted in accordance with all relevant laws and regulations
 - public money is safeguarded and properly accounted for
 - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
4. The CIPFA 2016 review promotes writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style; striking a balance between providing the right amount of information to satisfy transparency while not being too onerous for users to understand. This statement has been produced with those considerations in mind.
5. The "core principles" underpinning the CIPFA/SoLACE Framework are set out below:



The key elements of the LFC's governance framework at the London Fire Brigade (LFB) are set out below against these core principles.

Table 1: How the LFC meets the principles under the CIPFA framework

CIPFA Principle	How the LFC meets the principle
<p>Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law</p>	<ul style="list-style-type: none"> • Behaving with integrity through leadership is provided by the LFC, the Top Management Group and senior officers • Behavioural framework outlining the behaviours expected of all employees in the organisation at all levels, following the leading self, leading the function and leading the service model. The Behavioural framework focusses on compassion, togetherness, accountability and the Togetherness Strategy and action plan focusses in part on leadership skills and behaviours. This is supported by a scheme of governance, anti-fraud measures, and whistleblowing procedures which are reviewed as and when required, and not less than every three years • Director of Corporate Services is the Head of Paid Service and is responsible for all LFC staff • Director of Corporate Services is the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration • Decision making framework and scrutiny and review arrangements (see para 7 below) • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements

CIPFA Principle	How the LFC meets the principle
<p>Principle B – Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Public consultation on London Safety Plan (and ongoing work to implement its successor, the Community Risk Management Plan), which is the Brigade's integrated risk management plan detailing how the Brigade will address risk in the community • Multi-agency working arrangements on the incident ground and through day to day business with partners to improve community safety, including Ambulance Driver Assist during the COVID-19 pandemic • Community safety youth programmes including Education Team, Fire Cadets,) and Juvenile Fire setters Intervention Scheme (JFIS) and community engagement programmes working with local/emergency service partners • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with NFCC, London Resilience Group and the Government, including co-ordination in relation to the pandemic • Utilising online digital communication channels such as Twitter, Facebook and YouTube to promote engagement with the service
<p>Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<ul style="list-style-type: none"> • LFC's Transformation Delivery Plan setting out the LFC's purpose, vision and strategy for the Brigade, delivered through a new Target Operational Model • Current London Safety Plan - extended for one year in 2022 - with specific commitments and performance indicators for key service areas. • LFC's Sustainable Development Strategy and Togetherness Strategy which are specific strategies focussing on inclusion, social impacts, sustainability and the environment • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety • Equality impact analyses and sustainable development impact assessment procedures

CIPFA Principle	How the LFC meets the principle
<p>Principle D – Determining the intervention necessary to achieve intended outcomes</p>	<ul style="list-style-type: none"> • Quarterly Business Risk and Assurance Framework reports to provide updates on the development of organisational assurance in relation to LFB's principal risks and key controls necessary to meet strategic priorities and objectives. • Quarterly corporate performance report tracks the performance of all the Brigade's activities in terms of key performance indicators and commitments against the London Safety Plan. The report also highlights remedial actions being taken where slippage does occur. • Monitoring of performance against the Transformation Delivery Plan, HMICFRS and Grenfell Tower Fire action plans which combined set a clear vision, strategy, and action plan for the Brigade's priorities • The LFC, via the Commissioner's Board, the Deputy Mayor, and the London Assembly (via the Fire Resilience and Emergency Planning Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • Transformation Delivery Plan setting a clear vision, strategy, and action plan for the Brigade's priorities • Monitoring of performance through the Togetherness Board, against the Togetherness Action Plan which drives activity outlined in the Togetherness Strategy. • Assurance activities undertaken by the Independent Operational Assurance Advisor linked to Operational Learning and Improvement.

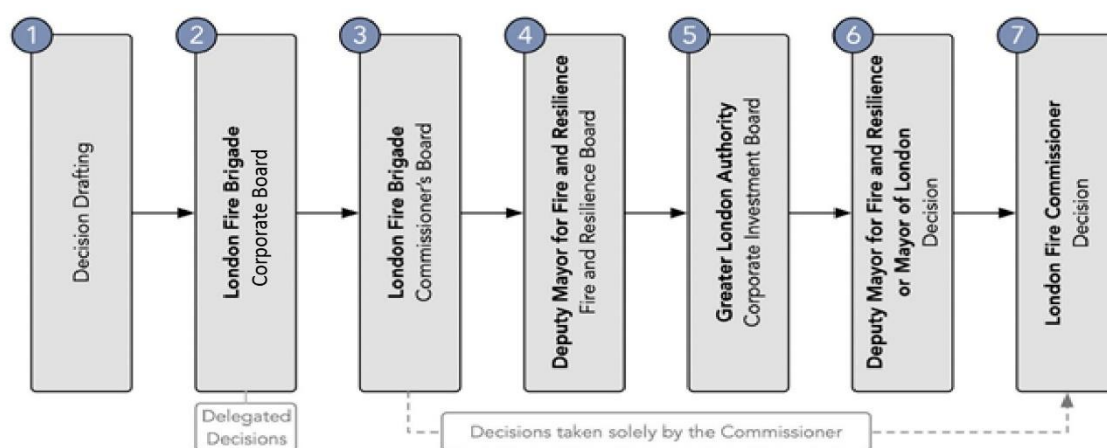
CIPFA Principle	How the LFC meets the principle
<p>Principle E – Developing capacity, including the capability of leadership and individuals within the Brigade</p>	<ul style="list-style-type: none"> • A long-term organisational learning and professional development strategy that enables the Brigade to clearly identify its training needs and deliver effective learning interventions and which provides a competence, skill and behaviour benchmark for all staff across the workforce • Investment in training, Learning Management System and Big Learning (an online learning portal) • Training partnership with Babcock Training Limited • Reflective learning from operational incidents or exercises (operational staff) • A middle leadership programme • Maintenance of skills through development and maintenance of operational professional (DaMOP) • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way including national arrangements such as National Interagency Liaison Officers (NILOs).

CIPFA Principle	How the LFC meets the principle
<p>Principle F – Managing risks and performance through strong internal control and financial management</p>	<ul style="list-style-type: none"> • Corporate risk register identifies strategic risks • Performance, Risk and Assurance Board monitors risk and performance against corporate priorities, ensuring corrective actions are taken when necessary • Review of strategic risks as part of the quarterly performance reporting cycle • Budgetary control systems and monthly budget reporting scrutinised at Finance & Investment Board, • Scheme of delegation • Monitoring financial spend and outcomes/profiling of departments • Continued scrutiny by Audit Committee comprised of independent members supported by LFB staff
<p>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Information Risk Officer (SIRO) and Data Protection Officer roles • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls • Held to account by Deputy Mayor • Fire, Resilience and Emergency Planning Committee review and scrutiny of LFC decisions and can challenge policy • External audit of Brigade's systems of internal control • Assurance via appointment of independent Operational Assurance Advisor

Decision-making framework and scrutiny

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

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

Review of effectiveness

9. The LFC uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements in reviewing effectiveness, is the annual report and opinion of the external auditors. Another significant element is the internal audit function conducted on behalf of the LFC by the Mayor's Office for Policing and Crime (MOPAC). MOPAC is fully compliant with Public Sector Internal Audit Standards (PSIAS). Internal audit covers key governance processes, risk management and internal controls. During 2021/22, MOPAC reported on several areas, including all key financial systems. The internal auditors' opinion for 2021/22 was that, based on the areas audited, the LFC's control framework is adequately designed although some controls are not operating effectively to mitigate key system risks.
10. Corporate governance processes have been operating as intended throughout the year. A summary of the governance outcomes is shown below:

Issues identified	Performance in 2021/22
Formal reports by Section 127 or Monitoring Officer	None issued.

<p>Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations</p>	<p>There were two issues to report:</p> <ol style="list-style-type: none"><li data-bbox="874 264 1391 1115">1. A joint finance and Monitoring Officer report was produced to LFC via Commissioner's Board on 23/11/21 regarding an error that had arisen because elements of pay were treated as pensionable when they were non-pensionable. The result was that the pensionable pay for 19 senior officers of the London Fire Brigade was overstated for one year, 2020/21. As a result, the affected staff paid additional pension contributions and employer contributions were also made that needed to be corrected and reported to The Pensions Regulator (TPR) as a breach of the law in the event it was regarded as of 'material significance'. Remedial steps were taken in respect of those affected and action taken to avoid future recurrence.<li data-bbox="874 1211 1391 1906">2. On 11/08/21 a joint finance and Monitoring Officer report was presented to the LFC regarding a Pension Ombudsman finding of maladministration. Whilst a Monitoring Officer report was not strictly required under the provisions of Section 5 Local Government and Housing Act 1989, it was considered in the spirit of the legislation that such report be made. The matter concerned the manner in which the LFC dealt with the medical reports on health retirement in that case. Remedial action has been taken to change the process and training to officers has been provided.
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Proven frauds carried out by members of staff	No fraud cases have been identified in 2021/22, although any potential cases raised are investigated with support from internal audit as necessary
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2021/22, nor were there any previous authorisations that continued into 2021/22.
Complaints/compliments received from members of the public	A total of 87 complaints were received. These have been actioned accordingly. In addition, a total of 235 compliments were received during 2021/22.
Number of whistleblowing cases	<p>There were three cases which qualify as whistleblowing items during 2021/22.</p> <ol style="list-style-type: none"> 1. Allegation of fraud in relation to ill-health retirement – enquiries completed which did not suggest further action be taken. The referral related to an ill-health retirement many years ago for reasons not directly linked to those raised in the referral. All relevant paperwork and reviews regarding the ill-health retirement had taken place. 2. Health and safety - referral about concerns that LFC staff were not complying with guidelines relating to precautions against Covid and the approach taken by the LFC regarding this. Review conducted by Assistant Director Health and Safety who was satisfied that there had been adequate messaging and that steps had been taken; for example, spot audits had been introduced to ensure compliance. 3. Health and safety referral in respect of vehicle maintenance via Babcock contract. A review was undertaken however no concerns identified. An independent audit was commissioned which made recommendations to further improve consistency, quality and efficiency of vehicle inspections. These recommendations have been accepted by Babcock and an action plan has been put in place.

KEY AREAS FOR IMPROVEMENT 2021/22

Governance Review

11. The 2020/21 Annual Governance Statement highlighted work to develop LFB's governance framework, specifically around its board arrangements and the engagement of the newly-established Audit Committee, as one of the key areas of improvement for 2021/22.
12. Work has been undertaken to review the Directorate Board structure and whether it facilitates the effective oversight and scrutiny of the delivery of the strategic pillars and corporate priorities as set out in the Transformation Delivery Plan. The conclusion was that the existing board structure concentrated too much focus on the transactional clearance of reports moving through the governance framework, constraining sufficient time for strategy, horizon scanning, creative discussion and assurance work (as envisaged within the Business Assurance Framework). Additionally, it was recognised that work was ongoing to develop and implement the portfolio management function which would identify core programmes of activity based on new strategic priorities and outcomes.
13. A minor reorganisation was introduced which involved the creation of a high-level, strategic layer of board governance to address people, performance and risk, operational service delivery and financial oversight. This was achieved through the establishment of a Finance & Investment Board and a Performance, Risk and Assurance Board, complementing the already-established People Board, Operational Delivery Board, Portfolio Board and independent Audit Committee. Under those revised arrangements, directorate portfolios and management responsibilities were separated from corporate board responsibilities.
14. Embedding the revised board arrangements and continuing the transition to a portfolio governance approach will be a key focus of activity for 2022/23 and beyond. As with any such change there will need to be an assessment made of the effectiveness of the new arrangements and whether any further changes are required. This will be addressed as part of next year's annual governance statement.

The Audit Committee

15. The Audit Committee was introduced in November 2020 to provide more robust scrutiny and assurance of LFB's financial, risk and governance and other internal control arrangements. Comprised of independent audit experts, the committee supports the strategic pillar delivering excellence in the Transformation Delivery Plan by contributing to the provision of effective audit assurance.
16. With a wide-ranging remit a consideration for the new committee was the development and refinement of its annual workplan and the challenge of prioritising areas of scrutiny at each of its five meetings without duplicating work undertaken across other sections of the Brigade. Operating from a position of review, the committee has moved towards a thematic approach where each meeting will dedicate time to analysing a key corporate risk with deep dives undertaken to better understand the landscape within which it exists, whilst also retaining an overarching view of Brigade-wide matters through scrutiny of periodic integrated reports such as the quarterly business risk and assurance framework and annual reports such as the annual governance statement and statement of accounts.

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17. There is a concern expressed by its members that the volume of work passing through the committee is unsustainable and that the monitoring of the annual workplan will therefore remain under review.
18. The formal scrutiny work undertaken at Audit Committee meetings has been supplemented by informal work undertaken by its committee members to better understand and acquaint themselves with the operation of the London Fire Brigade. Over the past 12 months committee members have undertaken visits to the Control Centre and attended high rise inspections with the Fire Safety Team.
19. Feedback on the operation and effectiveness of the Audit Committee has been positive and its work well received by the LFC and the Deputy Mayor for Fire and Resilience. The Audit Committee has, since its inception, become a key component of the governance structure at LFB and is fulfilling its objective to provide effective audit assurance.

Delivery Against the Brigade's Transformation Blueprint

20. The Transformation Delivery Plan (TDP) articulates the Brigade's strategic intent for transformation and is the vehicle for ensuring delivery against the Grenfell Tower Inquiry and HMICFRS recommendations. By the end of 2021/22, considerable progress has been made to deliver the TDP with a total of 96 (73%) actions completed, including 29 (72%) GTI recommendations and 17 (65%) HMICFRS recommendations, together with 50 TDP actions. Of significance, delivering risk critical incident command and leadership training has progressed with the establishment of an in-house Incident Command Team and the delivery of ongoing Continuous Professional Development sessions to all senior managers.
21. Throughout 2021/22, a range of disciplines were developed, including a business assurance framework and a portfolio management capability, that would be necessary to help the Brigade move toward a service-based culture, to prepare for the delivery of the future CRMP and a new strategic intent through a new Target Operating Model (TOM) and an annual delivery plan of key change activities which would supersede the TDP.

To deliver the volume of change articulated in the 22/23 annual delivery plan the Brigade has structured the work as a portfolio of change (the Transformation Portfolio). All change activities that are significant in terms of cost, scale, complexity and/or impact have been placed on the portfolio as part of a number of programmes of work which will be monitored by the Brigade Portfolio Board. This will result in a portfolio of change that is more visible, has clearer accountability, and can be prioritised and resourced more effectively. The annual delivery plan does not seek to identify all activity that will be undertaken by the Brigade over the 2022/23 year, rather it identifies those matters which will, amongst other things, result in transformational change. Towards the end of the 2021/22 financial year, the Brigade was undergoing a mobilisation period to prepare the structures and processes for when additional delivery resources were in place to support the activity.

Assessment of Risk (AoR) and Developing the Risk Assurance Framework

22. The Brigade's outward facing Assessment of Risk, which provides a comprehensive evaluation of risks in the community, has progressed significantly during 2020/21 and is now based on a widely-used approach to risk assessment which identifies risks and scores them for likelihood and impact, producing a comparative risk matrix. An academic and peer review to challenge the robustness of the approach which underpins the AoR was undertaken and which elicited recommendations that were focussed on the need for the Brigade to be more transparent about its methodology. Work continues to finalise the structured approach to

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risk reduction that will respond to the AoR and incorporating that into the prioritisation of initiatives that will be delivered as part of the TOM.

23. The Brigade's internal risk management framework to enable it to identify and manage significant risks to the organisation itself also progressed significantly during 2020/21. Following a number of risk workshops with senior officers during the latter part of the previous financial year, the Brigade's risk management strategy was revised in May 2021 alongside a refresh of the risks in the risk management system. Significant (red and amber level) risks are now reviewed regularly at Corporate Boards, and the Commissioner's Board and are subject to external scrutiny by the Audit Committee. The risk register refresh work is also informing the Brigade's approach to business assurance and the development of an Enterprise Assurance Framework (EAF) to focus assurance processes on the Brigade's key processes and key risks which will continue to develop into next year.

Development of new Performance Metrics

24. The new Head of Performance Improvement has been working closely with the TOM team and colleagues across all relevant departments to develop new performance metrics for 2022/23 and longer-term metrics which will enable LFB to monitor delivery of the CRMP and supporting TOM. The metrics developed in 2021/22 to be rolled out for 2022/23 are based on those in the London Safety Plan with stretch targets where relevant. Scrutiny of performance against those metrics and any remedial actions that are to be implemented will be undertaken by the Performance, Risk and Assurance Board, with assurance reporting provided to the Commissioner's Board and the Deputy Mayor's Fire and Resilience Board.

Culture change

25. As detailed in the 2020/21 statement, the LFC announced in March 2021 that the LFB would carry out an independent review of its culture which will assess the extent to which the brigade and its employees have created a culture free from discrimination, unfairness and inequality. Nazir Afzal OBE was appointed as Chair of the review in November 2021 and has commenced the review, appointing a team to support him and beginning to engage with staff across the brigade. This includes an anonymous all-staff survey that recently closed. Nazir's report was published on 25 November 2022. The LFC accepted all of the recommendations in the report and announced immediate steps to tackle discrimination, harassment and bullying.

Resourcing Issues in Finance Department

26. Resource capacity management has been a challenge for the Finance Department, most especially, the Corporate Finance Section. This challenge has had a huge impact on the ease of access to historic information and on expected progress in responding to audit queries with little or no access to quality third party evidence. This is because the section has struggled with high level of staff turnover, most especially, the exit of transactional middle level staff and long serving staff in joint total of over 50 years working experience at the LFB.
27. The Corporate Finance section has had to contend with a number and variety of challenges that increased the demands placed on the section, including the following:

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Statement of Accounts has had additional elements added with changes to the audit regime and response to the pandemic and the TDP, alongside the reducing timeline to complete the accounts and for the new financial year.

Turnover in staff with the resultant gaps in resources and the added pressure on managing recruitment. For the Corporate Finance Section there was unfilled permanent vacancies and challenge with filling most roles on the interim as a result of market demand.

Recruitment and Retention Challenges leading to recurring recruitment, induction and training challenges.

The recruitment and retention challenges that the department has faced have been significant and are an indication that change was required. The Corporate Finance section is looking to improve the current dilemma through a continued process of recruiting interim staff to ensure gaps are filled whilst permanent recruitment is progressed.

This resource capacity management has been a historic challenge of over two years. Key roles continue to be filled by interim staff. The Finance restructure has now been approved and work now started on recruiting to the new Finance structure, with progress on this expected to be helped with market-facing pay allowances for hard to recruit roles ahead of the planned FRS pay review.

Key areas of improvement for 2021/22	Planned action
<p>Carried forward from 2021/22:</p> <ol style="list-style-type: none"> 1. Progress and delivery against the transformation blueprint 2. Governance Review 	<p>Expected delivery of:</p> <ul style="list-style-type: none"> - Portfolio approach - Risk strategy and register refresh - Community Risk Management Plan - Assurance framework <p>Refinement of Audit Committee workplan</p> <p>Improved Board functionality, structure and memberships</p>
<p>New and carried forward for 2022/23:</p> <ol style="list-style-type: none"> 1. Continued progress against the transformation blueprint 2. Organisational learning and culture 3. Revised Corporate Board structure 	<p>Expected delivery of:</p> <ul style="list-style-type: none"> - A new Community Risk Management Plan - The annual delivery plan 22/23 - The portfolio governance approach <ul style="list-style-type: none"> - The culture review - Revised performance management arrangements, including the middle leadership programme <ul style="list-style-type: none"> - Post-implementation review of effectiveness

The continuing impact of CoVID-19 during 2021/22

28. The Brigade's strategic objectives in response to the coronavirus pandemic were set out in the year-end report for 2019/20 and 20/21. The focus has since moved from response to recovery while maintaining a resilient service in the case of alternative virus variants being identified and continued waves of the pandemic having an impact across London and the entire UK.
29. Throughout the disruption the Brigade has managed to operate at a steady state with all critical activities (i.e. those activities necessary for the delivery of key Brigade services) have continued to be managed as per our Business Continuity arrangements. During the winter peak of 2021/22, the Brigade had its highest level of sickness absence since the start of the pandemic. Commissioner's Continuity Group (CCG) meetings continued to take place to manage the response to this situation and to maintain the resilience of the service. With exceptional efforts from the Establishment and Performance Team (EPT) and Brigade Coordination Centre (BCC), London Fire Brigade continued to meet the needs of London communities.
30. Brigade staff continue to adapt to a changed way of working that has been brought about by the pandemic. There is a recognition that living with Covid-19 is a new norm so officers remain focused on ensuring that the health, safety and wellbeing of the workforce is the best that it can be.
31. The Brigade has completed an equalities impact assessment of Covid-19 and the associated equality impacts on the Brigade. All staff completed an individual Covid-19 risk assessment that identified their individual risk from known factors such as their age, gender, ethnicity and health status, allowing for managers to identify specific additional risk controls required to keep staff at higher individual risk from poor health outcomes safe.
32. Following the Second and Third Waves, Lessons Learnt reports have been compiled by Business Continuity which take a broad-spectrum look at how the Brigade has handled two years of the pandemic, including realising some of the ways in which the Brigade has found benefits to some ways of working and the outlook for the months ahead.

Financial and governance implications of coronavirus on the Brigade

33. The pandemic has placed additional cost pressures on the Brigade which have been predominantly 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 were significant impacts on operational staffing levels at the height of the Omicron variant in December 2021 and the requirements to self-isolate. This 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).
34. In terms of the impact on governance arrangements, there continues to be minimal impact. Governance and decision-making meetings were and will continue to be conducted virtually through Microsoft Teams.
35. As the Brigade transitions to a post-COVID environment, hybrid working arrangements have been introduced using a mix of station-based staff, office and home locations to provide the full range of Brigade services.

Equalities considerations

36. The Brigade, under the leadership of the LFC, takes the Public Sector Equality Duty very seriously. The LFC's approach is embodied in the 'Togetherness' Strategy, which has a dedicated externally-

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facing pillar which includes a number of strategic objectives and actions directly relating to how we advance equality of opportunity, foster good relations and eliminate discrimination in the communities we serve and protect. These are important deliverables in terms of how the Brigade governs itself and has been aligned with the TDP.

37. The Togetherness Board, chaired by the LFC, convenes regularly to steer, review and direct inclusion work across the organisation, with decisions directed to People Board. The Togetherness Board liaises with the Representative Committee so issues can be raised and this governance is in place to support delivery. The Togetherness Strategy, Board and Action Plans are currently being reviewed to reflect the changes to the organisation and improve programme management processes. This will align with the new Delivery Plan and reflect other strategic organisational direction.
38. Decisions presented to the LFC have direct reference to 'Equalities Implications' in the report, explaining how the decision complies with the Equality Act 2010, considering due regard in relation to protected characteristics and wider inclusion implications. There may be a supporting Equality Impact Assessment (EIA) which helps support governance processes providing further detail, statistical analysis and commitments to further work. Other projects, decisions and policies are also required to have approved Equalities Impact Assessments.

Equality in the community

39. Normally, LFB carries out around 80,000 Home Fire Safety Visits (HFSVs) annually and in addition to reducing fire risk, crews also ensure that referrals are made to specialist services such as safeguarding and to the Metropolitan Police (MPS) and/or London Ambulance Service (LAS) depending on the issue. COVID-19 has significantly impacted the number of face-to-face HFSVs that can be conducted, with visits reduced to those of a risk-critical nature, and performance for 2020/21 shows that 17,321 visits have been completed. Nevertheless, the development of a 'virtual' HFSV package will help to mitigate this going forward and provide new opportunities for engagement with our communities.
40. A pilot of Borough Engagement plans which have accompanying EIAs has successfully been rolled out across nine Boroughs which have improved our ability to understand and deliver services to all protected characteristic groups and increase accessibility; the production of these EIAs will be rolled out to the remaining Boroughs in the next year.
41. The LFB, LAS and MPS also work together to support vulnerable young people through joint delivery where possible at a borough and pan London level through cadets, junior citizens, "prison me no way" and youth boards. However, schools visits and other community initiatives have been seriously impacted by COVID-19 this year. Local Intervention Fire Education (LIFE) has been suspended for the whole of 2020/21 and will be discontinued from April 2021 with resources permanently diverted into fire cadets and community safety.

Equality for our staff

42. The first pillar of the Togetherness Strategy relates to the Transformation Delivery Plan pillar of 'the best people and the best place to work', with a number of strategic objectives and actions to support LFB to achieve best practice in recruitment, training, representation, retention and staff experience.
43. The Brigade supports eleven Equality Support Groups who act as a support and consultative mechanism for decisions, where these may affect different groups of staff. A further two support groups supported by our Trade Unions also act as the Brigade's critical friend and all 13 support

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governance processes by contributing to consultation of EIAs as well as sitting on the Representative Committee.

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

Equality in recruitment

45. One of the Brigade's key priorities is to increase the number of women and ethnically diverse members of the community joining the Brigade as trainee firefighters. LFB has an Outreach Team who are engaging with these target groups through community and partner-based activities, to increase attraction rates. Since the recommencement of trainee firefighter recruitment in early 2022, the new intake continues to meet corporate indicator targets for both firefighter appointments from women (12 appointments– 37 per cent) and ethnically diverse (15 appointments– 47 per cent) applicants.

Conclusion

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



Andy Roe
London Fire Commissioner

Date 26 July 2023

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.